

**PUBLIC AND PRIVATE SECTOR  
COOPERATIVE OPPORTUNITIES IN THE  
FINNISH HEALTHCARE  
INTERNATIONALIZATION**

**Views from the public sector's perspective**

Master's Thesis  
in International Business

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# 1 INTRODUCTION

*“There’s a need for accepting responsibility – for a person’s life and making choices that are not just ones for immediate short-term comfort. You need to make an investment, and the investment is in health and education.”*

*Buzz Aldrin*

## 1.1 Healthcare globalization

Improvements in healthcare have drastically improved the life expectancy, while new innovations in technology and treatments are to prolong life continuously. However, at the same time the progress creates considerable challenges to consider and to overcome. According to McKinsey&Company (2013a) healthcare has now become the world’s largest industry exceeding even the banking sector by three times in value as well as in cost. The growth and size of the global healthcare sector is a result from a continuous spending on healthcare over the last four decades. On average the developed countries spending on healthcare has exceeded GDP growth by 2 percent, which has been fully supported and possible due to the considerably fast economic growth in the developed countries.

However, in the current slow growth –state of the world economy and while the formerly developing countries such as the large BRIC countries (Brazil, Russia, India and China) have gained a good foothold on the path for growth and development, there is little chance today for the developed countries to achieve such enormous growth figures of GDP. Governments and healthcare leaders of the developed countries have understood that continuous indefinite increases on healthcare cannot be sustained anymore. This in turn has caused the developed countries to diversify their existing systems in the recent years and to look for new opportunities to find growth. It has also become the great challenge confronted by the healthcare sectors around the world today to take care of more people with improving results at lower costs. (McKinsey&Company 2013b.)

At the same time healthcare has become more global as the global growth together with free movement of goods and services under the World Trade Organization (WTO) and other bi-lateral and regional agreements have sped up the liberalization of trade in healthcare services (e.g. Holden 2003, 287). This in turn has had significant effects on the possibilities of healthcare sector as a service-based industry to internationalize by making healthcare services as more tradable commodities. Free flow of patients, health professionals, health technologies and capital regardless of national boundaries has in turn given rise to new forms of healthcare services consumption. This in turn has allowed many different ways for internationalization such as medical exports. For

example, one of the most significant and largest contributors to internationalization has been the increased flow of patients to other nations and continents seeking for better treatment, which is known more commonly as medical tourism. (Lunt, Smith, Exworthy, Green, Horshall & Mannion n.d., 6.)

According to Gahlinger (2008, 185-188) over 50 countries in the world had already by 2008 identified medical exports as a national industry and were modifying their existing healthcare systems more suitable for purposes of medical travel by international consumers. Adapting to these changes in the global healthcare market and reforming for being able to take in international customers as Gahlinger (2008, 185-188) points out has also meant significant reforms in the respective healthcare sectors in administrative and legal systems as well as supportive services. These reforms, however, together with opening up to a wider global market have been seen as a rather lucrative opportunity to relief the cost issues and the issue of doing more with less as also was discussed in the report by McKinsey&Company (2013b).

For example, medical travel as a form of healthcare internationalization has in the recent decade grown into a very considerable market with tremendous opportunities (McKinsey&Company 2013b). Especially when considering medical exports it can be considered as more convenient to move the patient than to move the services due to their nature and requirements for different healthcare equipment and other patient-treatment related support services and tasks. For this reason, and due to the undeveloped nature of the international market in many instances, healthcare service exports today seem to refer most often to medical travelling (e.g. Gahlinger 2008; the Ministry of Employment and the Economy 2011a).

However, while acknowledging that today healthcare internationalization to a large extent consist of medical exports and patient travel, in this study the healthcare services internationalization refers to all activities relating to cross-border movement of services, including exports and patient travel. The reason behind this is the study's purpose of understanding the field on a more general level than just focusing solely on a specific aspect of exports such as the patient travel in order to understand the future possibilities. It was also considered interesting and beneficial by the author to keep a broader view in order to establish a view on which methods for internationalization are seen as the most lucrative ones. However, it is also worthwhile to consider statistics and work done on patient travel and exports in this work in order to give an understanding of the current situation of the internationalization through medical exports. As further discussed below relatively little statistics are in fact available on patient flows or healthcare services across borders in general in Finland because no clear activities for patient travel exist at the moment (e.g. the Ministry of Employment and the Economy 2011a, hereafter abbreviated as the MEE).

Despite the globalization of healthcare services, patient travel and many countries' reforms on their healthcare systems to take in international patients, relatively little is known about the market what comes to data in numbers and flow of medical exports

between countries and continents. In fact, there seems to be rather no exact agreeable figures or estimates on the monetary value of healthcare exports in general, and the views on the market size differ greatly. According to a report by Lunt et al. (n.d.) to OECD, the most used estimates are statistics published by two large global management consulting companies: Deloitte Management Consultancy, which seems to have higher estimates, and McKinsey&Company with relatively more conservative estimates. For instance, in 2008 Deloitte estimated there to have been roughly 750,000 outbound US medical tourists against the McKinsey&Company’s estimation of only 60,000 to 85,000 individual medical tourists per year globally, of which outbound US tourists would have been only from 5,000 to 10,000 persons. Taking into consideration that the outbound US medical tourists are assumed to present as little as a tenth of the total medical tourists globally as is presented by Ehrbeck, Guevara and Mango (2008) and discussed upon shortly, this would mean according to their estimations in turn roughly 7,500,000 global medical tourists highlighting the difference between the estimations. The disparity in the figures and estimates is most probably caused by differences in definitions of medical travelers and due to the gaps in the data. However, despite the differences in the data and in the size of the current existing market everybody tend to agree that the market is a growing one with tremendous opportunities for its actors today as well as in the future.

An extensive study by Ehrbeck et al. (2008) for McKinsey&Company mapped the medical travel in the world showing percentage amounts of traveling patients to other continents and countries as follows:

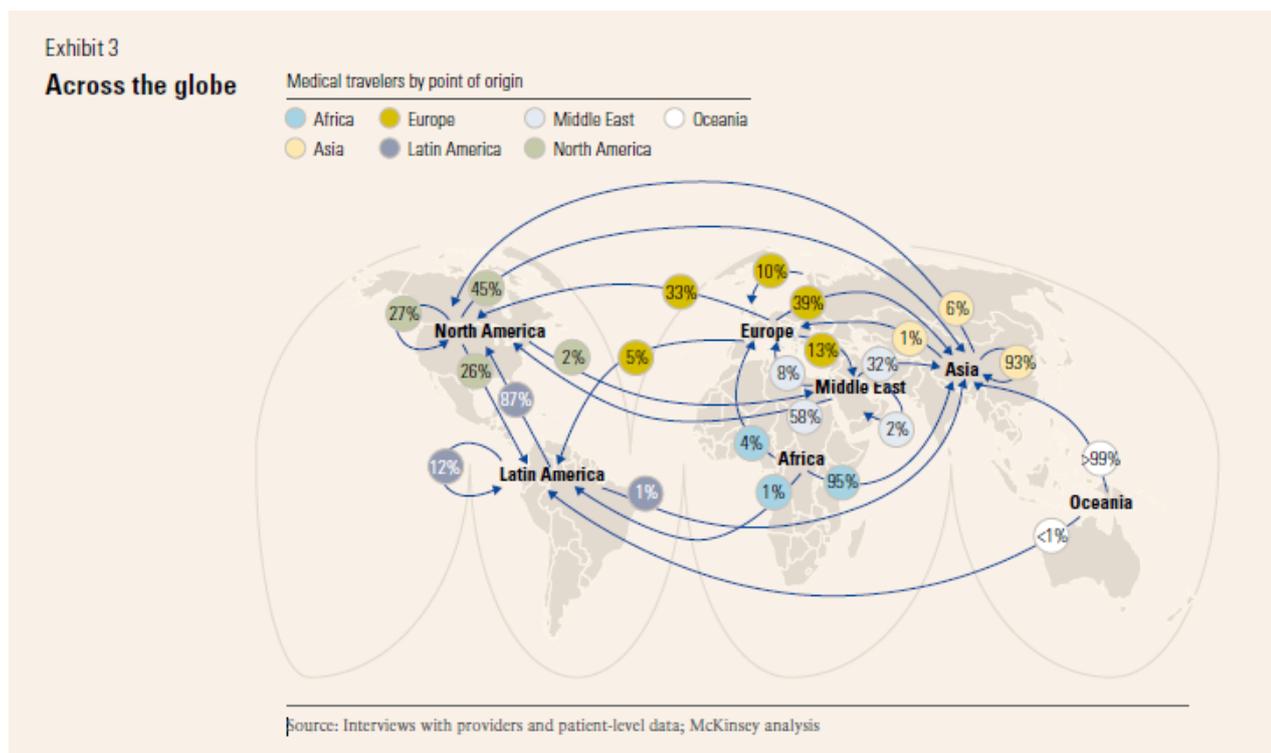


Figure 1: Medical travelers by point of origin (Ehrbeck et al. 2008, 5)

Therefore, even when the absolute numbers of global medical exports are not known making it difficult to estimate the patient flows between continents and countries in monetary terms, the above presented figure can give a good understanding of the dimensions of medical exports between continents. In the study the patients traveling for treatment were evenly split from low and high GDP countries<sup>1</sup>, and were travelling for treatment to every continent. (Ehrbeck et al. 2008, 5.) Based on the figure it can be concluded that medical travel, as forming a major part of current medical exports, is truly a global phenomenon. Even when most European countries are considered to have a very high level of healthcare knowledge and skills, and some of the countries are regarded as the top healthcare providers in the world what comes to quality of the service, very little patients from other continents seem to travel to Europe. Especially from the highly developing BRIC-countries there seems to be very little travelers to Europe. Considering the growth of the developing Asian countries and the market potential that they represent the map shows that Europe has not been seen as a lucrative place for healthcare treatments. For example, only 1 % of the Asian medical tourists, who can be considered to represent a tremendous amount of people and opportunities in the future, travelled to Europe for treatments in 2008.

Based on the above it can be argued that there most definitely is need for improvement in Europe on healthcare exports and medical tourism as a part of it. According to Ehrbeck et al. (2008, 2) most of the medical travellers are seeking for the world's most advanced technologies, higher quality or a faster access to medical care to treat their medical problems, and little attention is seen to be placed on the prices of the treatments. These underlying reasons would easily suggest Europe to be a good place for treatments, which it – based on the study – however does not seem to be.

Also, even though at its current state the estimates done on medical exports regarding the exports are still rather low, the market is seen to have great potential for growth. The benefits for private and public providers attracting international patients are tremendous as they have the opportunity to lower excess capacity, increase revenues per bed, increase the institutions global as well as local stature, and possibly raise the skill-level of healthcare personnel especially in areas, where over-capacity does exist. (Ehrbeck et al. 2008, 2, 6.) These facts together with the above discussion clearly point out the need for development of global medical exports in Europe and engaging more strongly in the rising international competition over global patient flows. Engaging in global healthcare exports can yield considerable advantages in the future and bring opportunities to solve some of the cost issues of healthcare service sector today. This in turn will also have an effect on Finland and its healthcare system, which shall be discussed next.

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<sup>1</sup> Ehrbeck et al. (2008) defined the threshold between low- and high-GDP countries to be at the GDP of \$25,000 PPP per capita.

## 1.2 Background to the study

The healthcare services industry in Finland has for long retained within the country boundaries as the sector has been mainly publicly run, and the focus of the public sector has been on its responsibility of taking care of the citizens of the country (Orava 2001, 235). In Finland publicly run social and healthcare business industry actors and companies produce services of which production is regulated by law as the task of the municipalities. The proportion of production by municipalities and federations of municipalities of the total production of service business supply was on average 70 percent in 2011, although there are also great variances between the quality levels of these services affecting the average estimations. The growth of entrepreneurship within the field has been substantial in social services, while in healthcare and especially in special healthcare the services are produced mainly in the governmental hospitals and special hospital districts including the university hospitals instead. (The MEE 2011a, 9.)

However, patients and information have been crossing borders in an increasing manner even today. The trend is towards more open markets, increasing internationalization of healthcare as a professional service, and new business opportunities especially through new private healthcare providers, of which one example is the above-discussed global patient flows and companies forming around it. The increasing networking of healthcare service operators contributing to a large extent to the increasing and distinct trend of medical service internationalization will in the long-term seriously challenge the national-based and tax-financed healthcare systems such as the healthcare system of Finland, and have already done so in some instances. (Orava 2011, 235.) This has already also been seen as an upcoming challenge by the Finnish government, which in its strategic initiative to strengthen the prerequisites for Finnish healthcare services internationalization calls for changes in the social policy arrangements to allow necessary changes to the existing system and its activities. The matter is for example already under discussion in Finland through the proposed, but yet undecided upon, social and welfare reform.

According to the initiative, and as suggested by the report of the working group lead by Nordic Healthcare Group (NHG) to the Finnish Ministry of Employment and the Economy (the MEE), there are plenty of opportunities in social and welfare services for internationalization and export activities. From the suggestions of the report this study is especially interested on the view that in the short-term the greatest potential was seen on high-skill and knowledge requiring medical procedures and treatments (the MEE 2011a, 7), which would imply the strengthening of medical tourism in Finland and interest to develop such activities. It was also suggested, and thus taken as a strategic initiative to establish an internationalization network within the industry that shall focus in the short-term on the above mentioned potential and in the long-term on developing and enforcing the internationalization and exports of the healthcare service sector. The MEE (2011a) suggested placing considerable effort on the welfare sector in developing a new

operational model for developing social and welfare service concepts and for productization of research knowledge and expertise through the proposed internationalization network.

Lately within the recent years a lot of talent, effort and assets have been placed by the Finnish government and its actors such as the MEE on improving and strengthening of the internationalization and export prerequisites by Finnish companies in the healthcare industry. However, despite the decision to build the export network between the actors in the healthcare service industry, it remains as a challenging task to achieve. The private sector actors are rather small in size and seem to be more interested in the domestic patients and market rather than achieving growth from abroad, because they have not felt the need to internationalize in the current market situation of healthcare services in Finland (the MEE 2011a, interview with Juha V. Virtanen 2013).

In turn, due to the nature and structures of the Finnish healthcare system also the public sector can have a considerable role in the development of exporting activities in cooperation with the private sector as the aims and actions regarding internationalization and exports are decided in the municipalities and federations of municipalities (the MEE 2011b, 10). However, the public sector actors are currently constrained to a large extent by law to carry out the tasks subjected to them in producing healthcare services and taking care of the nation's citizens, which in turn restricts their possibilities in internationalization (the MEE 2011a, 9). At the same time their active participation can be seen vital as high skill-levels requiring medical procedures and treatments have in Finland been focused on to central university hospitals in practice. In fact, over 95 percent of the healthcare's very high-skill and knowledge requiring services are produced in the public sector, for which reason no large steps can be taken in internationalization and exporting without pondering especially the roles and possibilities of special hospital districts in selling their services to customer coming to treatment from abroad. Therefore, the functioning of an export network would require a lot of effort and resources from the private sector, or large-scale structural changes and political decisions in the public one to allow such operations. (The MEE 2011a, 9.)

The government's central role is to provide the preconditions so that the whole healthcare services industry has the spurs and opportunities to fare in the toughening international competition of healthcare services. Selling of high know-how and skills requiring medical treatments and services to solvent patients coming to Finland for treatment can be seen as a positive opportunity to the development of the service system and the entire field of business. The potential revenue flow is a valuable complement to the financing of the public healthcare services. Also adequate enough number of patients advances the upkeep of the personnel's skills and know-how while also develops them. The productization and pricing required by such activities increase cost awareness and thus also increase the prerequisites for the improvement of productivity in the whole service system. The new patient directive prepared by the European Union

(the EU) and its fulfillment requires preparedness in every case from the producers of the services for export activities including international cooperation. (The MEE 2011b, 10.) Therefore, such an internationalization network as planned by the MEE aiming for exporting of Finnish healthcare services together with the public and private sector actors can be seen as a good, and a rather lucrative, opportunity for Finland. This can also be considered especially timely concerning the cost pressures on public services due to the widening of the sustainability gap.

### **1.3 The purpose and structure of the study**

This study is conducted as a part of a bigger study on the development of Finnish healthcare services. The purpose of the larger study conducted for KELA, the Finnish Social Insurance Institution, by the Turku School of Economics at the University of Turku's Center for Collaborative Research (CCR) is to create a thorough overview on the development of the healthcare service industry in Finland due to the changes in the industry in recent years and because no thorough analysis on the Finnish healthcare service industry has been done in recent years. The overall purpose of the research is to describe the development and main drivers of the healthcare industry, and also to create an understanding of the regional markets' development and current state in regards to prices and structure. The aim is to create thorough foundations to recent industry analysis, based on which it would be possible to continue in an effort to pursue international publishing.

This study in turn was conducted as a smaller sub-part of the larger study the purpose being to discuss one evident development direction and a driver of the healthcare industry in Finland: Its internationalization. As already pointed out, the traditional publicly and domestically run healthcare sectors are phasing many change pressures, but also opportunities from abroad, which need to be responded to. This study leans largely to the strategic decision of the Finnish government proposed by the Ministry of Employment and the Economy (MEE) in 2011 to build an export network between the public and private actors in the healthcare industry aiding for better export opportunities and increased internationalization. Instead of focusing purely on exports as mainly suggested by the report by the MEE (2011a) this study will look at the internationalization of Finnish healthcare services in general as it clearly has not yet been established as a field of business, and as furthermore exports at the current state are considered only one viable option for internationalization. Therefore, internationalization in this study refers to all such activities that a company or an institution may use to enter a foreign market including exports. The purpose of the study is to discuss the use of public-private partnership (PPP) model and theory as means of internationalization strategy for Finnish healthcare services in cooperation between the private and public sectors.

The original topic was to be discussed from the viewpoint of private healthcare service companies and providers in an attempt to seek what kind of opportunities for internationalization they have and how they could build networks with governmental institutions and public healthcare providers in the internationalization network process for export opportunities. However, as discussed earlier the preliminary research on the topic showed that they have little possibilities and interests towards different internationalization activities. The nature of the healthcare services industry as largely publicly operated with some private healthcare operators possesses a challenge for internationalization of private healthcare service operators. Also, to a great extent private companies seemed to be more interested on domestic patients and opportunities arising from within the country as more healthcare services are shifting from being publicly arranged to privately produced, for which reason they did not consider internationalization or exporting as viable strategy at the current state of their development. (MEE 2011a; Preliminary interview with Juha V. Virtanen 2013.) This is also to show that there is clearly a lack of interest within the private healthcare service providers to internationalize at the time of this study in 2013, which would need to be solved before any internationalization networks can be properly build between the sectors.

Little interests and possibilities for the private healthcare service providers in the case of an export network being built between the private and public actors in the healthcare industry would thus mean that the public healthcare providers would have a very determining role in the network. This in turn poses a challenge for this study the purpose being to understand the possibilities and options of the private sector in healthcare services internationalization in cooperation with the public sector.

A solution for the problem can be found from another similar study based on the British healthcare services sector transformation for internationalization. Holden (2003) argues in his study on *'Actors and Motives in the Internationalization of Health Businesses'* based on the internationalization of the British National Healthcare Service (NHS) that a substantial problem for private healthcare service operator internationalization is that traditional internationalization theories do not work for private healthcare services operators in traditional publicly operated healthcare sectors. In fact, it is argued that in such complex service businesses such as healthcare these theories have little relevance in practice as the market and activities are often strongly affected by the state owned actors, and therefore the market activities of smaller healthcare companies are influenced by political decision making carried out by the larger public side largely preventing effective market-based business operations. Considering the recent development of the Finnish healthcare service sector this can be argued to be the case as well. Therefore, Holden (2003, 291) suggests looking at the internationalization of healthcare services sectors instead through the discipline of international political economy, which places the relationship between the state and the firms in the center of the analysis. Based on his study on the NHS internationalization

the indication was that in understanding the development of private sector in welfare services the overall key is the relationship between the firms and states, i.e. private and public actors.

Therefore, the relationship between the public and private actors plays a crucial role in the internationalization of private healthcare services, and in understanding the possibilities of the private sector in internationalization, which in turn is well in line with the purpose of this study. At the same time despite the few governmental reports on the internationalization network there has not been research done on the public sector actors' views on internationalization, which based on Holden's work on the internationalization of NHS – a very similar healthcare system compared to the Finnish one – plays a crucial role in the internationalization process of also Finnish healthcare services, and therefore also clearly points out a gap in the current research of the topic.

For these reasons the study will focus instead on public healthcare service providers. The purpose is to gain knowledge and understanding on how the public actors see the internationalization of healthcare services and the suggested exporting network model between the private and public sectors through PPP activities in order to create better understanding on the possibilities of the private sector actors. Therefore, the research question of the study is as follows: *“How do public sector actors perceive Finnish healthcare services internationalization in cooperation with the private sector in a public-private partnership?”* The topic will be discussed through the following sub-questions:

- What are the reasons for Finnish healthcare services internationalization from the public sector's perspective?
- What are the strengths, weaknesses, opportunities and threats for internationalization in a partnership?
- How do the public sector actors see the establishment of such a partnership in practice?

The research is conducted on two of the largest public sector actors in Finland – Turku Central University Hospital and Helsinki Central University Hospital – by interviewing the personnel from both hospitals at three different organizational levels: Directors of the hospitals, development officers, and neurosurgeons. The directors and development officers are assumed to be able to give the best possible picture of the public sector's opportunities as individuals while the neurosurgeons considering their high-skill and knowledge level are assumed to already have had some internationalization experiences as they represent the highest skill potential for internationalization. Interviewing neurosurgeons on the topic was also suggested by the Development Manager of the Turku Central University Hospital.

This study will focus purely on how the public sector actors' representatives see the formation of the proposed internationalization network in cooperation with the private sector and on what their opportunities could be in it. As the previous studies have been

done on the authoritative level of Finnish government institutions, it is interesting to see how the representatives of different levels in the two Central University Hospitals of Finland see the formation and activities related to it more practically.

The study will begin after the first introductory chapter with the second chapter by reviewing what has been written about services internationalization in general then focusing on internationalization of professional services and healthcare services as a professional service. The third chapter will then focus more on reviewing Finnish healthcare services internationalization and building a view of the current situation of the potential of the internationalization network in Finland. The fourth chapter focuses then on the internationalization of services through public-private partnerships, after which the methodology of the study will be presented in chapter five followed by the empirical findings in chapter six and conclusion of the study in chapter seven. As the last, chapter eight will draw together the study in a summary.

## 2 SERVICES INTERNATIONALIZATION

For long periods of time traditional goods manufacturing has dominated the global trade arena, whereas services – distinguished from goods as most cited by characteristics of intangibility, inseparability, perishability and heterogeneity (Netland & Alfnes 2007, 5) – have played a smaller role due to their nature. However, during the recent decades the world economy has had an increasing trend towards globalization coupled with liberalizing agendas on service businesses, which in turn has also meant profound implications for many traditional service businesses. Even when the extent and significance of services internationalization has been fiercely debated on over the years, most of the researchers agree that there is a considerable and inevitable increase in them. (Holden 2003, 287-288.)

At the same time the service sector, on the broad scale consisting of non-manufacturing industries, is becoming increasingly important and even critical to global business activities (Rose & Rammal 2013) as many traditional industries, even manufacturing ones, have felt the need to take into account the ever increasing demand for services. According to the World Investment Report 2012 by United Nation's Conference on Trade and Development, foreign direct investments (FDI) reached a new height in services amounting to a total of \$570 billion, which represents a total of 40 percent of the total FDI in 2011. And this change has not been felt just in the developed part of the world, but also in the developing countries. For example, the service-sector inflows of FDI into China surpassed the manufacturing sector for the very first time in 2011. What this means is an enormous effect on the global trade and different industries as many industries are reforming and finding new potential ways to make business on the global market. According to Rose & Rammal (2013) this trend is also expected to be sustained due to the developing countries continuous liberalization in their service sectors.

However, regardless of the trend towards services and the liberalization of service sectors around the world, services internationalization is a rather challenging task at hand. Firstly, there seems to be relatively little research on services internationalization compared to its importance in today's global economy (e.g. Grönroos 1999; Netland & Alfnes 2007; Merchant & Gaur 2008; Rose & Rammal 2013). Secondly, services internationalization is to a large extent affected by the difficulty to internationalize due to its nature and intangibility. Therefore, this study will have a brief look at earlier literature on services internationalization, after which the focus will be placed to professional services in internationalization. Considering the lack of research in general on services internationalization it is important to understand the nature of professional services in general before focusing on a more specific level of healthcare services internationalization.

## 2.1 Earlier literature on services internationalization

Considering the fact that today the service industries in the most developed countries create more than two thirds of the economic activities (Netland & Alfnes 2007, World Trade Organization 2013), the research on the topic seems to lag behind today, and does not reflect the real position of the services in the world economy. While the internationalization of manufacturing companies has been researched quite thoroughly during the last 60 years (Netland & Alfnes 2007, 3), the research on internationalization services has been rather slow despite the fact that academic research on services internationalization seems to have begun developing during the 1980's due to a rapid increase in the marketing of services globally (Knight 1999, 347). Holden (2003) makes a notion that most of the studies done concerning internationalizing business environments and multinational corporations are focused on manufacturing companies, whereas services have had a minor part in the studies. Even today, as Rose and Rammal (2013) point out, the internationalization of services continues to be under-researched despite its evident importance to the global business environment. Netland and Alfnes (2007, 1, 13) agree by looking at professional services stating that despite the fact that professional service firms increasingly enter new international markets, the research on internationalization of services does not reflect the change in the industry. The matter of under-research is highlighted by a study conducted by Kundu and Merchant (2008, 373) who, considering four key international business journals – Journal of International Business Studies, Journal of World Business, International Business Review, and Management International Review – found out that only 50 scholarly studies had been conducted on service-sector multinational enterprises (MNEs) between 1971 and 2007 resulting two a less than two articles published per year.

According to Rose and Rammal (2013), from this existing literature most of the research has focused on entry modes service-sector firms use in accessing new markets (e.g. Blomstermo, Sharm & Sallis 2006; Grönroos 1999). For example, Grönroos (1999, 290, 295) focused on the general entry modes and different types of internationalization strategies for services including direct export of services, systems export, direct entry mode, indirect entry and electronic marketing with the conclusion that the success of service internationalization lies on customers' acceptance of foreign services depending on ethnocentric tendencies. Also a notion was made that depending on the service internationalization governments may hinder foreign firms from entering a market, which calls for relationship developing with governmental institutions before other internationalization strategies can be considered.

On the other hand, Blomstermo et al. (2006, 211-212) focused on making the notion that while service firms may internationalize and enter foreign markets in a variety of entry modes including, but not limited to, exports, licensing, establishing subsidiaries or creating joint ventures, the choice is systematically influenced by the amount of control that can be kept depending on the type of the internationalizing service, i.e. soft or hard.

According to Rose and Rammal (2013), this view is supported also by other scholars claiming the entry-mode choice to be influenced by the nature of the provided service making a separation between soft and hard services. Hard services – which by definition are services in which production and consumption are not closely attached, and thus can be separate processes – cause them to internationalize easier through exporting (e.g. Blomsterno et al. 2006; Erramilli 1991). According to Erramilli (1991, 57), such hard services are similar to physical goods in that the consumption and production of the service can be fully decoupled. On the contrary, soft services – meaning services, in which the production and consumption happen rather simultaneously, and to which most of the healthcare services can be related to for example – have been seen to internationalize via contractual entry modes such as through foreign direct investment (FDI), franchising or licensing (Rose & Rammal 2013), and according to Erramilli (1991, 57) they are also limited to those choices.

However, even with the separation of services into soft and hard categories they are not as mutually exclusive as services often are considered to be. Especially in the field of healthcare the services are often so diverse that they in many cases form rather a continuum, a bridge between the two, along which different types of services can be classified to. As pointed out by Rose and Rammal (2013), many goods include some intangible aspects – services – and many services on the contrary contain some tangible components – goods –, which blurs the difference between the two even further. This serves as a highlight to the fact that, and as Erramilli (1991, 59) points out as well, various service industries have remarkable diversity, and therefore the market entry choice poses a challenge for any organization considering internationalization depending on the service and the environment. As pointed out by Rose and Rammal (2013), many service-related activities such as healthcare activities can be, and are, performed through contractual or collaborative relationships, which in turn cause rather complex ownership strategies and considerations in internationalization. This complexity in turn calls for sophisticated decision making when it comes to large and complex high-skill level requiring industries such as healthcare, which could then prove rather challenging or nearly impossible to make considering the structure and complexity of the Finnish healthcare system, and it at its most demonstrates the need of careful planning and decision-making in formation of an internationalization network. Due to the complexity, and as Rose and Rammal (2013) call for, a fine slicing of activities and efforts in optimizing location allocations at the level of the activity could prove beneficial. However yet this could also be proven challenging in the fine-tuned environments of specialist services such as Finnish healthcare services.

The complexity of service internationalization makes the topic an interesting one to look at. As described above, the field of internationalizing services is rather complex with many variations, while yet being a highly under-researched one. In the limitations of this thesis, however, and due to the complexity of internationalizing services, the focus of the following chapters will be on research done and related to

internationalizing professional services and further on healthcare services and their internationalization processes. The purpose of looking at professional services internationalization is to go deeper in the field of specialist services internationalization to give the reader a deeper background understanding of healthcare services internationalization as one form of a specialist service. Also, a lot of research has been done regarding internationalizing of healthcare equipment and manufacturing, but a lot less regarding services in the same field for which reason it is necessary to have a look at what has been studied in regards to healthcare services internationalization.

The purpose will be to focus on journals and articles written in recent years, however not that many studies seem to exist that are suitable for the discussion, for which reason also some older articles and journals will be considered. As the healthcare services sector has been rather stagnant to internationalization, also older studies can prove insightful into the topic.

## **2.2 Professional services internationalization**

Based on a literature review on articles during 1999-2005 about internationalization of professional services by Netland and Alfnes (2007, 4) there exists no generalization on services internationalization over different professional services industries. One of the major reasons for this based on their study is that there seems to be no common classification for services (e.g. Knight 1999), and as suggest by their study the absence of consensus on what is classified as a service is preventive on generic theory building on services internationalization. In the absence of generic theories on professional services internationalization, it is important to look in general what has been studied about professional services internationalization before focusing on healthcare services as a specific type of professional services as it will lay the foundations on understanding healthcare services internationalization. Also, in the absence of a general classification on professional services, a broad approach will be used to discuss the nature of professional services in internationalization. Therefore, in this discussion professional services refer to all such services that are generally referred to as professional and that usually require high-level of knowledge and education. Some examples of such professional services would thus be accounting, consulting, healthcare and law (Netland and Alfnes 2007, 4).

According to Netland and Alfnes (2007, 1, 15), the three most important and profound drivers from the reviewed literature causing the increased internationalization of professional services are:

- 1) Multilateral trade-agreements such as the WTO's agreements on free trade, The General Agreement on Trade in Services (GATS) and the Service Directive by the European Union,
- 2) Development trends in ICT, which in itself is a very global market, and

- 3) The increased presence of global networks, which blur the lines of more conventional industries and markets.

In addition to these drivers, there has also been a shift behind the reasons for professional services to internationalize. During the 20<sup>th</sup> century following the client was the most common motivation for entering new markets (Grönroos 1999, 291), whereas today the motivation stems from the need to actively seek new markets and conquer new customers from abroad (Netland & Alfnes 2007, 1; Kundu & Merchant 2008, 372), and especially when it comes to professional service firms such as firms in the healthcare market (Netland & Alfnes 2007, 1). Also, professional services due to their specific and targeted nature are often such that they very early on need to find new potential from abroad as the home market becomes too small or restrictive to growth.

In internationalization of professional services most researchers according to Netland and Alfnes (2007, 1) have a common understanding that professional service firms as knowledge-intensive and people-centered need to overcome the barriers of risk, investment and market accessibility by entering a market with all the means necessary all at once, as this would give better probability of success due to the difficulties by the nature of professional services. According to them also a cooperation strategy could be a viable option in internationalization, whereas exports are not seen as one because of the nature of the professional services. However, IT-based services seem to make exceptions to the above mentioned as they have the possibility to internationalize and export a service via an electronic media. Before further discussion on professional services internationalization it is important to understand the nature of professional services considering internationalization and, as presented by Netland and Alfnes (2007, 6), professional services can be described to have four main characteristics as shown in Table 1:

Table 1: Four most distinctive features of professional services (Netland & Alfnes 2007, 6)

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1.	<u>Knowledge-intensive</u>
	- Professional knowledge constitute both the main input and output
2.	<u>People-centered</u>
	- High level of perishability and inseparability
	- High level of cultural sensitivity
3.	<u>Intangible</u>
	- Process / activity rather than product
	- Cannot be stored, touched or transported
4.	<u>Customized</u>
	- Low degree of standardization
	- High degree of uniqueness

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As shown by the features of professional services in general, it can be concluded that professional services closely remind soft services as discussed in the earlier chapter, for which reason, and also according to Netland and Alfnes (2007, 6), they have fewer options in internationalization due to their nature than for example traditional manufacturing products or companies do. Especially the high level of commitment to these services and the fact that a lot of the value of the service is added while the interaction takes place causes difficulties in internationalization.

However, at the same time, and despite the challenges, professional services are driven to internationalize not just because of the three profound drivers mentioned earlier on, but because both demand and supply act as driving forces at a firm-level towards increases in amount of professional services and their geographical expansion. Due to the increased globalization also the clients have grown larger as multinationals, which has caused pressure for the professional services firms to follow their clients in order to keep up with competition and their clients. At the same time the on-going and wide restructurings of production in many manufacturing sectors coupled with the tendency to focus on the core competence and to outsource the rest has caused rise in demand for production as a service (Roberts, 1999, 70.), which has also caused some push and pull effects on professional services. As discussed earlier on, the motive of the 20<sup>th</sup> century for internationalization was to follow the client – the companies went where their customers were and wanted to go. Opposed to this in the 21<sup>st</sup> century and especially in professional services businesses a more proactive market seeking strategies for internationalization are used (Netland & Alfnes 2007, 16). As Roberts (1999, 70) points out, internationalization of service firms causes the supply-driven forces to become more important as opposed to the formerly demand-driven internationalization. However, as Netland & Alfnes (2007, 16) point out, Orava (2005, 65; 2001, 239) makes an important addition to the previous statement by stating that proactively seeking for

new opportunities and following clients are not mutually exclusive. Rather instead, many service businesses can and should perform both at the same time in the globalized world of today.

Based on the study by Netland & Alfnes (2007, 17) on earlier research there are several internationalization and market entry strategies to be used by professional services. Several Anglo-American researchers seemed to especially favor Dunning's eclectic paradigm and multinational FDI-theory as suitable market entry strategies, whereas Nordic researchers seemed to favor more often learning perspectives and enhanced path dependency including the Uppsala-internationalization model. Despite the fact that these viewpoints are rather contradictory in many cases, it demonstrates well the fact that internationalizing professional services need to go through a number of different kind of stages in an internationalization process (Netland & Alfnes 2007, 17).

However, the research also shows that most of the researchers within the study seemed to agree that professional service firms need to enter a foreign market through foreign direct investment (FDI). This seems to mainly stem from the distinctive features of professional services as shown earlier on in Table 1. According to them not all services can be exported due to the inseparability of the characteristics of professional services. However, it is important to note that internationalization through exports is possible in most of the cases, but the proximity the customer needs to be considered well as it may play a crucial role and potential competitive advantage on the global market (Netland & Alfnes 2007, 18; Roberts 1999, 68). Especially Eriksson, Majkgård and Sharma (1999) argue for the previously discussed findings in that they claim the need for the professional service firm to be present abroad in some form or another. They see the most important aspect to be delivering service quality, and because the quality in professional services is created between in an interaction with the customers and the suppliers, the local presence is vital for success.

Therefore, the nature of the professional service has a great effect on how the internationalization process can be build and what the possibilities are. The views differ between scholars, and the vast difference in professional services internationalization is demonstrated already by the fact that there exists no definition on what is meant by professional services. As each professional service has to be looked upon subjectively, it also means that every internationalization process is different without clear paths to successful outcomes. For example, despite Netland and Alfnes' (2007, 1) arguments on the need for professional services such as healthcare to internationalize, this in practice has not happened yet to the Finnish healthcare services. This addresses the need to look at healthcare services as a specific professional service separately, as it can be assumed to be very distinctive in nature due to the high complexity of the services, and therefore no generalizations can be done from the above-discussed literature.

Thus, the next chapter will take a closer look at healthcare services internationalization, where again the focus is tended to be on lately written literature,

but in practice restricted by the small amount of studies done on the topic in recent years. Therefore, also older publications mostly within the last decade will be considered.

### **2.3 Healthcare services internationalization**

As discussed in the previous chapters, a vast amount of literature has been written about strategic decision-making processes of internationalizing companies (Holden 2003, 291), yet however, not so much regarding services internationalization, or professional services internationalization (Netland & Alfnes 2007, 1). Also especially few studies have been done on medical services internationalization, which in this study are defined as *“healthcare sector services intended to influence directly or indirectly person’s health through medical treatments and therapies executed by the healthcare professionals, e.g. medical doctors”*, and which are concentrated on premises such as hospitals, clinics and other medical premises offering healthcare services (Orava 2001, 232).

The healthcare service sector has been facing tremendous changes from several directions during the last decades. As Orava (2001, 235) pointed out already a decade ago, there has been a shift from illness management to illness prevention. This can well be seen in developed countries’ such as Finland’s healthcare services development, where the focus has clearly shifted towards proactive healthcare services rather than reactive ones during the last decade, as in many occasions the level of existing services aims towards preventive measures, which in the long-term are seen to prove less costly also for the government. Also the patients have become more empowered in regards to healthcare services through increased involvement in the treatment process allowing the patients to make decision regarding the services. The wide amount of different kind of actors in the healthcare services industry, such as the patients themselves, the medical treatment personnel, pharmacists, insurers and health authorities, forming the rather complicated healthcare system in Finland have come closer to each other within the market and their cooperation has been increasing. So to say, the actors of the healthcare network in Finland have tightened the networking operations and actions. Also e-health, the use of information technology for example in self-care, has been increasing its role during the last decade. (Orava 2011, 235.) Different kind of self-care devices have been brought on to the market within the last decade ranging from blood pressure monitors to applications on smartphones for one’s own health monitoring, although it can be argued that the e-health business is just taking its first steps and the market is just on the verge of really opening up.

However, the changes in the traditional medical services business have not gone hand-in-hand with the general development of services industries globally. As Orava (2011, 235) points out, the pharmaceutical industry has seen dramatic changes in its

operational environment and business activities through global mergers and acquisitions, which have also been seen in the Finnish pharmaceutical industry during the last decade. However, medical care and healthcare services are still to a large extent rather local in nature, undoubtedly to a large extent due to the nature of them as professional services as discussed in the previous chapter and due to the structural difficulties in the market. As Orava (2011, 235) states, the healthcare services have not internationalized mainly due to the form of the market. The European Union's (EU) member states retain autonomy over their healthcare service sectors as it is the member countries' responsibility to provide health and social services to their respective citizens and the individual member countries have focused to do so. According to Orava (2011), the focus on own country's healthcare service system is mainly caused by the vast amounts of differences in financial and social security structures of the member states. These differences cause the countries to have also differences in how the services are organized and onto what the healthcare service sector is based on, for example whether publicly or insurance funded. Table 2 shows the current situation of the healthcare service sector in the member states of the EU:

Table 2: An Example of Methods for Financing Healthcare in the Member States of the EU (Adapted from the European Parliament – Health Care Systems in the EU – A Comparative Study 1998, 18)

Countries	Predominant system of finance	Main supplementary system of finance
Finland, Greece, Ireland, Italy, Sweden, Spain, United Kingdom	Public: Taxation	Private voluntary insurance, direct payments
Denmark, Portugal	Public: Taxation	Direct payments
Austria, Belgium, France, Germany, Luxembourg	Public: Compulsory social insurance	Private voluntary insurance, direct payments, public taxation
Netherlands	Mixed compulsory social insurance and private voluntary insurance	Public taxation, direct payments

Yet, at the same time the healthcare service sector can be divided into public and private sectors in many of the member countries, such as Finland. Despite the evident difficulties on healthcare internationalization, the healthcare services business is becoming more global to a large extent aided by development of information technology and the private actors on the market. Mergers and acquisitions in healthcare businesses have become common in the U.S.A. as well as in Western Europe. Many new private healthcare service companies with a really business-oriented look on the

market have emerged in many of the EU countries and have been quite well expanding across borders. (Orava 2001, 235.)

Patients and information have been crossing borders in an increasing manner even today. Patient mobility has in turn brought networking in forms of various cooperative arrangements between the actors on the European healthcare service market (Orava 2001, 235). The patient and information mobility is also aided rather extensively by the EU with its new Patient Mobility Directive (European Parliament 2013), which entered into force on 25<sup>th</sup> of October 2013, and provides that the citizens of the EU are entitled as patients to seek healthcare in other EU or EEA countries, and be reimbursed for doing so. This can also be expected to increase the networking between different healthcare service actors within the market as new opportunities can be seen arising from patient travel. Finland as the member country of the EU is expected to enforce the directive in the beginning of the year 2014, and while doing so also opportunities might arise from offering some of the high-end Finnish healthcare knowledge to foreign patients. Another rather lucrative opportunity for Finnish healthcare services exports can be seen arising from Russia, where the healthcare service sector is not yet as developed, and many patients are willing to pay for their medical treatments; some even quite extensively given that the treatment is high-quality enough. As Orava (2001, 235) states, the trend has been towards more open markets, increasing internationalization of healthcare as a professional service, and new business opportunities especially through new private healthcare providers already for a decade. The increasing networking of healthcare service operators contributing to a large extent to the increasing and distinct trend of medical service internationalization will in the long-term seriously challenge the national-based and tax-financed healthcare systems such as the healthcare system of Finland, and has already started to do so despite the slow change within Finland. This in turn calls for changes in the social policy arrangements, which is for example already under discussion in Finland through the proposed, but yet undecided upon, social and welfare reform. These challenges and their changes to the existing healthcare service system shall be discussed in more detail in the next chapter.

### **3 INTERNATIONALIZATION OF FINNISH HEALTHCARE SERVICES**

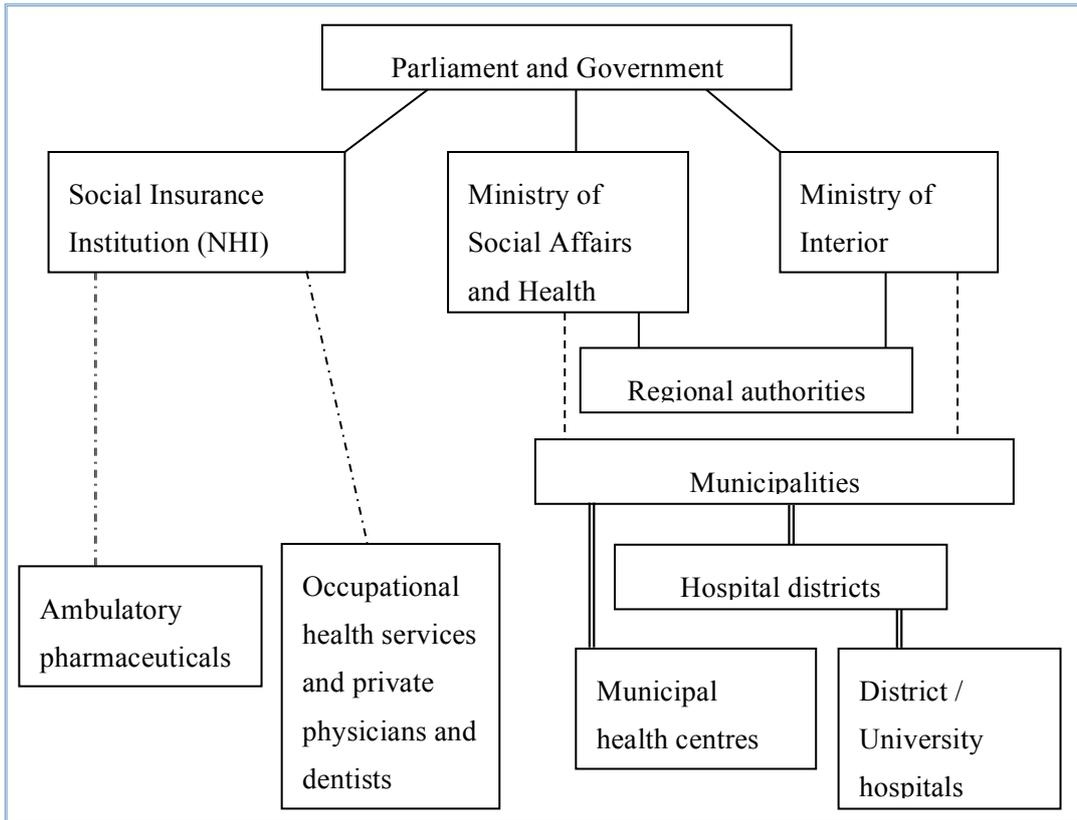
Finland is currently in the process of reforming its healthcare system to become more open for internationalization and available for medical tourism. To a large extent it can be argued to be caused by the changing European environment after the EU's patient directive, which dictates the citizens' of the European Union to be able to get their choice of treatment in any of the member countries. Another reason can be seen arising from the cost-pressures associated with the current healthcare system and widening of the sustainability gap, which could potentially be improved by revenue streams from abroad. A third reason becomes from the fact that also a lot of opportunities is seen in Finland especially looking at Russia and its growing need for better healthcare services.

However, reforms on the traditionally public sector –led activities and healthcare sector require a lot of time and effort. There are many issues to be considered in making a reform on a mainly government operated service sector. Therefore, it is also important to understand the situation of the Finnish healthcare system, which shall be discussed briefly next, before going deeper into earlier research on the topic and the possibilities of internationalization activities.

#### **3.1 The need for Finnish healthcare services internationalization**

Finland is a welfare state in which the government has been given the central role in securing the nation's wealth, standards of living, and livelihood. As a social democratic welfare state the country is obliged to give the same services to every individual citizen of the country, and in doing so Finland has excelled providing every permanent resident an extensive set of services in a sparsely populated country. Finland with its publicly organized health care has one of the most effective and publicly available healthcare systems in the world, and the country has also repeatedly been internationally acknowledged for its success (Sitra 2009, 5, 20).

During the time of this study there are changes to be expected from the beginning of the next year as the new social and healthcare reform comes into place, and makes changes on how healthcare services are provided by municipalities in Finland. However, for the time being the discussion is still ongoing, and there exists no clear understanding on what the changes and their effects on the healthcare service sector will be. As the issue and its effects on the healthcare production are still unclear and unpredictable the change is therefore not accounted for in this study due to the complexity and uncertainties of the matter. The reform is most likely to have some effect on the production of the services provided, but it will take considerable time before the effects can be seen in practice. The below Figure 2 demonstrates the current Finnish healthcare service system:



Legend: — governance, ·····reimbursement, ····· state subsidies, = ownership and management

Figure 2: Overview of the main organization of health services in Finland (adapted from Parvinen and Lukkari 2010, 223)

As can be seen from the figure, the Finnish healthcare service system has been largely built on public sector services, which has proven a very efficient model allowing fast development of the sector and its production. However, since the new millennium the expenditure on health and social care has exceeded Finland's national GDP growth significantly, which causes sustainability issues in the long-term. Advancing of medical science requires more complex products and services while at the same time "...raises a new bar for quality in terms of the outcomes achieved in the treatment of illness" (Sitra 2009, 20), which has a direct effect on the costs of the healthcare system. The rising costs of producing these services have in their own part led to increasing public-sector finance debt and widening of the sustainability gap<sup>2</sup> (Sitra 2009; Confederation of

<sup>2</sup> Sustainability gap is a term used by the European Union's Commission and refers to the EU's calculations on how heavily the public sector's increasing debt reflects to a nation. The figures, however, contain great possibilities of estimation errors, and it is used mostly to categorize member countries in groups based on their probability of incurring of a debt.

Finnish Industries 2013), which has been very much debated on recently. According to the Confederation of Finnish Industries (2013), Finland's probability of incurring a debt to cover for the costs of public-sector finances is already notably high, and ranks among the medium-high risk at 5.8 as is demonstrated in Figure 3, where the high-risk level is considered to be achieved at 6.0:

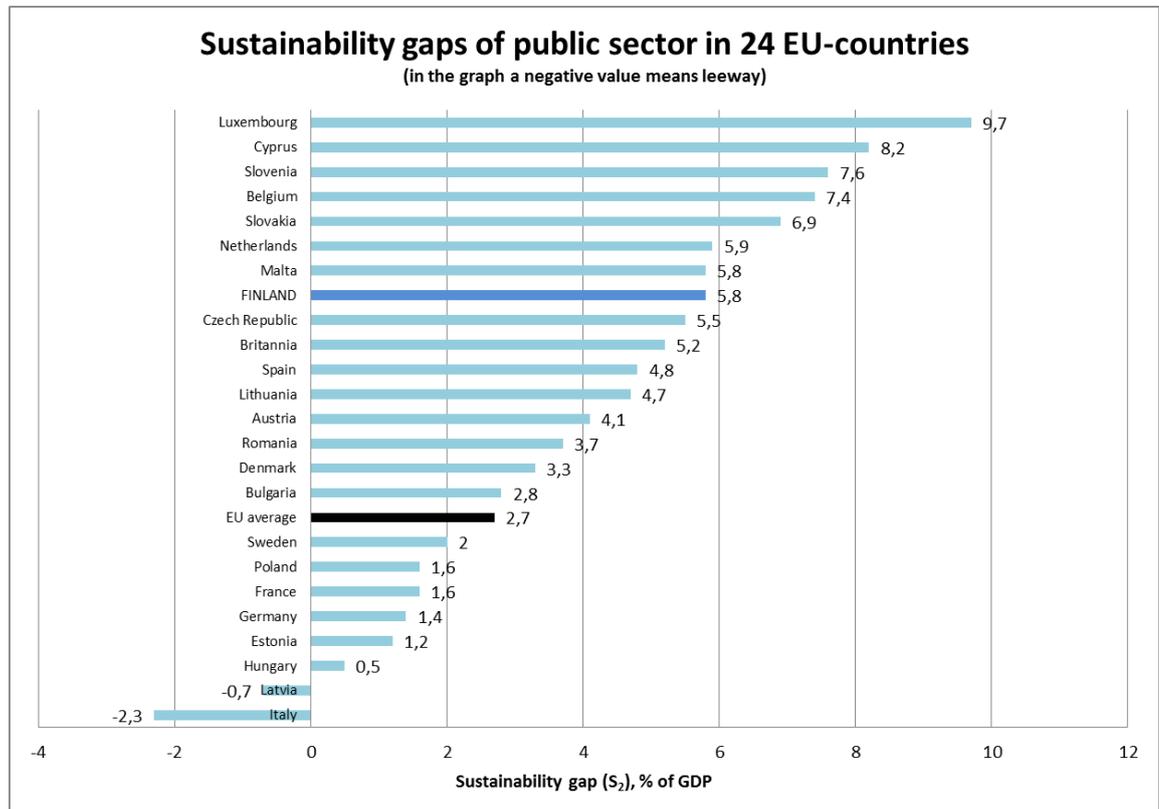


Figure 3: Annual public-sector finance debt and sustainability gap measured as percentage of GDP (The Confederation of Finnish Industries 2013)

At the same time the total health spending in Finland was 8.9 % of GDP in 2010, which is lower than on the average in OECD countries, and also lower than in other Nordic Countries in comparison (OECD Health Data 2012). With the incurrence of debt and having a lower total health spending it thus poses a challenge, and a possible threat, to the existing healthcare system, its upkeep and development. In addition to the issues coming from the lower-on-average total health spending and above-average increased risk on covering the costs of the public sector in Finland, another challenge to the existing system is posed by the increasing dependency-ratio – the ratio of people outside the country's workforce compared to the total workforce. Currently Finland is experiencing a phenomenon in which the baby boom generation has started retiring causing pressures for the proportionately reducing size of the working age population to cover the costs of the society, including the costs of the healthcare services. This also

impedes timely access to care, which in turn jeopardizes sustainability of our current system. (Sitra 2009, 20.)

The rising costs pressures towards our healthcare system together with the small future expectations of GDP growth not just in Finland but the whole Europe also places a growing pressure on the functioning of our the society. Evidently, without changes they could lead to such a scenario, in which the current healthcare system – its level and amount of services offered – could not be kept without significant changes in the welfare states' actions, such as in the efficiency of production of these services. The situation is currently under analysis in budgetary discussion by the Finnish Government.

To tackle this issue the Government of Finland has agreed as one of the main focus areas in its government platform to focus on sustainable economic growth and strengthening of employment and competitive advantage, which also reflects to the healthcare sector. The Ministry of Employment and the Economy (MEE) under the Government of Finland responsible for this specific announced focus area has begun an employment and economic-political program of the welfare sector strategy known as HYVÄ-project for the years 2011-2015. The program aims at responding to the main question of the welfare sector about renewing the economic structure, and about the possibilities of the healthcare service sector as a growing and internationalizing field of business. (The Ministry of Employment and the Economy 2011a.)

According to Jyri Häkämies, the former Finnish Minister of Economic Affairs, and the current CEO of Confederation of Finnish Industries, Finland values welfare services based on excellent education and high level of know-how. For the very same reason the country should thus also make good use of and exploit the possibilities of business-making, exporting and internationalizing related to these areas of knowledge. Welfare and well-being services such as healthcare have the possibility to become the source of revenue that increases the overall well being of our society in the future. (The Ministry of Employment and the Economy 2011b.)

However, the internationalization of healthcare services poses many challenges and questions on how it should be done. Currently there is a wide and growing understanding within the field of healthcare and government institutions that the mutual internationalization and networking of both, the private and public sectors, would lead to higher skill-levels, income and performance without even any loss on affection or quality of service, and this stage is what Finland should aim for in the future (e.g. The Ministry of Trade and Industry 2007; The Ministry of Employment and the Economy 2011a; interview with Juha V. Virtanen 2013). Also, according to an extensive report by Nordic Healthcare Group – a knowledge service provider specializing in the analysis, planning and development of service management and structures especially in healthcare services – to the Ministry of Employment and the Economy (2011a, 7) there exists great potential for social and healthcare services internationalization and exporting. In the short-term the strongest potential is seen by the industry actors on high skill-level requiring medical operations and care services, whereas in the long-term

there are great opportunities especially in exporting of elderly care service concepts even when the companies within the field of healthcare business at the moment do not consider internationalization or service exporting as relevant directions in their development plans on average. That said, the internationalization of the Finnish healthcare services sector and engaging in exports does not just offer a possible solution for the current cost-related issues of today but also represents considerable potential source of revenue in the future.

At the same time despite the potential the exporting of health and social services is rather challenging and for the time being their exports from Finland are rather scarce and irregular. Exporting of health and social services is seen more challenging than exporting of many other services, which is mainly due to the personal nature of healthcare services and respective differences in healthcare services systems of different countries. (The Ministry of Employment and the Economy 2011a, 7.)

### **3.2 Review on earlier research on the topic**

In order to have a comprehensive image of the possibilities of the healthcare services internationalization in Finland, a study on earlier literature regarding the topic was made. Somewhat surprisingly only four earlier studies were found from the recent years, one of academic journal in nature and three rather extensive reports, which dealt with changes needed within the existing Finnish healthcare service sector in order to improve its functioning and competitiveness in the future. Out of these four studies two had a domestic view on improving healthcare services production – a purely value-based view on improving the domestic healthcare production and a study on the functioning of network activities within the existing providers, while the other two focused on the internationalization perspective of the Finnish healthcare service sector. The studies are presented in Table 3:

Table 3: Research done on Finnish healthcare internationalization from the viewpoint of public sector healthcare providers or concerning public sector's possibilities

Authors	Topic & type of study	Year	Theoretical propositions	Study method	Findings
Finnish Ministry of the Employment and the Economy (MEE)	Report by the social and health care services, internationalization and exports working group - Report	2011	Plenty opportunities in the field, but the fragmentation creates difficulties in practice.	Literature + expert interviews	Strategic development is needed to promote healthcare sector's internationalization. Proposal to establish an internationalization network between public and private actors.
Parvinen and Lukkarinen	Marketization and the orchestration of healthcare networks in Finland – Academic Journal	2010	Literature based: 1) Strategic nets 2) Business networks	Literature + exploratory study	Network heterogeneity creates possibility for partial optimization, and marketization fuels partial optimization habits
Teperi, Porter, Vuorenkoski and Baron	The Finnish Health Care System: A Value-Based Perspective. Sitra Reports - Report	2009	Discussion on the symbiosis between procurement and supply, and it's effectiveness on preventing optimization of cost and quality	Literature + expert analysis	A shift is needed in the healthcare system's production towards production of value.
Former Ministry of Trade and Industry, now part of the Finnish Ministry of Employment and the Economy, Salonen et al.	Marketization and export of publicly funded social and welfare services as a part of the export promotion of the Finnish welfare cluster – Report	2007	Based on earlier literature: Lack of strategy and coordination in export efforts, for which reason networking has been as successful	Literature + expert interviews	Proposition on cooperation model between public actors, including proposition on forming an organization responsible for coordination of activities within then network

The most recent study by the Ministry of Employment and the Economy (2011a) was the result of an appointed working group set to prepare strategies for health and elderly care internationalization and export promotion in the early 2010. The background for the study was based on the objectives of the Ministry's strategic welfare project to enforce the prerequisites for exporting of the related services within the social and healthcare sector, and to increase the internationalization potential of the enterprises within the field. The original assignment of the study was given together with the managers of the healthcare institutions in Finland as well as quite many of the private sector actors. The study was conducted by Nordic Healthcare Group Oy and the information presented in the study was collected through a total of 41 expert interviews from several public and private side experts in the field of healthcare services. The study can be considered as the most recent in-depth analysis of the Finnish healthcare

services sector for which reason it is also used as the main source of the current situation in this study.

A study by Parvinen and Lukkari (2010) looked at the marketization and orchestration of Finnish healthcare networks. In their study the researchers looked at the theoretical perspectives on marketization and orchestration phenomenon in networks from the healthcare industry perspective and interviewed 39 key decision-makers in Finnish healthcare service organizations or closely related professional organizations. The study focused on the interplay between the healthcare networks in Finland and their institutional environment. A difference must be done here in that while Parvinen and Lukkari (2010) discuss about 'healthcare networks' they refer to the inner operational networks of healthcare systems within Finland, whereas in this study the view is on the 'healthcare internationalization network' as referring to the Ministry of Employment and the Economy's strategic initiative.

The third study by Sitra, The Finnish Innovation Fund, in 2009 comprised on the work of Juha Teperi, Michael E. Porter, Lauri Vuorenkoski and Jennifer F. Baron adapting a value-based perspective on the Finnish healthcare system. The study was to a large extent affected by Michael E. Porter's and Elizabeth Olmstead Teisberg's earlier publication 'Redefining Health Care' in 2006, which outlined a strategic framework for the healthcare of the future, which the authors called "a value-based health care". In their model value is defined as the health produced to patients in relation to used resources, and thus by its definition adapting a value-based healthcare efficiently improves the health producing system. According to the study of Sitra (2009) the existing healthcare systems have not been organized to produce health efficiently, rather just treatments as cures, but in the future this needs to change and all the healthcare services providers will aim towards producing health efficiently. As such, producing the services efficiently will also contain the costs in a sustainable manner. (Sitra 2009, 15.)

The last found study by the Former Ministry of Trade and Industry, which since was joined as a part of the formed MEE, focused in its publication in 2007 on examining the strengthening of export promotions of the welfare and healthcare services cluster and especially on those services that are publicly produced. The background of the report was on the need to enforce the exportation of welfare and healthcare products, technologies and services as a great weakness had been seen from the lack of common export strategies and coordination within the fields. For the very same reason at the time of the report the international marketing, image building and networking of the sectors had been dependent on separate projects, which can now later be seen to have produced little advancements considering the overall field of healthcare services. A notable fact is that already this report made a proposition of a cooperative model between the public and private organizations for better exporting including a proposition on forming an organization responsible for guiding the activities, of the roles of each actor and alternative action models. (The Ministry of Trade and Industry 2007.)

Considering the purpose of this research to provide a view on the internationalization of Finnish healthcare services and its possibilities, only the reports regarding internationalization are further considered in this study for now. The report by the Ministry of Employment and the Economy (2011a) can be considered as the most influential, while it is the most recent research in this work and as it as the most recent study gives the most current assumptions of healthcare services internationalization on which the theoretical framework of this study can be built upon. The report by the Ministry of Trade and Industry (2007) acts as a preliminary work for the previous mentioned report, and shall as such be used in detail to form an understanding of how the formation of internationalization cooperation has developed. As the study by Sitra (2009) focuses instead more on the current issues in healthcare services production within the domestic industry and does not consider internationalization of the services, and the academic research by Parvinen and Lukkari (2010) focuses mostly on the networks within the domestic healthcare service industry they bear little use in this study.

Thus, these two studies, although somewhat inadequate academically, will be used to give a view of the current state of Finnish healthcare services exports possibilities, and to give an understanding on what has been suggested as optimal internationalization methods in the Finnish healthcare services system. This will in turn set the arena for the discussion on suitable internationalization model for healthcare services internationalization as suitable theories will be used to build a potential case for the internationalization of Finnish healthcare services.

### **3.3 Building the case for Finnish healthcare services internationalization**

The report by the former Ministry of Trade and Industry (2007), although somewhat old by the time of this study, is still essential as the report itself was a forward looking one based on the announcement of the EU's service directive, which Finland is supposed to enforce in the beginning of 2014. As earlier noted, the service directive itself allows all the citizens' within EU countries to choose their treatment location within the EU, and for the very same reason it will abolish many of the barriers of healthcare services internationalization. As the directive was imminent already by then meaning that the healthcare services will have possibilities and that they will internationalize, it was important to understand the export possibilities of mostly publicly arranged healthcare services in Finland as a part of enforcing the welfare and healthcare clusters export promotions, which have been seen to have a lot of potential from Finland, and a source of future revenue.

To a large extent the report can be seen as the original version of the newer report by the MEE in 2011 addressing very much the same issues as the latter, and consisting of a

very similar study than the latter also. The report focused strongly on how the activities of the Finnish healthcare sector should be organized, which yet as the latter report shows are now being planned to put in place in practice. The study by the MEE (2011a) seems to a large extent continue from the work of the former Ministry of Trade and Industry's (2007) as the purpose of the study is very similar to the first one, but with updated information regarding the current healthcare services sector, in which the biggest change between the publications seems to be mainly the diversification and growth of the private healthcare services sector. The report is also used as a base for preparation of the Ministry's strategic welfare targets to improve on the internationalization and strengthening the prerequisites for exporting of the services.

As noted by the report of the Ministry of Trade and Industry in 2007, by the time there were very few operations models developed in the public sector that had developed concepts suitable for business, and that would also be possible to be copied as such to other units. Only two practical examples that would be ready as concepts to be transferred and copied were found by the report: the Finnish Wellbeing Center –pilot model in Sendai, Japan, and the endoprosthesis-surgery specialized hospital, Coxa, in the Tampere region. (The Ministry of Trade and Industry 2007.) The report by the MEE (2011a) acknowledged there to have become several new players since the earlier report both in private and public sectors, however despite the increase and diversification especially in the private sector actors the report notes that still the companies on average on the healthcare sector are small and need support both in productization and business knowledge what comes to outward oriented business interests. Also, as the earlier report notes the large reason behind the lack of such healthcare service concepts is that services and service models arranged and run by the public sector have primarily been developed locally relying on local resources, and they have not been meant to be used in other places or by other instances, which in turn would represent potential business area for private healthcare sector actors. However, at the same time the report notes that while there are some private sector companies exporting Finnish healthcare service knowledge and technology, these companies are rather small and limited in resources, as was also the case later on. Therefore, it was noted by the study that they lack the necessary resources and size for exporting activities in general, and that their growth can only be facilitated through participating within the domestic markets in offering publicly funded services. (The Ministry of Trade and Industry 2007, 9.) However, it is also taken into account that as more and more formerly publicly produced services are now bought from the private sector, the development of the private sector is thus strong allowing the birth and developing of companies, of which services are higher in quality than before, and the companies themselves more competitive than before. This development in turn makes it possible for copying of different service concepts and creates prerequisites for the internationalization of the companies. This view supports in turn cooperation activities within the healthcare sector and in itself acts as a proof on the

view that the best outcome regarding Finnish healthcare services exporting can be achieved through cooperation of the actors in a common way.

Despite the fact that, and while also report by the MEE (2011a) enforces the need for further cooperation, it seems that the cooperation between the institutions and companies within the healthcare service sector has not increased in the aimed manner and as proposed by the earlier report in 2007. This seems mainly to stem from the lack of large-scale successes in the scattered healthcare internationalization projects of today. In addition, though the much supported separate and largely private export and internationalization projects have shown good opportunities, they lack the long-term capacity as so far there also exists no long-term development strategies and cooperation structures upon which the build successful outcomes. (MEE 2011a, 9.) This in turn further highlights the need for the strengthening the internationalization efforts through larger cooperative network and a governing body between the actors as was already suggested in 2007 by the former Ministry of Trade and Industry, and clearly also strengthening of such activities.

In order to strengthen the export promotions of companies especially in the private sector it is according to the earlier report vital to increase company-specific support, which aims at systematic development of business activities and internationalization (the Ministry of Trade and Industry 2007, 9-10). However, as already pointed out by the newer report by the MEE in 2011, while offering support has certainly allowed the increase and growth in private healthcare companies, the increase has not been substantial enough considering large scale exporting of Finnish healthcare know-how. The reports call after actively mapping the possibilities for new international business opportunities, which then would need to be dealt through increased cooperation within the sector and networking of the operators for internationalization.

To solve this issue the report by the Ministry of Trade and Industry (2007, 39, 47) considers several different models that could be built on the existing healthcare service sector to strengthen the internationalization and export intentions with using as much of already existing resources as is possible. The report addresses highly that engaging in these activities should not require new publicly funded organizations, but the needed activities within the healthcare sector can be arranged by the already existing actors and by increasing the cooperation within a tighter network between the operators as there are already plenty enough operators within the sector. Based on the report while drawing on several different kind of opportunities of arranging such networking within the actors, the report came into the conclusion that the needed activities can and need to be arranged with the existing providers. According to the report it is, however, also necessary to form a new organization responsible for the development of the service business concepts, which is then responsible for the conceptualization, productization and commercialization of the identified so called spearhead business operations models; the business operation models that are seen as the most prominent ones. The new organization is important in governing the functioning of the existing providers and

possible market opportunities. Yet, it is possible to build this organization either from existing service providers on the public sector, allow it to be organized by a private sector actor if suitable one is found, or in cooperation between the sectors. As the report discusses the governing actor can either take care of above discussed activities by itself or act as a holding company, which commercializes concepts in different companies based on the specialization of the companies regarding each concept. Especially when acting as a holding company the needed activities of such a company can be began as a virtual organization allowing the organization of the established unit to be very light, for which reason the activities do not bind resources of the company itself but utilizes those of the cooperative partners. (The Ministry of Trade and Industry 2007, 42, 48.)

Figure 4 shows the needed institutions for successful internationalization in cooperation according to the study as suggested by the report of the Ministry of Trade and Industry (2007):

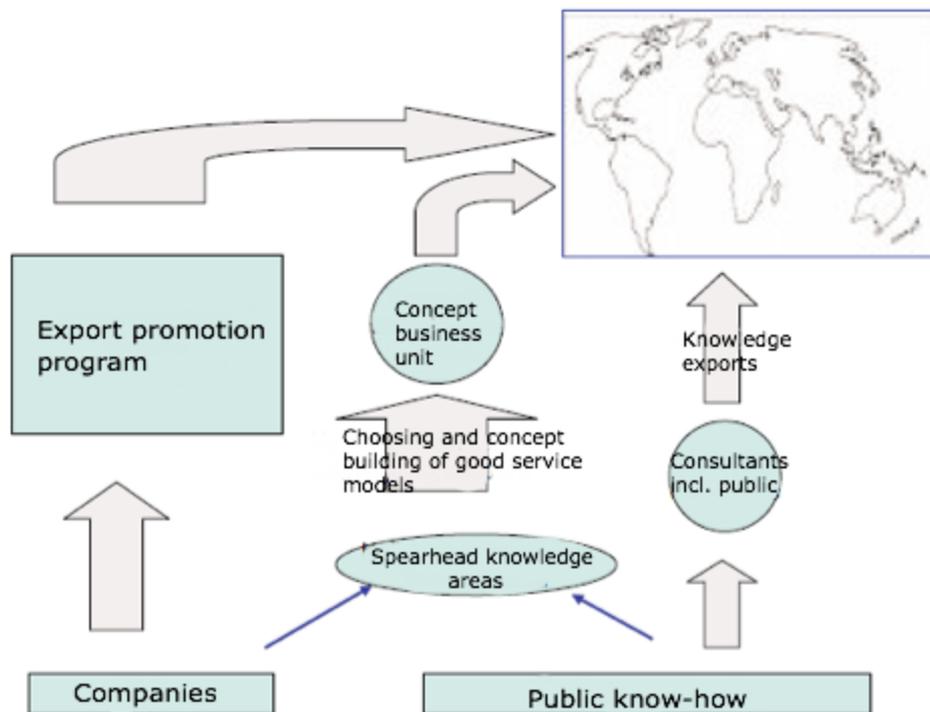


Figure 4: Arranging the internationalization between existing healthcare providers  
(adapted from the report by the Ministry of Trade and Industry 2007, 55)

The above figure summarizes also the importance of the private healthcare service providers in successful internationalization. As already discussed they have a very important role regarding the spearhead areas of excellent healthcare service for internationalization. However, for being able to contain and develop such spearhead skills also the company or institution in which the talent is needs to be able to develop strong enough domestically before being able to become internationally competitive. Therefore, without a strong stand in the domestic market, the company or institution has

no real possibilities to develop the much-needed progressive service concepts and on the other hand gain enough references to become credible in the international markets. For the very same reason it is reasonable to doubt that the service concepts are really wise to be developed solely for exports, but rather the copying of good concepts and developing those also domestically will form the basis for the business. Due to the movability of the doctors between the sectors the public sector therefore also has an opportunity to strengthen the development of the private sector as the know-how can be easily transferred from one sector to another. (The Ministry of Trade and Industry 2007, 54-55.) This seems to be the case already today.

Despite acknowledging the importance of the private sector the report by the Ministry of Trade and Industry (2007) argues strongly that the internationalization and its promotions of the welfare and healthcare cluster is primarily based on public service operations, which would imply there to be little space for private healthcare providers in an internationalization network except for those natural niches in which the current providers have themselves positioned into. However, the report does make a notion that the commercialization of service concepts can either be purely business-based activities or a part of the export promotions of the whole cluster regardless of the fact that the rest of the cluster may not always be aiming towards profitable business. (The Ministry of Trade and Industry 2007, 39.) This in turn would imply potential and business opportunities for private sector actors arising from within such an internationalization network.

However, as it is noted also exporting of knowledge needs to be taken into consideration and be exploited in the marketing and project-export promotions of the whole social and welfare cluster. Exporting of knowledge increases international cooperation, of which byproduct a large amount of information is created about different business opportunities as well as high-level contacts. The cooperation needs thus to be enforced also between the people with the know-how and the companies in the field as a part of the export program. (The Ministry of Trade and Industry 2007, 11.)

According to the report by the Ministry of Trade and Industry (2007) the activities needed for export promotions within the above presented model are divided into two separate categories: Commercialization of service concepts and exporting, and export promotions. The first one requires at least the following actions, which as noted by the report can be also be handled through private actors representing their potential within the presented network:

- Identification of commercially potential operations models
- Market researches and feasibility studies in target markets for choosing the potential service concepts
- Describing the service processes and productization, and gathering the needed know-how
- Marketing of the services in the chosen target markets

- Sales process including negotiations, making of offers, project management, education, installations, post-marketing etc.
- Supportive functions of the operations including arranging of financing to actions and private projects

However, as the report notes there needs to be some organization responsible for the commercialization part of the business to guarantee good quality and functioning as is presented in the organizational model as the concept business unit. The organization itself can then in turn for example deal these different tasks to different organizations, as there are plenty of both public and private operators in Finland suitable for many of these tasks. Focal tasks for the governing instance are however marketing of the concepts, their sales and exporting of projects. (The Ministry of Trade and Industry 2007, 39-40.) This in turn would imply that if the organizer of the commercialization aspect of the internationalization would be a private company, it would need considerable resources despite the fact that most of the activities can be outsourced. By the time of the report by the Ministry of Trade and Industry (2007) no such actors existed on the market, which is also the case in 2011 as shown by the latter report. The lack of thereof despite the evident need was one of the main factors causing the governmental institutions to begin creating one.

In turn, the second half of the needed activities of the welfare and healthcare cluster, the export promotions, would require the following tasks:

- Building a brand and international marketing for the Finnish welfare and healthcare cluster
- Gaining market knowledge, identifying and evaluation of potential markets
- Active mapping of international business opportunities, proactive marketing of Finnish know-how and service concepts in the target countries and identification of potential projects
- Networking with the central cooperative instances in chosen target markets
- Opening and promotion of the business opportunities of the companies within the cluster through expert cooperation
  - Cooperation with officials
  - Cooperation with researchers
- Project planning
  - Study-tours and familiarization delegations
  - Product, technology and infrastructure providers' integration into the project
  - Pre-work for offering phase
  - Identification and preparation of project financing alternatives
- Strengthening of the networking and cooperation within the cluster
- Understanding and following the international business activities of Finnish operators and “gathering” of the silent market knowledge and business

opportunities signals received by the actors and conveying this information within the cluster

- Advancing of international cooperation networks between different clusters and creation of new relationships and new networks. Suitable use of the networks for the advancement of the internationalization of the entire cluster
- Handling of the cluster's own delegations and seminar abroad and representing the cluster in the official delegations of the Finnish Government
- Handling of the delegations arriving to Finland for welfare and healthcare sectors and their programs
- Advancing the investments towards the Finnish welfare and healthcare sector
- Finnish "project integrator activities"; opening sub-contracting opportunities for other Finnish healthcare companies in its international projects.

Of all these activities the governmental organizations have already a fairly good grasp as the report came up with only a few activities, which at the time were clearly lacking in capability: Active and decisive marketing of Finnish welfare and healthcare know-how, lack of networking and exchanging of knowledge by the existing actors regarding internationalization, lack of addressing the potential represented by the delegations coming to Finland regarding healthcare and business opportunities, and lack of the so called project-integrator from Finland. As it might take years to gain revenue from beginning in a business like the one of the project-integrator between actors, not many actors on the healthcare service sector have the possibility to partake in the necessary task. (The Ministry of Trade and Industry 2007, 40-42.) In short, the situation can be captured in two main characteristics: Lack of networking between the existing service providers, and need for a governing agent regarding all related activities.

To tackle these above discussed issues the latter report by the MEE (2011a) sought to solve the problems. The following recommendations are given by the report – and as such taken as the larger strategic initiative to form functioning cooperative activities by the MEE – for the strategies of healthcare and welfare internationalization and export:

- Firstly, it is essential that the healthcare services exports are looked upon at a national level. It is important to further clarify in detail
  - in which fields of the Finnish healthcare there exists such clinical or research top knowledge that could have potential demand from abroad,
  - in which areas of healthcare services there exists unused service capacity either in the public or the private side,
  - what kind of legislative and other barriers exists for exports of healthcare services,
  - and with what kind of a business model the public service providers would be able to take part in market-based exports

- Secondly, on the operative level such actors are needed who's duties are to convey foreign patients to Finland and take care of the practical arrangements while taking also care that
  - planning and realization of the treatment path of a foreign patient requires cooperation with different service providers – possible both the private and the public ones – which causes the role of the coordinator to contain also the actions of packing the services from different producers into one package,
  - the patient coming to Finland should need to be able to do business with only one entity,
  - and the entity acting as the coordinator needs to be a profit responsible unit so that the aim of practicing real business is fulfilled.
- Thirdly, as there exists already functioning models a point of comparison should be taken from the operational model of Stockholm Care AB, as there is clear need for operative level actor between the strategic and operative level as a coordinating and supporting actor, who's task is to
  - gather together service providers and operators interested in exports,
  - and offer healthcare specialized export promotion services and funding or guide the potential producers to already existing services and funding channels. (MEE 2011a, 23.)

Using the findings and model of the earlier report by the Ministry of Trade and Industry (2007) as a base the report by the MEE (2011a) makes a further suggestion on the most potential internationalization model of Finnish healthcare services. It is suggested by the report based on widely conducted interviews on different actors within the healthcare sector that there will be established an internationalization network for healthcare sector, which focuses on strengthening the internationalization and export prerequisites in the long term, as was also already suggested by the preliminary model for cooperative internationalization by the report of the Ministry of Trade and Industry in 2007 but with the difference of strong focus on the governing body of the entire internationalization network of Finnish healthcare services. For this purpose also additional resources were directed by the MEE towards the aim, and a project was established supporting the building of the network, of which purpose is to gather and coordinate different actions of the public decision making institutions. At the current moment the work is underway, and there exists no knowledge of the stage or on what the results of the project will be.

However, as the report notes special focus in the gathering of the network and coordinating its actions will be placed upon several factors. Firstly, there is a need to develop the prerequisites of the companies within the healthcare sector in regards to business know-how and commercialization in making internationalization possible. Secondly, further surveying of market information and competitive knowledge is

needed. Thirdly, it is essential to develop public activities and purchases in manners which improve the quality and productivity of the services, promote life-cycle thinking and take advantage of innovativeness of the bidders and the market signals. Fourthly, it is vital to increase the cooperation between the private and the public sector and create cooperative marketing and brand image building measures. Lastly, it is important to promote the export of large-scale concepts while creating such a business model, which supports and develops the prerequisites of healthcare service concepts, research knowledge and expertise productization and commercialization. (MEE 2011a, 33-34.)

The network model of internationalization in itself is a rather recent topic in regards to studies on internationalization that early on were largely inspired by general marketing theories, and later on by a discussion between the choices of exporting and foreign direct investments (FDI). Looking at the historical development of internationalization studies there have been many approaches to the matter such as the traditional marketing approach, life-cycle concept of international trade, the Uppsala internationalization model, the internationalization or transaction cost approach, Dunning's eclectic approach and the network approach. (Hollensen 2007, 60.) The network approach of internationalization studies makes the basic assumption that any firm, especially internationalizing ones, cannot be analyzed as individual and isolated actors as such. Instead, in order to look at an actor, the most important determinant of its success is the relations it has to other actors in its national or international environment. In other words, the actor is largely dependent on resources controlled by others (Hollensen 2007, 62), and therefore its success is to a large extent defined through its relationships with the other actors in its environment, which highlights the need for this study. Internationalization of products and services creates growing international interdependence between firms and within industries (Johanson & Mattsson 1988, 1). This in turn has created many studies and advancement in understanding of business relationships in networks.

Despite the understanding of the need for the network operations within the field of healthcare, it is also evident in the report that more research is needed especially on the interests of the different institutions and actors within the healthcare service sector to partake in such activities and to really understand which focus areas of the Finnish healthcare services can be identified as the ones to internationalize the most potentially. Further need for understanding how these different operational models can be transformed into successful service business concepts is also clearly needed. In addition, it is highlighted that this new institution organizing the cooperational internationalization activities needs to have an extensive owner base and not just actors involved in the development of the public sector's business models but private companies as well. (The Ministry of Trade and Industry 2007, 54.)

The reports brings out heavily the need for the cooperation and mutual partaking of the private and the public sectors – point four above – despite the fact that private sector actors have relatively little to say what comes to organizing the domestic healthcare

services, and the need for an agent within the internationalization network. As the study already by the Ministry of Trade and Industry (2007) noted, their study could not evaluate the interests of different institutions in regards to the network internationalization activities, for which reason a separate study must be done in order to find the real potential. As no such studies seem to have been done, and especially none academic ones, it is therefore essential in this work to understand what the interests are regarding the proposed operational model for healthcare services internationalization. Therefore, the focus in the next section will be turned towards the public-private relationships in the Finnish healthcare service industry.

#### **4 NETWORK INTERNATIONALIZATION OF FINNISH HEALTHCARE SERVICES THROUGH PUBLIC AND PRIVATE PARTNERSHIPS**

According to Ritter, Wilkinson and Johnston (2004, 175, 181) any firm doing business is embedded in a network of ongoing business and non-business relationships, which enable and constrain the performance of the firm both at the same time. The networks in general are loosely coupled systems, and they're management possesses challenges for the actors within the networks. The networks themselves are affected by many actors within them such as private, public and institutional actors, and regardless which the actor is it is bound to be affected by other actors or institutional and environmental changes in the surroundings.

According to Parvinen and Lukkari (2010, 208) especially in healthcare networks institutions are seen as an inherent feature, which have considerable influence on the actors. According to them the "*institutional bases are imported into companies and other service production organizations as underlying invisible assumptions which shape their performance*". Considering the nature of regulation in the healthcare industry's services production this can be easily seen to be true. Holden (2003, 288) agrees by stating that for example international institutions (e.g. WTO, IMF, WHO and the World Bank) are an integral part of the structure of welfare states, and that they also provide in an increasing manner the settings in which services such as healthcare can be provided.

However, Holden (2003, 288) goes on arguing that while it is important to understand the influence of international and national institutions, the focus of healthcare internationalization studies should be focused on the relationships between the state and the private companies, i.e. on the public-private partnership. The reason behind this is that even when the most influential and significant international institutions welfare-wise thrive towards liberalization and have the case through their power to tie governments down into universal agreements, these agreements provide only the basic framework upon which all welfare states, and thus the actors within the network, have considerable amount of power to influence and decide upon how their services are organized. Also, the institutions influencing a network are characterized by "*complex actor interests, heavy regulation, and legislation, influential norms, rules, traditions, peculiar professional subcultures and continuous political interest*" (Parvinen & Lukkari 2010, 208) creating complications in the studies of networks.

Therefore, in the limitations of this thesis the focus of the following chapter will be on the proposed network internationalization model of the national actors within the Finnish healthcare industry. The purpose of this chapter is to familiarize the reader with the proposed network model of internationalization supported by suitable theoretical evidence as a substantial part of this study, after which the focus can be placed more specifically on the relationship between the public and private actors in a public-private

partnership model in order to create understanding about the network internationalization possibilities in the Finnish healthcare services system.

#### **4.1 View on the cooperative possibilities between the sectors**

An important change towards better opportunities for healthcare services internationalization is that at its current state the Finnish healthcare system has already witnessed a shift within the healthcare system appearing due to growing need of services and limitation of resources as more of such services that were formerly produced solely by the state and its healthcare system are now being produced by private companies either in cooperation or independently (e.g. the MEE 2011a). This shift can be considered an important part considering the joint internationalization efforts, as pre-existing cooperation could aid in the formation of new or deepening of existing relationships in the planned internationalization network. However, this shift has also caused an issue for such joint activities for an internationalization network as the growing demand for private healthcare services in the Finnish market at this time have led to a situation, where many of the private companies have announced that they have no need or plans for internationalization as there are plenty of customers and business opportunities within Finland (The Ministry of Employment and the Economy 2011a). This in turn seems controversial with the general understanding on the field, which sees the most benefit arising from joint operation of the public and private side together in the national healthcare service system as well as in the internationalization.

However, at the same time the field of healthcare services can be seen to go through many changes and even some tremendous changes as new private companies with even somewhat disruptive innovative business ideas show up. One such an example is for example Nordic Clinic with their innovative private healthcare service –concepts and aim towards international markets with new business models. For example the company has recently announced opening of a healthcare services business unit in Russia aiming to increase the cross-border movement of patients from Russia to Finland as well as offering the Finnish healthcare institutions better opportunities to internationalize to the Russian market. This is to show that there are new and innovative players in the market seeking new ways instead of the old traditional public and private actor setting. On the other hand, also the university hospitals have begun diversifying by establishing private corporations alongside their existing institution in order to start selling their excess capacity and skills through the private market, of which practical examples are HYKSiin Oy by the Helsinki University Central Hospital, and TAYS Heart Hospital by Tampere University Hospital.

Based on the actions on the healthcare services market it can be argued that the need for change and reform of the existing healthcare service market has begun. However, the reform for internationalization and thus opening up to global medical exports and

medical travelers is at the very beginning of the development process. As the potential of the industry has been also understood by the Finnish government, it has now been taken as a strategic initiative in the plans of the Finnish government to establish an internationalization network from the different healthcare services providers and producers. As this form of internationalization through a network has been seen as the most successful method by the decision makers considering the Finnish healthcare market and providers (The Ministry of Employment and the Economy 2011a, 7-8, 36.), there's evident need to understand the actors within the network.

The intended framework of internationalization network which is seen as the most successful opportunity for the internationalization of Finnish healthcare services – both public and private – is, thus, taken under examination in this study, and also because based on the reviewed literature and materials regarding the evident change in the healthcare services industry this act can be seen as the largest and most influential considering the possibility to internationalize. In the light of the purpose of this study to examine the internationalization possibilities of private healthcare service providers it would therefore be interesting to look at their possibilities in the proposed internationalization network.

However, a challenge to the study arises in that as discussed above the most private healthcare providers have little interest towards internationalization while considering the possibilities as rather small and resource-intensive, while the ones that have interest are in turn rather small in size and fragmented throughout the country (The Ministry of Trade and Industry 2007; The Ministry of Employment and the Economy 2011a; interview with Juha V. Virtanen 2013). Their studies and understanding on the private healthcare sector would propose that there is either no potential or interest in the private sector for internationalization, which in turn would make the purpose of this study somewhat redundant. For example the study by the Ministry of Employment and the Economy (2011a, 38) with substantial interviews on private sector actors denoted that for the private companies the domestic market and the capital within it is so small that they might be reluctant to take the risks associated with export activities.

The nature of the healthcare services industry as largely publicly operated with private healthcare operators possesses a challenge for internationalization of private healthcare service operators. Also, to a great extent private operators seemed to be more interested on domestic patients and opportunities arising from within the country as more healthcare services are shifting from being publicly arranged to privately produced, for which reason they did not consider internationalization or exporting as viable strategy at the current state of their development. Little interest and possibilities for the private healthcare service providers in the case of an internationalization network being built between the private and public actors in the healthcare industry would thus mean that the public healthcare providers would have a very determining role in the internationalization network. This in turn poses a challenge for this study the purpose

being to understand the possibilities and options of the private sector in healthcare services internationalization.

However, despite the lack of internationalization activities at the moment it is probable that such activities driven by the public sector will also increase the private healthcare service sector's interests as new opportunities arise. In the absence of current interests a solution for the problem caused to this study by the lack of interest and thus lack of research subjects can be found by adapting Holden's (2003) study on the internationalizing healthcare services industry of England. Holden (2003) argued in his study on 'Actors and Motives in the Internationalization of Health Businesses' based on the internationalization of the British National Healthcare Services (NHS) – a very similar public healthcare systems as the one in Finland – that a heavy issue for the success of private healthcare service operator internationalization, and a common mistake in attempted studies on healthcare internationalization, has been the focus on common internationalization theories. He instead argues that traditional internationalization theories do not work for private healthcare services operators in a traditionally publicly operated healthcare sectors, because in such complex service businesses such as healthcare these traditional theories have little relevance in practice as the market and its activities are often strongly affected by the state owned actors causing the market activities of smaller healthcare companies to be influenced by political decision making carried out by the larger public side largely preventing effective market activities. (Holden 2003, 290.) Considering the recent development of the Finnish healthcare services sector and the reluctance of the private sector to seek growth from abroad this can be argued to be the case as well.

Instead, and as Holden suggests (2003, 291), looking at the internationalization of healthcare services through the discipline of international political economy, which places the relationship between the state and the firms in its center of analysis, offers a solution for the issue. The study on the NHS internationalization indicated that in understanding the development of private sector in welfare services the overall key is the relationship between the firms and states, i.e. private and public actors. The chosen viewpoint offered by Holden (2003) also fits well with the general understanding within the field on cooperation and MEE's (2011a) strategic purpose of building an internationalization network between the private and public sector actors. Based on this it can be argued that the relationship between the public and private actors plays a crucial role in the internationalization of private healthcare services, and in understanding the possibilities of the private sector in internationalization, which in turn is well in line with the purpose of the study. Drawing on Holden's work and on the building of the internationalization network it can thus be argued that in studying the possibilities of the private sector actors within an internationalization network it is especially in the absence of interest of the private sector most important to understand how the public sector actors view such networking and cooperative activities together with the private sector actors, and how this relationship can be developed upon. A

further detailed outline of the Holden's (2003) study is given in the following sub-chapter.

## **4.2 State-firm relationship as the key to successful private sector internationalization**

Holden's (2003, 288) research attempted to develop a systematic understanding of the relationships between different welfare services actors: the welfare states, the policies of the governments and international institutions, and the private companies. Although he does acknowledge the power of international organizations in providing the contextual framework in which internationalization of healthcare services can occur, he argues that the key focus of analysis needs to be on the relationships between states and private companies, if we want to further understand the internationalization potential of different healthcare services actors within countries. Therefore, and within the limitations of this thesis the focus will be on the above-mentioned relationship, while more discussion on the effects of the international institutions can be found from Appendix 3. Furthermore, he argues based on this case study of the British NHS that it is indeed "*the particular mix of direct state provision, taxes, subsidies and regulation in the welfare state formation that provides the opportunities for, or barriers to, the international expansion of private providers of health services*" (Holden 2003, 288), which is to show that the governments have considerable role either through direct efforts such as building an internationalization network operation or indirect efforts such as taxation on the potential of the private sectors actors in succeeding to internationalize.

Holden (2003, 291) points out that while a vast amount of literature have been generated about strategic decision-making in internationalization such as Dunning's eclectic theory or the Uppsala-model of internationalization, an alternative view on internationalization of heavily government-affected service business is required as these theories have little relevance in such business environments. According to him such view would be offered by the discipline of international political economy. The discipline itself has focused on the relationships between states and firms placing the relationship of them in the center of the analysis instead of the traditional firm-firm – perspective used in many internationalization theories. Within the discipline authors such as Stopford and Strange (1991), and Ruigrok and van Tulder (1995) have developed a so-called firm-state bargaining concept as a method to understand the global economy and internationalizing firms within it. As Holden (2003, 291) points out, Stopford and Strange have examined the relationships in a tree-tier framework focusing on the relationships between state and state, state and firm, and firm and firm, whereas Ruigrok and van Tulder have created a multi-actor framework of bargaining with large industrial-like complexes such as the Finnish healthcare sector. Holden's

(2003) utilization of an adapted version of Ruigrok and van Tulder's framework on the British long-term care sector indicated that in understanding the development of private sector in welfare services the key is the relationship between the firms and the states. The reason behind this is that while many different actors do exert some power and significance over the strategic decision-making of private companies the states, however, are likely to have considerably greater impact on the decisions of welfare-related firms as developed capitalist states tend to intervene the healthcare and social services sectors the most compared to other sectors in the economy. The extent to which a specific country intervenes however will vary depending on the welfare states' intervention methods: direct provision, taxes and subsidies, and regulation, which Holden calls as the '*welfare state formation*'. (Holden 2003, 291-292.) As all the states have the decision power to choose their balance of these intervention methods, all the states also become unique in the sense that generalizations of the state intervention on private healthcare companies internationalization becomes difficult, which is also noted by Holden (2003, 300) as an issue, but at the same time as a proof for the need of investigation in regards to the relationship between the welfare state formation and the internationalization of private healthcare companies in different countries (Holden 2003, 292).

While Holden (2003) attempts to develop and provide a framework for analyzing firm-state relations in the healthcare through placing focus on the role of the structure of the welfare state as the determinant for the opportunities and barriers of internationalization of private companies, and rather successfully proves through the case of the British NHS transformation that the formation of the welfare states may actually facilitate an increase in internationalization of the healthcare services and that further systematic research is needed on different countries and reforms, the extent in which Holden (2003) deals with the transformation of the NHS is too wide in scope regarding the limitations of this thesis. However, the research of the author is of valuable insight regarding this study, as his findings would indicate that the relationships between the private sector actors and public sector actors would be the most important for successful internationalization of private healthcare companies in Finland. This in turn has considerable effect on the planned internationalization network of Finnish healthcare services, where the private and public sector actors are to work in cooperation for successful internationalization as it addresses firstly the importance of cooperation between the actors, and secondly has the potential to address also the issue of low interests and opportunities for private healthcare service providers to internationalize.

As Holden (2003) shows that the most important factor for the success of the private healthcare service providers is actually their relationship to the public ones, this also targets the interests of this study towards the public sector actors and how they see the potential to cooperate with the private sector actors in internationalizing Finnish healthcare services and within the planned healthcare internationalization network. Also

because the formation of the healthcare services internationalization network has been begun by governmental institutions in Finland and its building needs considerable resources as opposed to earlier scattered projects, it can therefore be argued that in considering internationalization of the healthcare services sector as a whole the conveyor needs to be the public side to a large extent due to the extent to which the healthcare sector is largely controlled and also operated by it (The Ministry of Trade and Industry 2007; MEE 2011a).

For these reasons and while drawing on Holden's (2003) research it is thus of the interest of this study to understand what the potential and interests of the public healthcare service providers are towards the cooperation in the internationalization network from the viewpoint of different decision-makers within the public healthcare providers and how the public sector actors view cooperation with private sector actors in internationalizing healthcare services in order to understand also the private-sector's possibilities in such a network. The topic will be looked upon through a phenomenon called the public-private partnerships, which has evolved into the key tool of public policies around the world during the recent decades as a cost-efficient and effective mechanism for implementing public policies across a range of different political agendas. In addition, they have been seen to bring significant benefits while in use especially when it comes to developing socially inclusive communities (Osborne 2000, 1.) – a community such as the one of Finland.

### 4.3 Public-private partnerships

A public-private partnership (PPP, P3 or P<sup>3</sup>; hereafter abbreviated as PPP) is one form of a joint-operation between a government service and private business venture often funded and operated together by the government and the private sector companies, in which the private companies provide a public service assuming substantial operational, technical and financial risk against increased earnings. In other words, in entering a PPP the *“local authority or a central-government agency enters a long-term contractual arrangement with a private supplier for the delivery of some services. The supplier takes responsibility for building infrastructure, financing the investment and then managing and maintaining this facility.”* (Iossa & Martimort 2009, 2.)

According to Yescombe (2007, 2-3) the origins of public-private partnerships are in the United States, where the model was initially used as means for funding of joint infrastructural public- and private-sector programs, which after successes was taken to wider use as a reference to cooperative public-private efforts on renewal of traditional government held tasks in the 1960's. Later on, the public-private partnership model is used also in referring to *“...publicly-funded provision of social services by non-public-sector bodies, often from the voluntary (not-for-profit) sector, as well as public funding of private-sector research and development in fields such as technology”* (Yescombe

2007, 2). Whilst being used in the U.S. for relatively long, the use of PPP was pioneered in Europe as late as the beginning of the 1990's in a Private Finance Initiative (PFI) in 1992 in the UK, which proved to be a great capital success within the country (Iossa & Martimort 2009). Today the term is internationally used to cover broad fields of joint government and private-sector cooperative activities aiming at economic development ranging from agricultural improvements to producing new vaccines (Yescombe 2007, 3), and are used wide across the U.S., Canada and Europe.

During the 21<sup>st</sup> century financing of private sector through public-private partnerships (PPPs) has become a very popular way of procuring and maintaining public-sector infrastructure in several different sectors such as in transportation, public utilities, government offices, social infrastructure and other specialized services. (Yescombe 2007, xv.) Lately various countries have begun using PPP for many different reasons; on fiscal deficits, demand-supply gaps, budget based pressures and inefficient public services regarding infrastructure to name a few. These mentioned reasons for using PPP models also suit the current scenario in Finland well as was discussed in the beginning of this study within the reasons for internationalization. Also the reasons for using PPP models vary somewhat greatly as some of the countries have chosen PPP based on the expectations, such as gaining expertise from the private sector and being able to motivate more involvement from the actors of the private companies towards public services (Chowdhury et al. 2011). Due to the deregulation and globalization of the world economy, PPP is today used also in several developing countries due to the increased involvement of private sector on the development of the public services in these countries. (Iossa & Martimort 2009, 2.) In the recent years the model has also become of interest within the field of healthcare services as the internationalization and networking of services causes many changes and promotes the need for further cooperation even between the traditionally separated public and private sectors of the healthcare industry.

PPP projects themselves consist of a variety of relationships between different participants, which are established through several contractual agreements between the participants within the PPP (Chowdhury, Chen and Tiong 2011, 247). Therefore, PPP can be seen as a form of structured and organized networking between the different operators, which also consists of the manners in which the network itself is operated, i.e. whether the existing operators are able to act freely in cooperation or whether an orchestrator is needed to govern the activities between the actors within the network. The governance of the network was also highly called after in the reports by the ministries regarding network internationalization. An example of a PPP as a long-term contractual arrangement could be for example the provision of the agent-actor to private sector in regards to the network governing activities in healthcare services internationalization. A basic PPP structure is presented in Figure 5:

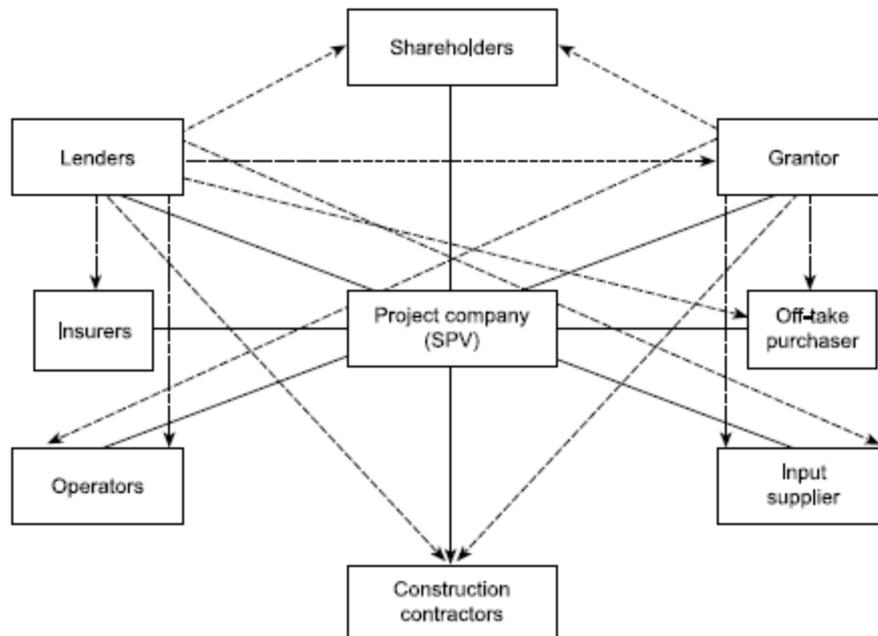


Figure 5: Basic structure of a PPP (adapted from Chowdhury et al. 2007)

As seen from the figure, the network activities consist of many actors and can become rather complex especially when considering an entire industry between public and private sectors. As Yescombe (2007, 1) points out, the private sector is having an increasing role with what comes to public infrastructure, which themselves are a necessary part of the functioning of the economies and societies. Public infrastructure is vital in supporting a nation's social and economic activities and without it societies could not work. In general, public infrastructure can either be a so called 'economic infrastructure' – such parts of infrastructure that are considered essential for daily economic activities including transportation facilities and utility networks – or a 'social infrastructure' – parts which are essential for the structure and functioning of the society such as schools and hospitals. Here as well as in the services as earlier discussed a separation can be made between hard and soft infrastructures regardless of whether economical or societal in nature. So-called hard infrastructures consist of buildings and physical facilities, such as a hospital, whereas soft infrastructures involve a provision of services such as social and healthcare services. Therefore, it is especially the soft infrastructure side which is in the interests of this study due to its purpose, and which shall be considered in further detail.

#### 4.3.1 Complexity of PPP relationships in practice between the different sectors

Despite the importance of the public-sector on successful PPP activities it is also argued that a governmental organization or the state has to play a major role in these

activities when public infrastructure such as healthcare services are to be handled because private sector does not take into account the general economic and social benefits that arise from them, but rather bypasses those in the seek for profit. As most often the sectors to which PPP models are used for are such that they need to be provided freely to all, public sector governance is essential in assuring it. (Yescombe 2007, 2.) This is to say that infrastructure such as the healthcare services should be provided by the public sector because competitive market prices – despite the fact that governmental control most often in fact distorts the market – would affect the behavior of the market in such a manner that socio-economic benefits would be lost as the cause, which would not be acceptable. This in turn would imply that regardless of the strong shift from public production to privately produced in healthcare services the public-sector would need to produce most of the services in order to retain control over the market in the future despite the cost-effectiveness and flexibility of the private-sector. This in turn would set boundaries on the growth of the private sector and its possibilities in the future, which as earlier discussed are prerequisites for successful PPP activities also in Finland.

The author, however, also notes that history has suggested there to be two ways in which the state can actually accomplish the above with the socio-economic benefits: *Direct provision* and *facilitation of private-sector provision through regulation, tax subsidy or other incentives, or by contract*, which in turn allow the private-sector to have even a greater proportion of the total production. Indeed, the author argues that it has actually been rather a norm to have a large proportion of the public infrastructure, including services therefore, to be handled by private provision, and in fact more such services earlier handled by the private-sector have in the recent decades fallen in the hands of the government. A practical example of this is the role of religious and private charities, which provisioned a large part of the social infrastructure such as schools and hospitals (Yescombe 2007, 2). Therefore, in fact the current privatization of publicly provided services to the private-sector can be seen rather as only a natural movement or an attempt to move back to the earlier equilibrium of service production between the sectors. The only real difference until today is that increase in what is considered as necessary public infrastructure has in fact increased in such a pace with which the governmental organizations have not been able to keep up with, for which reason the need for increasing PPP projects is also largely based on (Yescombe 2007, 2), and there for which reason there is a growing need for public-sector actors to engage themselves in the activities.

However, in practice structuring of PPPs is a rather complex task due to the need to mediate between the different aims of a large amount of different kind of parties that are involved within the PPP, as earlier presented by Figure 5. The public-sector's side consists of the public authorities creating and implementing the PPP policies, those that potentially govern the PPP, and the public providers of services such as healthcare in the case of this study, whereas the private-sector's side consists of companies such as

the healthcare service providers, other necessary services providers such as the governing body and the orchestrator of the PPP, the investors and the lenders. And in addition just being part of the PPP and its functioning as such is not enough, as all the participants of the PPP also need to have the basic understanding of policy and finance issues of the functioning of the PPP and understand how their offerings, services or projects fit the larger picture and the dynamics within the network of actors. (Yescombe 2007, xv.) This in turn highlights the complexity of establishing PPP activities between the actors of the network and the need for close evaluation in each different network looked upon, as the network is always the sum of its actors, which are different in each network.

Holden (2003) pointed out earlier in this study that more research needs to be conducted on the internationalization of different healthcare systems. Combining his results with the point made by Chowdhury et al. (2011, 247) that because also very few studies of such topics have been done in regards to PPPs – and even less within the country of Finland – the topic of the Finnish healthcare service internationalization through a network in such PPP activities needs to be looked subjectively upon. In the absence of earlier research on the topic in Finland it is therefore important in order to better understand the current situation and background for Finnish healthcare services internationalization especially through PPP model to firstly understand what the reasons and motives for such internationalization are. This can be considered as the first part of the empirical study and it can be conducted through a suitable framework presented shortly.

Though numerous studies have been done in regards to establishing and justifying structures of PPP projects between the different stakeholders and legal frameworks, there are still many aspects to look at as Chowdhury et al. (2011, 247) point out. Such matters concern for example the structures which create the structuring of a PPP, why the key stakeholders within the PPP are chosen as such and especially what the roles of different participating partners within a PPP are and how should they be formed. These same questions can also be applied to the current research topic on Finnish healthcare services internationalization through an internationalization network, in which, as the report by the MEE (2011a) proves, we are in the very early stages of understanding the nature and possibilities. Understanding these can be considered as the second part of the empirical study on the actors.

Considering the early-stage nature of the Finnish healthcare services internationalization especially from the public side there are many suitable analysis methods for early-stage internationalization, but the most suitable framework considering the purpose of the study to understand the motives for the PPPs was considered to be the SWOT Analysis tool, which is used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. The analysis on the existing literature is discussed in the following chapter.

### 4.3.2 *Motives for PPP based on literature*

The above-discussed studies clearly outline the strengths gained from exporting as well as what kind of opportunities there exists with the exporting of Finnish healthcare services. The studies however also take notion on what are the weaknesses of Finnish healthcare exporting at the moment and also outline some of the threads associated with it. As the discussion seems to revolve around these themes, the findings can be demonstrated more easily using a SWOT analysis chart based on the reports by the ministries, which can be seen below:

Table 4: Literature based SWOT analysis of the public healthcare internationalization based on the used publications by the Finnish ministries

	<b>Helpful</b> to achieving the objective	<b>Harmful</b> to achieving the objective
<b>Internal origin</b> (attributes of the organization)	<u>Strengths</u> <ul style="list-style-type: none"> <li>- Ease on production when purchasing from the private sector</li> <li>- Increase in total quality of healthcare services</li> <li>- Increase in revenue stream as a valuable compliment for the financing of public services</li> <li>- Productization of Finnish healthcare services required by such cooperation activities increase cost-awareness and productivity</li> </ul>	<u>Weaknesses</u> <ul style="list-style-type: none"> <li>- Lack of skills in regards to market-based service concept exports of the public sector</li> <li>- Lack of commercialization skills by the public sector</li> <li>- Public sectors concepts are developed for domestic use preventing exports</li> <li>- Talent and know-how is really scattered around the field with little concentration</li> <li>- Lack of long-term development strategies and cooperative structures</li> </ul>
<b>External origin</b> (attributes of the environment)	<u>Opportunities</u> <ul style="list-style-type: none"> <li>- Ability for the private sector to grow and develop their service offering</li> <li>- Private sector can become more competitive</li> <li>- Possibility to develop copyable service concepts for internationalization</li> <li>- Private sector is in general more innovative to new business models</li> <li>- Real potential is seen for widening of the income base and upkeep of patient amounts</li> </ul>	<u>Threats</u> <ul style="list-style-type: none"> <li>- Lack of skills in service exports by the public sector puts considerable pressure on the private sector</li> <li>- Public image as fears will arise when public organization goes into private business, which has very different goals</li> <li>- Political decision making based healthcare services internationalization</li> </ul>

Based on the literature review there seems to be several strengths why public-private partnership would be beneficial regarding the internationalization of Finnish healthcare services. Firstly, the cooperation between the sectors allows such services that are the responsibility of the public sector to be purchased from and produced by the private sector easing the pressures on the public sectors production. This in turn allows more dynamism between the sectors, which is sought after by the reports as an essential part of being able to internationalize. This form of cooperation also increases the networking between the operators from different sectors building a better ground on which to build the internationalization network. The cooperation between the actors also increases the quality of healthcare services within the sector as a whole. (The Ministry of Trade and Development 2007.) One of the major strengths of the cooperation as pointed out by the report of the MEE (2011a, 10) is that the cooperation and the opportunities and possibilities arising from such cooperation between the sectors in exporting Finnish healthcare services creates a valuable add as a revenue stream to the overall financing of the publicly provided services while at the same time the private companies have the ability to get their part of the revenue stream. Productization and pricing required by the cooperation activities also increase the cost-awareness of the services and therefore increases the prerequisites for improving productivity throughout the service system. This is also seen as a major part of being able to internationalize and have international cooperation between different actors.

In turn there are some weaknesses as pointed out by the literature review. Such weaknesses include the fact that little of the operations models and services developed in the public sector have been commercially exploited. An evident weakness with the fact is that the public sector lacks the needed skills regarding market-based service business concept exports and commercialization of them (The Ministry of Trade and Industry 2007, 9), which supports the need for the internationalization network as the lack in skills can be complemented by the private sector. On the other hand the report by the MEE (2011a) makes a notion in general that the know-how on commercialization and marketization of Finnish healthcare services is needs to be supported throughout the sector as much more aid is needed in both sectors in order to be internationally successive. A major weakness regarding the general Finnish healthcare service concepts is that while they are put in place by the public sector the services and service models are also therefore developed locally, and they have not been meant to be copied to other locations (The Ministry of Trade and Industry 2007, 9). This in turn highlights the evident need of the transformation of the whole healthcare service sector in cooperation with the private sector to become more flexible and dynamic.

Another great weakness for the cooperation is highlighted by the report of the Ministry of Trade and Industry (2007) as well as the MEE (2011a, 7) in that the talent and service field within healthcare services is at the moment scattered around and the much needed private companies are still mainly small companies with limited resources

and potential for internationalization. As the report notes only the increase in partaking of the private sector in offering publicly funded services creates the basis for growth within the domestic market, which in turn is a necessity considering the internationalization network activities. Therefore, not only the internationalization but also the effective development of the domestic market needs the cooperation between the sectors.

As the report by the MEE (2011a, 9) points out there is also a great weakness for the public-partner –partnerships in that at the moment Finland is missing the long-term development strategies and cooperative structures that would promote the cooperation between the sectors, which are inevitable for the future success of healthcare internationalization. Separate internationalization and export projects of most often private producers have little effect in the larger scale for which reason the cooperation with the public healthcare providers and government institutions are needed.

If the weaknesses as discussed above can be avoided then there are plenty of opportunities in the future. The ability of the public sector to purchase the services from the private sector noted as strength above also contains an important opportunity for the private sector service companies to grow and develop their service offering (The Ministry of Trade and Industry 2007). As noted earlier on in this study the private sector actors are relatively small in size and lack the resources, for which reason supporting their growth in a manner which would allow them to grow to become powerful enough for export activities and other forms of internationalization would also in turn benefit the public sector actors in export-related activities as the private sector actors would be more able to produce and offer such services and skills that the public sector lacks for the purpose.

The cooperation between the actors and especially due to purchasing of the services also allows the further development and born of new companies in welfare and healthcare services, which in turn produces even higher quality services potentially raising also the competitiveness of the healthcare sector internationally. This development would also allow better copying of healthcare concepts leading to increased internationalization opportunities for the whole sector. While private companies also tend to be more probable of creating new service innovations, they are more likely to be the ones to diversify and strengthen the development of the domestic service offering for which reason the cooperation is necessary. Especially the private sector is seen to have such special skills also known as the ‘spear-head’ skills that are believed to have international business opportunities. (The Ministry of Trade and Industry 2007, 9.) However, as these top-level skills and knowledge are often people-centric and the doctors in Finland have quite free movement between the two sectors, in reality the important resource is already part of the cooperation between the two sectors.

According to the report by the MEE (2011a) the current decisions and organizational work done within the different healthcare districts shows that there is strong belief for different opportunities. This is shown in practice by new cooperation model of the

sectors in which the public hospital establishes a separate private company, which then sells the overcapacity resources and know-how of that public entity. Examples of such are for example the HYKSin Oy in Helsinki and the endoprosthetic surgery providing Coxa Oy in Tampere.

In turn, the threats to such cooperation for internationalization are that while the to-be-established cooperative internationalization network between the sectors will be formed, without placing much effort on filling in the gaps and lack of knowledge and skills the public sector would be heavily dependent on the private sector in regards to commercialization and marketization. This points an evident need for the public sector to gain such competencies or to secure that the private sector actors providing the needed competencies are fit for the tasks and can carry through. Otherwise, considerable amount of resources could be lost through establishing all the necessary activities but failing in the end due to inability to execute in the right manner. Cooperation between the public and private sectors can also cause a negative public image as the nation's citizens are likely to fear a loss of service or quality when a publicly organized service provider goes into private-sector business, which has very different goals as a profit-seeking industry (MEE 2011a, 9-10). Such negative public images would need to be taken care of properly in regards to cooperation between the sectors to prevent possible political problems. It would be essential to make also publicly clear that such cooperation does not interfere with the current service levels but in fact can aid and improve them in the future.

A potential threat for successful network internationalization of Finnish healthcare services in cooperation with the sectors is caused by the difference on which the services are based. Due to the structures of our existing healthcare service system the decisions regarding targets and actions for internationalization and service exports of Finnish healthcare services are ultimately decided by the organizing municipalities and federations of municipalities, which are responsible for the production and delivery of the services (the MEE 2011a, 10). As this is not about to change, the interests of the municipalities guide to a large extent the overall possibilities of the whole sector. If the municipalities as public organizations decide not to pursue internationalization and exporting efforts it would ultimately make it difficult for everybody else to do so also, for which reason it is considered an important topic for the study.

## 5 RESEARCH DESIGN

Research design is the master plan for relating the conceptual research problem to the relevant and practical empirical research. The quality of the empirical research is influenced to a great extent by the underlying research design. (Ghauri & Grønhaug 2002, 49.) In turn, the “[S]trategic choice of *research design* should come up with an approach that allows for solving the research problem in the best possible way – within the given constraints” (Ghauri & Grønhaug 2005, 56). Therefore, choosing a well-established research design is of the essence in providing reliable research results. In turn, conducting a research in practice consists of making several different kinds of reasoned choices for the methods, research strategies, how to collect the data, and how to analyze it in an attempt to systematically achieve specific goals (Ghauri, Grønhaug & Kristianslund 1995, 6). Therefore, the purpose of this chapter is to introduce the reader with the above-mentioned choices in regards to the research problem at hand and the purpose of this study.

### 5.1 Research approach

Due to the nature of this study and its objectives the chosen research strategy was through qualitative method for several reasons. Firstly, as Ghauri et al. (1995, 85) note, qualitative research is typically required when the research focuses on uncovering either *a person’s experience or behavior*, or it attempts to *uncover and understand a phenomenon of which little is known beforehand*. Both of these purposes are satisfied within this study as the latter is very much the overall purpose of the research, and the prior is also fulfilled, as the experiences of the research subjects on the matter will have an effect on the results and the study’s ability to shed light on the topic from different viewpoints. Also, as further noticed by Ghauri et al. (1995, 85) qualitative methods are most suitable when intricate details and understanding of the topic of the research are needed, which is also the case in this study.

Secondly, qualitative research method is suitable for the purposes of this study as it typically features employing only a limited low number of observations as compared to large amounts of observations by quantitative analysis. Low number of observations allows the researcher to focus more specifically on those specific observations and have more in-depth studies on them, which is of the essence in this study and not possible with numerous observations. Focusing on specific observations therefore allows the researcher to better understand a complex phenomenon on which little prior knowledge exists. Therefore, a qualitative method can be considered the most suitable as the purpose of the study requires in-depth insight into the chosen topic. (Ghauri et al. 1995, 86.)

Thirdly, qualitative research methods suit the best especially in cases where prior knowledge and research regarding the research topic are minimal and the research is, therefore, explorative in nature as opposed to descriptive or explanatory (Ghauri et al. 1995, 86; Saunders, Lewis & Thornhill 2007, 133). This study can be seen as an explorative one because no prior knowledge exists on the topic through the chosen viewpoint. Also, because the proposed network and relationships within it have not been yet formed and therefore cannot be studied in practice, the purpose of the research in general is to look at the different factors affecting the network activities prior to its formation. This further strengthens the view that the research is exploratory in nature as the research problem can be defined as more unstructured than structured due to its nature of attempting to understand an unformed network and its activities. Exploratory research is used when the research problem is not well understood and flexibility is required in solving it, as there are no exact hypotheses regarding the research problem. This has for example been the case in this study, where the original purpose was to study the internationalization of private-sector healthcare providers. As exploratory research suggests, *a priori* information can be used to establish a clearer picture of the problem, and use of such information may even change the direction of the study as new pieces of information are added on the whole. (Ghauri & Grønhaug 2005, 58.) This definition in turn describes well the literature review of this study and the formation of the current research problem.

However, while the research purpose can be typically classified according to these above mentioned methods, in reality the research project may consist of several different purposes leading to a combination of the methods in some way (e.g. Ghauri et al. 2005). For example, the underlying reason and the base for this study is in the MEE's strategic decision to establish the internationalization network between the public and private sector actors in Finland. The purpose of this study is therefore to examine the views on public-private partnerships in such an internationalization network between the different sectors as such cooperation at such a scale has not existed before in Finland. This in turn would suggest the issue to be closer to a structured problem as it is known what information is wanted – *the views on forming PPP relationships between the sectors* – with the background described as above. Also, because literature such as the reports by the Ministries has already shown that there is causality between the sectors in forming the internationalization network, as both sectors seem to need each other for successful activities, a causal or an explanatory research method could also prove possible in the research to examine their relationships. However, within the limitations of this study and in order to keep the focus of the study clear, only exploratory nature is considered.

Important aspect to note is, and as Ghauri & Grønhaug (2005, 58) point out, also the skill requirements for making the research change with explorative research design compared to more structured research designs, as the key skill requirements in exploratory research contain the abilities to *observe, get information and construct*

*explanations* to otherwise complex situations. These mentioned points also highlight the methods how the study has evolved from its original given research topic to its research design. However, while all these requirements are taken into account in this study, they also highlight the important factor of subjectivity of the research. In such a study like this one the author's perceptions and abilities to construct outcomes from the research materials plays a crucial role defining the outcomes of the study, and therefore it is important for the author to stay objective to the undergoing study.

Also the rather complex relationship of this study with the theoretical background and the role of theory within this study cause some issues to consider based on the typical division of the research being either a deductive, inductive or abductive in nature. Deductive reasoning can be easily out ruled as it suggests the research to be theory-based in which the analysis of the empirical findings is based on an already existing theory or model (e.g. Tuomi & Sarajärvi 2009, 95-99). Considering the lack of theoretical models and especially such that would fit the Finnish environment this would not hold true, although the nature of the research through which the case for studying public healthcare providers in an attempt to understand the potential of the private healthcare providers to internationalize can be considered deductive.

In turn, the other two can be seen as more relevant in regards to this study. However, making a distinction between an inductive and abductive reasoning is difficult. The research would be closer to an abductive reasoning as the study is heavily related to existing earlier studies and theories, but the theories themselves have not been able to offer suitable models to test and the other way around the nature of the research is such that no theory can be built from the study. By definition, in abduction the empirical analysis is not based on theory, but its relation to theory can be well seen, and therefore explanations and confirmation is searched from theory to back up the interpretations from the empirical findings. In this study theory is used as a tool, which aids in making interpretations from the gathered empirical materials rather than to try to create new theory or improving upon older theories. Although some theory is used to form a possible picture of the PPP relations between the actors in healthcare service industry, it works merely in aiding what the cooperation between the actors could be in an attempt to underline the reasons behind the need for such cooperation network activities. Due to the nature of theory in this research the research itself could therefore be argued to be abductive in nature.

## **5.2 Data collection**

In qualitative studies such as this one it is easy to become overwhelmed by large amounts of data, if the research problem is not well understood leading to inexact data collection considering the research of the purpose and potentially to irrelevant data also (Ghauri & Grønhaug 2005, 204). In fact, this has been rather challenging in this study

due to the complexity and vast nature of the study. Therefore defining the research purpose and the research methods carefully was important in this study especially as they act as the prerequisites for successful data gathering and therefore have a great impact also on the data collection method itself.

The data of the study was collected through semi-structured interviews. The reason for choosing interviews as the data collection method is that firstly in qualitative research methods data is most often collected through interviews and observations (Ghauri & Grønhaug 2005, 110). Secondly, due to the flexibility of an interview as a data collection method it suits the purposes of this study well while at the same time allowing guiding of the data gathering within the gathering itself (Stake 1995, 65). This in turn enables finding the motives behind the answers more clearly, which are important in this study. Thirdly, interviews suit well such situations where the topic is relatively little examined before and it is difficult for the researcher to know to which direction the answers will go to. Fourthly, interviews make it possible to deepen the available information, as it is possible to engage in further discussions with the interviewee on a specific topic of interest. (Hirsjärvi & Hurme 2010, 34.) Lastly, as the topic in itself is rather badly understood in the field of healthcare and there is a lack of research considering the nature of the topic, it is more worthwhile to examine the topic through a semi-structured design, which by its definition and nature is more able and probable to provide the researcher with more in-depth answers of the topic. Multiple interviews also seek to convey multiple perceptions and knowledge over multiple respondents (Stake 1995, 65), for which reason it can be seen suitable in this study.

More specifically, the chosen data collection method was through *expert interviews* due to the explorative nature of this study. As there exists no prior knowledge how the public sector actors see the formation of the network in practice, interviews were seen as the most suitable method in being able to produce enough in-depth information for the analysis (Gill, Treasure, Steward & Chadwick 2008, 295). Specifically expert interviews were seen as the most suitable method due to the need to gain highly in-depth knowledge on a wide research topic with limitations to the amount of possible data collection within this study. While the network looked upon in this study has not been formed yet, expert interviews were seen as the most suitable method for gathering data on an otherwise complex phenomenon, on which prior information is rather scarce.

However, formulating such interview questions that are allowing in-depth understanding of a complex phenomenon can be a rather demanding task. As Stake (1995, 65) notes the questions and the anticipating probes evoking good responses are a form of art themselves. The formation of the interview questions in an abductive exploratory study requires thorough exploration of the earlier research and other relevant materials, developing of tentative explanations based on the observations from the earlier information evidently forming the research problem, and further moving between these stages to gain a good enough understanding of the topic of the research in order to formulate specific, yet accurate interview questions (Ghauri & Grønhaug 2005,

117). Therefore, the interview questions were carefully drawn based on the preliminary research framework – the purpose of the study and the earlier literature review – in order to come up with such a set of questions (Appendix 1) that can provide the information needed with as little bias from the author as possible to avoid any problems occurring from subjectivity on the matter.

After a thorough analysis of the public healthcare industry the representatives as the experts for this study from the public sector were chosen from the two of the largest Finnish public sector actors: Turku Central University Hospital and Helsinki Central University Hospital. The reason for the choice was behind several facts. Firstly, with the new social and welfare reform in Finland the municipalities having greater responsibility and decisions for arranging the healthcare services to their citizens have considerable decision power also over any internationalization efforts. Therefore, the chosen two representative bodies would need to be able to represent the views of the largest municipalities in Finland, as the reports by the Ministries suggest them to have the most resources for potential internationalization. Secondly, the fact that as public sector actors hold considerable power over the internationalization potential of the private sector, and also for the same reason they would play a major part in the planned internationalization network, the representatives chosen within the limitations of this study would need to be able to represent the public sector on a wide-enough magnitude as well as possible. Thirdly, as it was also strongly pointed out by the reviewed literature that the most potential is seen from the top-level high-knowledge surgical operations, in which the most skills and potential exists in the central university hospitals within the public healthcare service sector due to their size and concentration, the central university hospitals can therefore be assumed to represent the highest possible potential within the internationalization network. (The MEE 2011a.)

The chosen central university hospital representatives were also assumed by the author to have the widest in-depth perspective on the matter as they are not limited just to views on their own municipalities, but the hospitals also perform demanding operations and care across Finland. They were thus expected to contain the best knowledge and possible insights in regards to the studied matter. In addition to these, it was seen as an interesting option to compare two large-scale public healthcare service providers, where the other has established a private company – the HYKSin Oy by Helsinki Central University Hospital – to sell its over-capacity and knowledge, whereas the other one has not. This was thought to make an interesting comparison between the two actors, and give further understanding of the issues related to the network. For the same reason of occurring changes and differences between the units it was also seen important to consider at least two units considering the large scale of the research topic to prevent focus on a single unit, which could represent very different opinions from the general views. Also, in practice the limitations of this study and the time constraints prevented looking at either more municipalities or hospitals such as the five university

hospitals in the major cities of Finland or focusing on additional levels of interviewees within the organizations, which could also show potential in this kind of a study.

To gain further in-depth analysis within the chosen two units the interviewees were chosen from three different organizational business levels – the top management, the development personnel and the surgeons – whom were believed based on the literature review and their respective jobs to possess most insight and views on the phenomenon under study. The directors of the hospitals and the development directors were assumed to be engaged in activities regarding the strategic initiative of the MEE while the neurosurgeons were chosen for the study based on their respective top-level knowledge representing the highest internationalization potential. Furthermore, the choice of neurosurgeons was based on the fact that the head of neurosurgeon division was seen as having probably the most knowledge of the potential despite lacking internationalization efforts at the time In Turku, while the consultant neurosurgeon in Helsinki had just recently announced opening up of an own private clinic, for which reason he was seen as a favorable research subject in giving more in-depth picture of the current situation and what the potential for internationalization in practice is. The interviewees are presented in the below table:

Table 5: The interviewees

<b>Organizational level</b>	<b>Turku Central University Hospital</b>	<b>Helsinki Central University Hospital</b>
<b>Directors of the Hospitals</b>	Chief Executive Officer	Chief Administrator
<b>Development Directors</b>	Development Manager	Development Director
<b>Neurosurgeons</b>	Head of Neurosurgeon Division	Consultant Neurosurgeon

An important point to note on the two separate but inherent units of analysis is that it is important to identify the units and to understand of what they consist of if a comparison is made. Even when the comparisons are done within a country or within a market and the data is compared and contrasted it is important to make sure that the organizations in comparison are actually comparable. (Ghauri & Grønhaug 2005, 108.) In this study the two Central University Hospitals are considered to represent the largest and most talent-consisting hospital units in Finland in regards to internationalization potential. Therefore, they are argued to represent the greatest potential what comes to the formation of the internationalization network as they can be seen to have the most resources to participate in such activities. However, it is important to note that the size difference between the two units is noticeable and varies depending on the measure used. Therefore, the size difference should be kept in mind during the comparison and

in the analysis of the results between the two organizations. The following table introduces the interview dates and the interview times of each interviewee:

Table 6: The interview dates and times

<b>Organization</b>	<b>Interviewee</b>	<b>Interview date</b>	<b>Interview time</b>
Turku Central University Hospital	Chief Executive Officer	2.12.2013	57min 35s
	Development Manager	2.12.2013	81min 13s
	Head of Neurosurgeon Division	2.12.2013	56min 06s
Helsinki Central University Hospital	Chief Administrator	5.12.2013	56min 23s
	Development Director	4.12.2013	54min 50s
	Consultant Neurosurgeon	4.12.2013	52min 48s

As seen from the table the interviews were rather constant in length except for the interview with the Development Manager. However, despite the fact that the interview time was considerable longer with the Development Manager compared to the others, it practice this did not have much effect on the study itself as the remaining minutes were to a larger extent used on matters that were to a large extent outside the interests of this study. Also, using of a semi-structured interview form instead of a structured or unstructured form allowed the interviewees to consider the seemingly difficult matter more openly and freely while at the same time allowed the interviewer to guide their answers towards those matters to which solutions were sought after in the interviews. Despite having decided upon the questions in advance it allowed to gain insights on the needed aspects of the study. Also, the free form of the interview allowed the respondents to mix the order of the questions when necessary in an attempt to provide in-depth answers to seemingly complex matters in a manner more suitable for the interviewees themselves. The interviewees were given a copy of the interview questions in order to guide their answers towards the topic. Giving the agenda to the respondents also indicated that there was concern about the agenda and its fulfillment within the interviews. (Stake 1995, 65.)

### **5.3 Data analysis**

“A key – if not *the* key – purpose of analysis is to understand and gain insights from the collected data, or as stated by Marshall and Rossman (1995, 111), data analysis is the process of bringing order, structure and meaning to the mass of collected data” (Ghuri & Grønhaug 2005, 206). Therefore, the key characteristic of analysis is the systematical process of breaking down large complex parts into smaller sub-parts through manipulating data in order to gain understanding of the complex issue at hand and to

clarify the problems that exist within the research. Thus, it can be argued that data merely act as carriers of information, and for it to become actual information they need to be interpreted in some manner, which highlights the need and importance of suitable methods for data analysis. (Ghauri & Grønhaug 2005, 204.)

A key factor considering this study and its data analysis is the act of data reduction. As Ghauri & Grønhaug (2005, 206) explain the act refers to the process of *selecting, focusing, simplifying, abstracting* and *transforming* the gathered data of the transcriptions based on the interviews. The purpose of the act is to simplify and abstract the information in order to create meanings from the large amount of information. A relevant part of the process is the categorization and identification of themes and patterns, which is used in the data analysis of the empirical data as well. Use of such methods is rather important as the data consists of the semi-structured interviews of six different people and using such methods allows the researcher to classify the information in an effort to find similarities and differences in the views on the researched matter. Through such analysis methods the categories and patterns in the data can be gradually unveiled creating understanding and explanations of the studied phenomenon (Ghauri & Grønhaug 2005, 206).

An important part of the analysis of the data is using a *data display*; a means to classify and arrange the data such as in a data matrix, and an organized, compressed assembly of the information based on the data that aids in drawing conclusions based on the data (Ghauri & Grønhaug 2005, 207). In this study, a data display was used in the form of classifying the answers of each interviewee to correspond with each other in order to establish cross-sectional view of each interview matter between the different interviewees. Using such a data display – in this case a data matrix – was rather important considering the interview data. As the interviews were gathered through semi-structured informal interviews, the interviewees differed sometimes to a large extent in their structure. While it also became evident that the phenomenon under research is not well known by the interviewees, their answers seemed to wonder around the question to some extent and some of the interviewees also had the tendency to come back to earlier questions. Therefore, use of such a data matrix was helpful in order to arrange the data to form the best possible views of the views and opinions regarding the matter and each separate question.

Analyzing the data was however a challenging task as in most occasions the answers differed greatly between the interviewees, and generalizations based on such answers was difficult. The analytical activities used together with the data matrix consisted of several different ones. Firstly, *categorization* was used in order to classify the units of data to their corresponding parts of the research interview questions presented in Appendix 1, which represented the more general phenomenon, i.e. the research questions in order to find patterns in the interview data. *Coding* was used in order to manage the data better. The different interview questions and their respective answers were then grouped to the previously identified research sections in order to better

answer the sub-questions of this study through *abstraction*. Abstraction allows compiling information into higher-order conceptual constructs as it goes beyond the identification of patterns in the data. “It groups previously identified categories into more general conceptual classes” (Ghuri & Grønhaug 2005, 208). Therefore, the use of abstraction allowed concrete categorization of the data into more general constructs of interest. The evident purpose of the research as based on the chosen two cases within the field of healthcare services was to use also *comparison* as a method of data analysis as it was assumed that the interviewees from different public healthcare organizations would also have some different and some consistent views on the interview questions. However, and as demonstrated in the discussion on empirical findings, it was shown that while the differences between the views are so great and while the inconsistency between the answers not just between the organizations but also between the interviewees within the same organizations where so great, there was no use for comparison as a method. Some comparison was used in some parts of the analysis as the comparison typically begins already in the initial stages of the analysis in categorization and abstracting the data, but however not in such amounts that it could be considered as a used method compared to the other methods discussed in here.

#### **5.4 Trustworthiness of the study**

The purpose of assessing the trustworthiness of a study is to reduce the possibility that the received answers from the empirical data are affected by the author’s subjective impressions. Particular emphasis needs to be therefore placed in the research design on *reliability* and *validity*. (Saunders et al. 2007, 149.) The concepts of reliability and validity are based on the idea of allowing the researcher to get at objective reality and objective truth about the matter under examination. However, the traditional definitions of reliability and validity as based on quantitative research require further attention. (Hirsjärvi & Hurme 2010, 186-188.) Therefore, it is important to look at their meaning to qualitative research instead in order to provide a more accurate picture for the reader of the specific reliability and validity of this qualitative study.

Traditionally reliability refers to the extent to which the used data collection techniques or the analysis procedures of the research are able to provide the author with consistent findings. Therefore, reliability is interested on assessing whether the measures used in a specific research yield same results consistently, can other observers reach similar observations and does transparency exist on how the results were concretized from the data. (Saunders et al. 2007, 149.) In practice reliability is interested whether the employed research methods and techniques produce the same results if repeated. (Hirsjärvi & Hurme 2010, 186.)

However, when looking at a qualitative study the closest thing to the traditional definition of reliability are in fact those areas, which consider the quality of the data. As

such, reliability in a qualitative study should be more focused on the *researcher's* actions than the answers of the interviewees in analyzing how reliable the analysis by the researcher of the data is. Therefore, reliability is especially interested whether all the possible data has been taken in considerations and whether this data has been handled and analyzed in a correct manner. It is also important that the results show the whole views of the interviewees instead of parts of it, which however can also prove somewhat difficult, as the results are *always* a result of the cooperation of the interviewee and the interviewer. (Hirsjärvi & Hurme 2010, 189.)

As Yin (2003, 34) points out reliability is focused on the operational actions made by the researcher in the study such as the procedures for data gathering and whether another researcher would be able to come to same conclusions with the same set of methods and knowledge. Then again, because the interviews are dynamic in their nature and their purpose is to construct meanings one simply cannot expect answers in different interview occasions to yield the same results as circumstances in which they are produced differ (Holstein & Gubrium 1995, 9). Attaining the same conclusions would call for complete objectivity within the research without a bias from the author, which then again in practice is rather impossible to come up with, as the author's views are likely to affect the study. As Stake (1995, 66) notes interviews are also always influenced by the interviewers themselves, which in turn raises the question of objectivity in regards to the research findings and their repeatability. While this study has aimed at objectivity through careful preparations in all of the phases of the study prior to the collection of the research data as well as with the chosen qualitative methods in analyzing the results and in keeping an objective focus throughout the work, it is therefore probable that the reliability is affected in some way during the study.

Whereas reliability focuses on the techniques and analysis and the findings through them, validity is more concerned with whether the findings of the research are really what they seem to be about and whether the researcher is studying what he is supposed to (McNabb 2010, 38). Validity can be categorized in a number of different constructs through which the validity of this case study can be looked upon. However, these constructs are to a large extent based on quantitative analysis, for which reason it can become difficult to analyze the validity of a qualitative case study such as this one through them successfully. In fact, it is argued that in qualitative case studies such as this one there are two principal methods for observing validity instead of the traditional ones: *Triangulation* and *member validation*. (Bloor 1997; Hirsjärvi & Hurme 2010, 189.) Both of these methods will be discussed shortly to give also an understanding of the validity within this study.

Triangulation – the main source for validity in this study – refers to the method of comparing the results received through one technique such as interviews to information from other sources and validating the received information against other prevailing information. Validity is therefore achieved when the information from different data sources can be seen to correlate well enough with each other therefore confirming the

findings of the interviews. (Hirsjärvi & Hurme 2010, 189.) Actual triangulation method as such is not used in this study as only one set of data was gathered through the interviews. Nonetheless, the gathered data throughout the analysis will be compared to the earlier findings in the reports by the Finnish Ministries, which consisted of larger data sizes than this study does. However, as the purpose of the research is also to produce new information regarding the topic, not all information can be compared through this method in order to increase the validity of the results. This is also in line with the understanding that not all the findings can be validated through comparison to earlier literature, especially when the purpose of the research is to produce new information. Such activity would only act as preventing progress of the research and knowledge creation. (Hirsjärvi & Hurme 2010, 190.)

In turn the member validation method focuses on showing the correspondence between the interpretations of the researcher and the interpretations of the research subjects (Hirsjärvi & Hurme 2010, 189). This can be described as defining the *credibility* of the research and it can be achieved through a *member check* for instance. A member check means the opportunity of the research subjects to get acquainted with the interpretations of the researcher in order to confirm the researcher's interpretations. (Kvale 1996, 127-128; Hirsjärvi & Hurme 2010, 189.) A member check could therefore be considered as an ideal way to improve the validity of this study considering its explorative nature on a rather unexamined and difficult subject allowing the interviewees to confirm the findings by the author. Especially because the aim is not just to confirm existing earlier studies but also to produce new information, this new information is difficult to validate through triangulation leaving member validation as the only method. However, because the time constraints within the study prevent the use of such a method for validation, as there is no opportunity to go back to the interviewees for the confirmation, the potential new findings of this study are left without suitable validation, which has an effect on their use in potential new research. However, while this is certainly the case it is also an important point to note that the perceptions of the interviewees can differ on the same matter even after a relatively short period of time (Hirsjärvi & Hurme 2010, 189), for which reason a member check could also produce different kind of results or deviating opinions about the matter.

All in all the validity of this study can be seen as a rather difficult aspect to be concisely concluded upon, for which reason its findings should also be interpreted cautiously. Also, considering the vast nature of the research topic and the lack of information and studies regarding the internationalization network for cooperation of the healthcare services producers in Finland, the amount of data gathered in this study can be seen as insufficient for describing the complex nature and matters regarding the topic, and especially in drawing concise conclusions in the matter. Such actions would require extensive data gathering, which will not be possible within the size and time limitations of this thesis. However, the findings of this study can be thought as preparatory findings confirming information in the previous reports by the ministries

and suggesting new areas for further research and focus in the formation of such a network, and therefore could potentially yield valuable information for the decision-makers or anyone interested in the formation of the network.

As no definitive answers can be found on the research questions, it highlights thus also the importance of understanding the limitations of this study. First of all, due to the vast nature of the topic and vast amount of different healthcare service providers within the field the two chosen units for the qualitative case study can hardly present the majority's opinions. Even when focusing on the public sector, which can be expected to be more consistent due to its nature and restrictions on the services production, the two chosen actors can only represent the views of the two of the largest separate units within such a network thus leaving many possible views out of this study. Also, because in the formation of the internationalization network from the Finnish actors the overall focus is on engaging the whole public and private sectors within Finland and the chosen units only represent two – though the largest – parts of Finland in patient numbers, the study cannot reflect the opportunities of smaller but important municipalities and other healthcare service providers in a geographically much larger Finland.

Secondly, in the end in an unclear matter such as the topic of the study, in which no clear directions and decisions have not yet been made the views seem to be often highly person-concentrated leading to many different kind of views from which drawing conclusions can be rather difficult. This is well demonstrated by the wide differences in opinions between the interviewees even within the same chosen organizations, which in turn caused practical impossibility to draw on any concise conclusions regarding the matter as discussed in the following chapter.

## **6 EMPIRICAL FINDINGS**

This chapter deals with the case study on two of the largest public hospitals in Finland – the Helsinki and Turku Central University Hospitals – on how they view the cooperative public-private partnership potential in healthcare internationalization. The chapter is divided into three sub-sections based on the form of the interview questions (Appendix 1). The purpose of the first part is to perceive the views of public sector actors on internationalization of Finnish healthcare. The second part will in turn try to understand how the public sector actors view cooperation together with the private sector in exporting of healthcare services, and to gather information on public sector actors' motives and interests regarding cooperation together with the private sector in exporting of Finnish healthcare services. The purpose of the third part is then to understand how the public sector actors see the formation and development of cooperation together with the private sector, and to identify division of work between the parties in cooperation aiming towards more successful exports. While the interviewees were already presented in the previous chapter, in the discussion about the findings only their titles will be used as it will clarify the comparisons and make it easier for the reader to understand from which organization and level each viewpoint was given. Also, while the answers by the interviewees deviated largely from each other even within same organizations, a comparative study was not seen as feasible. Instead, all the brought viewpoints are used in an attempt to create a comprehensive picture and responses to the research questions.

### **6.1 General view in regards to internationalization**

This section was divided into three different questions in an attempt to understand whether the Finnish healthcare services should internationalize and why from the point of view of the public sector actors, what services are the most potential as export products from Finland and what kind of general challenges there are in exporting of Finnish healthcare services. The overall purpose of this section in the interview research is to establish the grounds on which further discussion can be placed upon and to verify the interviewees' views on the matter of internationalization. In general all the interviewees agreed that the Finnish healthcare services should internationalize as the internationalization was either seen as an advantage and a possibility regarding the Finnish healthcare services know-how or it was seen that the internationalization of healthcare services is going to take place in any case, and it is thus a better option to be part of the movement than try to fight against it.

The opinions by the representatives of the Turku Central University Hospital were rather constant in that internationalization is an evident part of the development of future healthcare services. As the Chief Executive Officers notes,

*[T]here should be some special reason within the service production for that we shouldn't internationalize...because healthcare is an important volume business. It is business as everything else as well.*

Also the high skill-levels and know-how were emphasized and seen as a reason for possibly successful internationalization of Finnish healthcare services as we have already been successful with exporting related technological products. The Head of Neurosurgeon Division, however, notes also that while internationalization of healthcare services will happen:

*"...as this freedom of choice by the patients will also come true also in the manner that people will seek treatment from abroad even when it is still a little unclear how the payment arrangements in such occasions will be handled."*

As the changes and their effects on the Finnish healthcare service system brought upon by the EU's service directive change as discussed briefly earlier in the theory part of this paper are now known, it is rather hard to forecast the future. However, it is evident according to the interviewees that Finland also needs to be able to offer such services as products to which patients want to come from abroad.

On the other hand, the representatives of the Central University Hospital of Helsinki despite the fact that they all acknowledged the internationalization and its need to some extent were little more skeptical about the possibilities of Finnish healthcare services. As the Chief Administrator notes:

*...if we want to keep some kind of a standard of living in this country, then we should also be able to increase the services exports, in which such services like these that have the highest added value are the best... In Finland and especially in special healthcare we have pretty high-level know-how and we have put efforts into the education and developing of know-how creating such areas with very high potential as export articles... But the market for healthcare services is also very competed for... and we lack such an extraordinary competitive advantage through which we would be able to breakthrough to the markets. The only competitive advantage we have is the geographical location towards St. Petersburg and the Baltics.*

It was also noted that the Finnish market is saturating and due to the small size the companies there is an evident need to quickly start looking abroad. However, regardless whether this statement's notion considered the public or the private sector it is in conflict with the earlier research and view on the market. Due to the transformation within the Finnish market from formerly publicly organized services to privately organized services there seems to be plenty of potential for private companies, whereas despite opening up to more international market of healthcare services the public sector still remains largely within the domestic sector due to its demand and regulations. However, the viewpoint is noteworthy considering the future of Finnish market as

saturation of the market is most likely to happen as more private healthcare providers emerge. Due to the nature of the Finnish healthcare service system the public sector will remain to have a considerable and large role within the sector. Nevertheless, as more private providers emerge in the market and while often being more cost effective than the public ones they could potentially cause also some issues in regards to the total production of healthcare services in Finland in the long-term, and therefore also cause greater interests towards foreign markets.

This saturation of the Finnish healthcare services market is largely constrained by the way the government decides to control the market as was earlier discussed in the theory part on PPP relationships by Yescombe (2007, 2). As the socio-economic benefits need to be produced by the healthcare sector in total, the amount of private healthcare providers within the market is highly dependent on the way in which the government decides to control the market: *Direct provision or facilitation of private-sector provision through regulation, tax subsidy or other incentives, or by contract*. The latter could be seen to increase the opportunities for the private sector further while increasing the services produced on the private sector and still retaining competitiveness over the market in accordance to achieving the socio-economic benefits. On the other hand these methods do not need to be opposing as they could potentially be complementary to each other. Smart use of both methods could probably spur the growth of the private sector creating better prerequisites for internationalization, while at the same time they could be motivated to seek for more or faster growth through internationalization.

Despite the above challenges internationalization was also seen in general as a potential way to keep up good healthcare services within Finland as the potential is most likely to become from certain specific areas of healthcare services, and to remain at the top level everything also needs to remain on the high international level. This knowledge is also what Finland should aim for while benefiting from the prior efforts.

In turn the interviewees had quite different views in regards to what services are the most potential as export products from Finland. The differences were not just between the organizations, but also within the organizations as this question seemed clearly to be subjective in nature. The Chief Executive Officer clearly looked at a larger picture in saying that exporting of healthcare services is always rather difficult as they contain most often a strong local component for which reason the services always need to be tailored to the local environment. Therefore, despite quite good interest towards the Finnish healthcare services system quite little of it has been able to be transferred as the parts cannot be copied in general:

*Therefore I would think that...it would be possible to make especially small volume service product here... such as neurosurgery here or export the people with the talent to somewhere, but the large volume business as a potential export product consists of an entire service system or combining Finnish healthcare into a product, which would be easily distributable and fit for that.*

Therefore, as he continues, instead of actually looking at the highly competitive market of traditional healthcare services and trying to somehow push through with the existing top-talent and knowledge, more potential would actually be represented by combining this existing knowledge in an innovative way for example on mobile phones or such a platform from which the service can easily spread:

*...because nobody is going to buy Finnish healthcare anywhere anymore. We don't even know anymore what we want ourselves. Therefore, let's sell what we can... as a high volume product. Of course we have here the PET-center and we can do some premature infant treatments and actually are taking it to Sweden currently, but these will not solve the problems of Finland.*

Quite on the contrary both the Development Manager and the Head of Neurosurgeon Division seemed to disagree in that the high potential for exports is represented by the top-skills and knowledge in surgical operations such as neurosurgery and brain damages, which would be easier to arrange also for patients from abroad. Yet, there are considerable problems as the challenge even when having the top knowledge and perhaps even excess capacity is that many of such services as mentioned above cannot be exported or offered to medical travelers, because either the need for those services are a cause of urgent need, in which case the potential medical tourists from Russia would not be close enough, or the operations are such that the recovery takes months, for which reason the recovery services would need to be arranged within the nation of the traveler as the patients would not be able to stay in Finland for such long times needed for the after-treatments. Some potential is presented also by child delivery services especially for Russians. Therefore, in practice different unhurried surgical operations and specialized healthcare services would represent the highest potential according to the interviewees. However, as the Head of Neurosurgeon Division notes:

*We are probably most advanced in surgical services... the operational services... sales to abroad and we have now had some plans towards it. Yet, surgery services are such that also exist the most out there.*

Despite the fact that the surgical services present the highest potential, the competition is tough and as he notes also all the others are already offering the services. Regardless of this, the outcome still is that there are surgical services in which it would be possible to compete even when the services would probably need to be targeted towards niche markets, which in turn most probably as the Chief Executive Officer notes provides little help in saving Finland from its currently experienced problems. Based on this discussion it can be highlighted that while the Finnish healthcare services represent some potential for exports and further internationalization, in practice there does not seem to exist such large-scale healthcare services that could aid in solving the larger underlying cost issues.

The Chief Administrator addresses the important aspect of need for profit making regardless which services are exported from Finland. Although looking at the problem

from a larger point-of-view, he addresses that there exists no future in simple healthcare services exportation. If something is exported it needs to be demanding surgical procedures, cancer treatments and other expensive treatment packages offered to patients with money ensuring that enough profit is left at hand from the offered services. A practical example of such operations and business has been the formed HYKSin Oy, which has focused on to offer such services to patients coming from abroad using to a large extent public sector's overcapacity in physical resources. The Development Director agrees to this by saying that:

*Well it is actually something on which the HUS is currently working on and thinking that there are these rather complicated surgical procedures of certain fields of operation, which are solely based on the fact that there just happens to be certain talents in Finland, who are able to perform such services. Of course the future of such products in the long-term is not necessarily extremely good because it is based on the performer and person. Therefore, I see that we are lacking the decision on the matter that we will place real efforts on the know-how of a specific matter in such a level that it will become an export product.*

This point is important to consider as while the report by the MEE (2011a) calls for such areas of healthcare services which have potential for demand from abroad, currently such existing services are too person-concentrated and not sustainable enough to build upon considering the resources needed for an export promotion. Finnish healthcare know-how has already gathered acknowledgement from abroad, which is for example shown already by David Beckham coming for knee surgery to Finland, but as such they are rare occasions, and rather hard to build upon. Instead it is suggested like was by the Chief Executive Officer that the possible success in exporting of healthcare-related services should be built upon more innovative export products than the traditional ones. For example, Sweden has managed to create quality registers of healthcare services and is currently building them in to an export product. According to the Development Director Finland used to be strong in many areas, but now we have already fallen behind and little is done to correct this. Compared to the neighbor countries and geographically close former Eastern countries Finnish healthcare services still present high quality one of the strong areas being children's' diseases. However, the success in services exports is largely tied to what happens in Russia as it presents the largest individual potential for Finnish healthcare services exports as the Development Director notes:

*"If Russia develops fast, then it is probably that it [healthcare services] goes faster to such a direction that Finns will begin forming healthcare stations to Russia, and in fact it is already happening. Therefore, consultation, treatment of demanding diseases and then health technology consultation together with planning and developing hospitals are areas in which Finland has potential opportunities."*

Great potential is represented by such countries in which the healthcare is growing and developing fast, there are large volumes and the level of the service and systems are still below us as the Chief Executive Officer notes. Due to the Finnish education system we have top-knowledge in many different areas of different businesses. However, great challenges exist in exporting Finnish healthcare services. As the sheer size of the Finnish nation is so small, this top-knowledge tends to focus on specific and demanding areas and niches in which create successes are shown. These include high-tech gadgets, skills in bridge engineering or building subway-systems such as the Finnish infrastructure consulting company Pöyry in Venezuela.

However, a great challenge can be seen to arise that all such areas in which Finns have established a good position and are known for their know-how are actually rather niche markets. This poses a challenge also for the healthcare services internationalization as the evident need is for a large-scale internationalization of the Finnish healthcare services sectors, but yet only niche top-level knowledge exists. Then again this underlines the reason for the formation of the internationalization network between the different service providers in Finland and its need to have an organizing body gathering and distributing the opportunities. In practice, however, this can be proven very difficult to accomplish, and its success can be seen to depend to a very large-extent on the matter whether Finland actually possesses enough such niche expertise areas, which create the potential for the internationalization activities. A river is formed from small streams, but if the streams are too small no river will ever be formed despite the best intentions.

Then again large scale internationalization can be considered even more difficult as noted by Chief Executive Officer who brought out that in addition to the cultural and structural issues in exporting healthcare service systems Finland has also built our existing system based on domestic viewpoint and way of thinking. The existing system and its functioning is a result of long development and in its complicatedness it is really difficult to be exported. Great challenges also arise according to the Chief Executive Officer in that Finns are not good in services exports and we have a lot of development to do, and especially concerning healthcare service exports. In addition to him also the Development Manager and the Head of Neurosurgeon Division bring out the fact that the treatment language causes a challenge for internationalization as the Development Manager implies:

*Doctors speak English, but then the whole treatment personnel would need to speak English also. The whole healthcare chain would need to be in such an order that somebody wants to buy the services. And public sector especially all in all has not placed much attention to this aspect of customer-driven service. This is a rather large theme, and all in all we are really in the beginning what it comes to service culture and a supporting service chain. [For being successful]...the whole system would need to be built as it is not the case that we wouldn't top quality*

*treatment or the quality wouldn't be of the highest quality, but it is not necessarily enough. Here in the public sector of Finland we are used to that we get the patients that need a treatment and we treat them. It is not a supermarket in which one can come in to choose, but rather you get what you are given.*

This above-mentioned matter possesses a truly great issue for the internationalization of Finnish healthcare services especially in the short-term. As currently healthcare service exports refer mainly to healthcare tourism, while healthcare tourism is the area of our services, which is growing the potential of the service market as the medical tourists have the ability to choose their treatment location. The Finnish healthcare service sector, both private and public, is currently unable to offer such level of services that are generally required by medical travelers, which in turn causes the loss of these potential patients. As brought up by the Development Manager a big issue is the lack of service and customer-oriented perspective within the public sector as it has not been the purpose and prerequisite for their services ever before while the purpose has been to produce the required treatment for the illness of a Finnish patient effectively. On the other hand, the private sector would most likely have better opportunities in regards to customer-oriented perspective, but the actors are so small that they have not been able to form such a business. However, there is also a reason why many Finns are keener to go get their treatments from the private sector instead of the public sector as in general the service in the private sector can be viewed as better, which in turn is a prerequisite for successful internationalization.

The above problems are also pointed out by the Head of the Neurological Division:

*For example in HUS [Helsinki Central University Hospital] all this was supposed to be done through the HYKSin OY because the structure of the hospital district is otherwise badly applicable to selling same services for patients from abroad. The treatment processes have in the end been created for our own patients only, and the processes that are needed are different if the customer is a foreigner. There can't be two week long analysis-waiting times after a visit to the doctor. These processes have not yet been able to be transformed into what would be needed as the needs for such a system are completely different to which the current system has been built on. If there can't be any waiting times the whole package needs to be planned ready before treatments, and that is not the way in which our current systems operate.*

Also, a large-scale issue is formed by the billing as the public sector in general has a one price –system based on its cost structure and pricing, and the same product cannot be sold to different places at least not at the moment. However, when producing a service for customers from abroad the price should be higher as the medical traveler is not part of the nation's taxation system and therefore does not contribute to the production of the healthcare services otherwise. Therefore, in order to be successful also

the pricing needs to be able to change and take into account the origin of the patient. Here is however also a large ideological problem as noted by the Chief Administrator as public healthcare services cannot be used for profit-making purposes, which is also the reason why these private companies are started on the sides of the public healthcare providers. Strict pricing based on the existing pricing model of the public healthcare providers propose a great challenge as it needs a political change to allow the pricing to change into such a form, which supports the internationalization of Finnish healthcare services.

One big challenge considering medical travelers from abroad is that Finland lacks a necessary high-level, well-functioning patient hotel business, which according to the Head of Neurosurgery Division is vital in order to succeed, and for the moment such a hotel does not exist anywhere in Finland. According to him to a large extent the success of foreign medical centers in receiving medical patients throughout the United States and the Europe is based on the high-quality patient hotel, which in some places for example in the United States is a five-star Continental Hotel. In general patients who travel also have the ability to pay for their treatments and therefore they also seek for the best quality of treatments and service. It is not enough to have just the best treatment but also the best facilities also outside of the operating rooms combined with the best service. This poses therefore a great challenge in Finland.

Also, it became evident that clearly the focus should be placed on long-term development goals instead of thinking and exploiting what are the current spearhead, top-knowledge services that we have currently. Even consulting services on healthcare cannot take as far as the Chief Executive Officer brings out as the business of healthcare consulting is already highly competitive internationally and the sector develops fast. Also the author's earlier personal experience and derived understanding on healthcare consulting is that while many countries seem at first interested about healthcare consulting, in practice they often also want the operator in addition to pure consulting who would take care of the practicalities and run the operations instead of just consulting local operators. In turn, many such healthcare concepts that raise interest for example with Chinese delegations are publicly operated, and due to their complexity and the existing surrounding facilities, services and system cannot be exported as such. Exporting of such services would require considerably more resources and effort, and most often a longer commitment for the project than for example the delegations after all seem to be interested in.

## **6.2 The potential of public-private –partnerships in exports**

The purpose of this section was to understand what the interests towards joint cooperation of the sectors are looking at the supporting and complicating factors as well as the potential opportunities and disadvantages of such an internationalization model.

In the literature review part a SWOT-framework was utilized in order to understand the potential of the public-private –partnerships in healthcare services internationalization based on earlier research. The same framework will be utilized in this part of the study and complemented with the views of the interviewees in forming a more elaborate understanding of what the real potential is in the partnerships. In order to distinguish between the literature offered aspects and the aspects by the interviewees the below presented framework of the findings will show the findings of the literature as regular text, the findings of both the literature and the interviewees in *italian*, and the findings noted only by the interviewees will be added into to the framework as underlined, after which a more in-depth analysis of each area will be performed, which is shown in Table 7:

Table 7: SWOT-analysis of the literature and interviews on the motives, disadvantages, possibilities and threats of cooperation in healthcare services internationalization

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (attributes of the organization)	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Ease on production when purchasing from the private sector</li> <li>- Increase in total quality of healthcare services</li> <li>- Increase in revenue stream as a valuable compliment for the financing of public services</li> <li>- Productization of Finnish healthcare services required by such cooperation activities increase cost-awareness and productivity</li> <li>- <u>Complimentary skills of the two sectors: Size vs. purpose, flexibility</u></li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- <i>Lack of skills in regards to market-based service concept exports of the public sector</i></li> <li>- Lack of commercialization skills by the public sector</li> <li>- <i>Public sectors concepts are developed for domestic use preventing exports</i></li> <li>- <i>Lack of general interest towards internationalization amongst the biggest providers</i></li> <li>- Talent and know-how is really scattered around the field with little concentration</li> <li>- <i>Lack of long-term development strategies and cooperative structures</i></li> <li>- <i>Lack of supporting network coordinators</i></li> <li>- <u>Size and lack of knowledge causes inability to ever become good exporters and competitive internationally</u></li> <li>- <u>Lack of cooperation culture and efforts</u></li> <li>- <u>Lack of skillful personnel and resources</u></li> <li>- <u>Over capacity, which would be quite essential, does not exist in reality</u></li> <li>- <u>Differences in values between the sectors are too great</u></li> <li>- <u>Existing legislative barriers</u></li> <li>- <u>Lack of resources for such activities by the public sector</u></li> <li>- <u>Lack of coordinators within the market</u></li> <li>- <u>Lack of existing pricing models and ability to price the services freely</u></li> </ul>
External origin (attributes of the environment)	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Ability for the private sector to grow and develop their service offering</li> <li>- Private sector can become more competitive</li> <li>- Possibility to develop copyable service concepts for internationalization</li> <li>- Private sector is in general more innovative to new business models</li> <li>- Real potential is seen for widening of the income base and upkeep of patient amounts</li> <li>- <u>Establishing the cooperation with the agent in between could potentially solve some of the current issues, e.g. complications and missing capabilities</u></li> <li>- <u>The cooperation between the sectors is seen as vital for opportunities to arise</u></li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Lack of skills in service exports by the public sector puts considerable pressure on the private sector</li> <li>- Public image as fears will arise when public organization goes into private business, which has very different goals</li> <li>- <i>Political decision making based healthcare services internationalization</i></li> <li>- <u>Ineffective control over the internationalization activities and competition</u></li> </ul>

### 6.2.1 *The strengths*

As shown by the above table not that many strengths were seen in the cooperation between the sectors in practice, which would imply little opportunities for a PPP in forming a joint internationalization network for healthcare services. However, the literature-based points for the need of the internationalization network themselves act as strong signals on the nation-level. At the practical level the interviewees brought up only one point; the complimentary skills and know-how of these different sectors, which however can be considered extremely important as the Development manager explains:

*Big reason is that the private sector has naturally already much more skills in services. However, when considering just the Turku region we are all so small actors that it is just wise to combine the resources. Even when looking at the national level thinking for example about the university hospitals we are such a small country and we lack the resources [for internationalization] for which reason the resources should definitely be combined where possible. And if thinking for example from the marketing perspective or such other perspectives they do not belong to our core tasks.*

The Chief Executive Officer complies with this that by saying that the public sector has the volume, which is needed for the business, but lacks in the export skills, which the private sector in turn has, but lacks in volume and size in turn. Therefore, the complimentary aspect of the service operators acts as a strong indication that PPP could potentially benefit both, which in turn leads to increase in the total quality of the overall healthcare as noted by both the ministries in their reports.

One important aspect of this complementarity is the flexibility offered by the private sector in services production. As the private sector is not bound in the same manner as the public sector is in fulfilling certain needs it can change its activities rather quickly. Especially when considering internationalization of healthcare services, which need to be based to a large-extent to market-based activities, then also flexibility is needed from the actors within such a field of business as the Head of Neurosurgeon Division notes:

*Private sector has naturally maybe more flexibility meaning that it can be flexible based on the demand and even to some great changes within the field in a whole lot different manner than we can. The private sector is not responsible to their respective municipalities and they are not responsible for any areas on healthcare services in the way that we are, which prevents us from deciding that we are going to stop from doing something and focus on healthcare business towards Russia.*

However, and as the Development manager points out the vital matter is to really objectively consider whether we first of all have the interest, want and opportunities in overall to start taking these medical tourists in. The public sector is already experiencing problems in keeping up with the care guarantee that exists in Finland today, and especially if these same resources should also be directed towards foreign patients there really needs to be a decision made on this with the commitment for it and for changes as needed. This issue however is a major one and at the time of the study no decisions or public discussion has revolved around the topic. As the public sector traditionally needs to fulfill the demands placed on it causing severe inflexibility in the production of its services, the network activities of both sectors in a partnership would allow the public sector to gain flexibility against market needs and conditions, which was seen by many of the interviewees. For private sector companies operating purely within such a network it would most probably mean a loss in flexibility, but a gain in business opportunities. However, the gains in business opportunities would need to outweigh the loss of flexibility due to part of the network, as otherwise it would not be profitable for the private companies to take part in the internationalization network.

Also, it is rather important to plan the organization correctly right from the beginning as changes later on especially concerning many actors can be difficult. The private sector actors have already managed to create some such organizations as is noted by the Development Director:

*...some especially greatly planned organizations and operational models also [exist]. For example, Omasairaala is this interesting thing, which has a very limited patient material that it treats and it's directly in contact with a regular company, which allows [the patients] to go through directly without any additional steps. They have right from the beginning searched for quality and purposefulness, and [in considering the change needed] have thus carefully chosen the right competitive methods for the private business.*

It is argued that developing of the internationalization network would be needed to build in the same way.

However, also a notion is made in that the public and private sectors are not actually that far from each other anymore. As the traditional division has been based on the funding, i.e. publicly or privately funded, the reforms on the Finnish healthcare sector in which more services are produced publicly and the patients can choose where to go for their publicly funded treatments causes these two sectors to actually compete on the same resource; the public funding, as the Chief Administrator notes:

*...now also the private side actually relies its growth on tax-based Euros and not to the private money as they have earlier done. Therefore, it is likely that they will start to compete for the same patients who have the freedom to choose...so therefore I have used such a separation that because the both sectors will mostly run on public funding for a long*

*time in the future, the difference is that the private side will of course have more insurance money compared to the public at the moment, and the owner-base will be different...for which reason the greatest difference in the operation model is in fact that the public is a bottom-line business...while the private side will always aim for profit, as all good companies always do.*

The reforms therefore already affect the two sectors bringing them closer. As the funding base would be the same there is really no winner between the sectors as it does not make that much of a difference where the treatment is given therefore. However, this change is likely to increase the competition within the private sector highly, which could then cause potential threats to the functioning of the planned internationalization network, if the actors cannot agree on and follow a set of rules within the network and its activities. Most likely there will be such actors that will try to exploit the functioning of the network, which need to be dealt effectively in order to minimize the potential harm or damage to other members. As the development director points out that for the public operators growth is not as important as it is for private operators, which would likely be causing some issues in the future functioning of the network. This is also supported by the Chief Administrator in that the business concept and the service concept itself what is sold and marketed needs to be clearly defined and agreed upon, otherwise with a lack of the business ideology on which the business is based and on which the rules are settled all the actors will just want all the possible activity, which in turn will not create smart PPP activities and rather prevents the functioning of the network for its purpose. This also highlights the need for and the role of an orchestrator and the governing body within the proposed internationalization network, which is also able to orchestrate the activities in an orderly manner taking care that no such problem situations will arise, or deals with them effectively should such problems arise.

### **6.2.2 The weaknesses**

Despite the existing interest towards networking with the private sector actors in order to improve the internationalization potential of Finnish healthcare services clearly more issues were identified by the interviewees whereas the literature identified approximately as much of both. In addition to those issues identified by the literature and partially enforced by the interviewees almost as many relevant issues for cooperation were identified in several different areas.

The main things brought up by the Chief Executive Officer were that first of all internationalization healthcare service business is a tough business with somewhat fierce competition. The matter that the public sector has not in practice exported anything, which already in itself serves as a reason for cooperation efforts, is a vital part of understanding the possibilities and a major weakness within the plans. As it has not

been the purpose of the public sector to look at internationalization, it has never been taken into account either. Also, the differences in values between the sectors create a great problem as he notes. Public services have been developed for public healthcare services production with budgets whereas the private sector develops new operational models and procedures in order to gain higher revenues.

A third large scale issue as the Chief Executive Officer argues is that regardless of the reports and the plans to build an internationalization network for Finnish healthcare services exporting we in fact will never be exporters. The greatest potential for Finnish healthcare services exports are presented by our neighboring countries as in general Russia and the Baltics have lower quality healthcare services and as we rarely have such talent that would make medical travelers interested to come to Finland for treatments. Even when some peak top-knowledge areas such as infant care do exist and can be exported to Sweden for example, these are so rare that they cannot form a volume business around which to build the entire internationalization network. Russia in turn represents the greatest potential, but as the Chief Executive Officer states:

*...we have interviewed an Estonian consult, which opened the Russian markets for us. I immediately understood that we could never be able to enter the Russian market from this house... We need to remember that we have started from a domestic market and our core idea is that we take care of the special healthcare of our municipalities. We are an inward-oriented actor. We have never targeted towards it. We are missing the whole culture that we would go [internationalize].*

The current Finnish healthcare system has been built based on a single-producer monopoly model to a great extent, and even gradual changes to it can be demanding and time-consuming. On the other hand building it as such can also be seen as the source for its success in an otherwise small country. We have a successful and price-competitive healthcare system, but only within the environment of Finland. We had good basic healthcare services that could have been exported a decade ago, but now the other Western countries have caught up on and surpassed us causing us to be late from exploiting the level that we had. Today the Finnish healthcare service sector does not contain any exceptionally good wide areas of healthcare expertise that would be suitable for exportation. Then again this does work as a good base for the intended internationalization network as a gatherer of the best talent together in an attempt to form a large-scale enough business.

Fourth identified issue were the legal issues as barriers for such activities as discussed by the Head of Neurosurgeon Division:

*There might be some legal barriers here also. I'm not familiar enough with the legislation, but the invitations for tendering might prove an issue [as they are normal prerequisites]. Also then matters of ineligibility might also become a question... Municipal office-holder cannot act in a decisive statue on public and private sides at the same time for example.*

*If we are thinking this kind of a public-private partnership model I don't think it will fit our practices and the legislation either.*

This further addresses the problems arising from the existing tendering and legislative issues, which have for example brought the rise of established private companies alongside with the public hospitals. When the proposed internationalization network between the sectors is in fact seen as the most opportunity for Finnish healthcare services, then it requires the bringing of these sides together and making changes that also consist of the legislative ones. There are several ways through which to establish the meant network activities, but these need to be agreed now together with all the possible actors of the network in order to have a clear view and consensus towards what to aim for. However, in practice they are very difficult to achieve as is noted by the Development director. All the legislation that exists for the public sector is very restrictive as compared to private sector. Therefore projects like this internationalization network have only the possibility to start slowly building up. And when the business covers transactions that happen between the nations, another layer is added to the difficulties: international and EU legislation, which cause such business activities to become judicially complicated.

Fifth issue brought up is that the Finnish healthcare sector lacks the culture of cooperation. For example, there are no such cooperative tasks in which some product or service would be produced together with the private sector despite that quite a few services are bought from the private sector to ease on the demand-pressures of public healthcare services. There have been minor experiments such as the cooperation of Helsinki Central University Hospital with Docrates, and those have in general gone well. As the Chief Administrator notes:

*Such activities are not long-term and of course the corporations owned by private equity investors aim towards short-term wins, and therefore they lack... the interest towards exports. They are almost solely interest in this domestic service market...and in trying to conquer it... In their strategies healthcare service exports have no meaning.*

The sixth important point brought out in the interviews was the fact that public healthcare service providers lack the necessary resources not just in specific areas such as in marketing, but also in total for participating such activities. As the Consulting Neurosurgeon ponders:

*The big problem is that where do the resources come from. Every patient in Helsinki Central University Hospital that pays her way to treatments takes the place from some public patient. Therefore, in practice even when the surgery would be done in the evening [like in HYKSin Oy] regardless of that she will be in the care unit the next day, which causes there to be one more place less in public patient treatment, which in turn causes the political issues.*

This in turn highlights the need for the network coordinators, lack of which is the seventh identified issue. The general understanding of the interviewees over the matter of network coordinators was that hospitals abroad having international sales have their own specific organizations for the purpose. However, as such organizations cannot just be established but they require considerable amount of time and effort, such an internationalization network could prove potentially successful in taking care of those activities in a broader scale in Finland instead of different organizations per different hospital or municipality. This would be wise also from the resource-perspective, and most probably create further prerequisites for the success.

The eighth issue is highlighted as the lack of skillful personnel especially what it comes to language skills of not just the doctors but the whole healthcare personnel concerning medical travelers, while the ninth issue is the fact that to a large extent the possibilities seen by the public sector actors are in offering their excess capacity for use in such cooperation activities. However, according to the Consultant Neurosurgeon such overcapacity does not exist in reality:

*The overcapacity of the public sector is based on the fact that it is in fact on duty. If you have such a hospital it means that you have a 24/7 doctors in standby if something happens, but in addition the doctors you need to have of course also other resources such as beds and surgical resources that are oversized compared to the normal population. And some free resource does come from there, but the standby duty only makes sure that all these resources exist. But if something happens, they are not anymore vacant. It is difficult to sell such a vacant capacity for a specific day, as it might be suddenly needed.*

The last pointed out weakness is that public healthcare services have standard prices, which do not take into account the possibilities of selling services to patients from abroad as they are based on domestic pricing. These standard prices could potentially cause several different issues and would effectively prevent productization and commercialization of those potential services for exporting. Having the ability to price the services differently based on different factors would be an essential and necessary prerequisite as the prices would need to be able to take into account several different kind of factors in order to reflect the real costs and the potential profit from private-side business. This would also require changes in the existing invoicing programs of the public healthcare providers as an example of the interconnectedness of all different matters.

### **6.2.3 The opportunities**

Despite the analyzed reports raising many different opportunities for the network internationalization, in practice only two key opportunities arose from the interviews.

The greatest opportunity seen arising from the formation of the internationalization network is the opportunity to solve the current issues and missing capabilities for healthcare internationalization on individual sides. As the Chief Executive Officer notes:

*In service exports and especially in healthcare services exports just the fact that we have never done anything related to it is enough for researching the cooperation possibilities... We have never been thinking of internationalization and whether we should internationalize. We have the volume, and we have the skills. Private sector in turn has the export know-how.*

Therefore, while the public and the private sector would combine their powers they would be more able to find politically and economically sustainable solutions in offering more complex healthcare services to patients – national or from abroad. Combining their powers would also allow further internationalization opportunities for healthcare services due to the increased capabilities within a network of actors. It was also pointed out by the Consultant Neurosurgeon that one of the greatest problems with the current system is that while the private sector operates and complication is born, the complications are usually so serious that in the current situation they need to be taken care by the public sector in every case. This in turn causes such costs to the public sector healthcare providers, which should not be covered by the public sector as the problem arose from the private one. However, as the public sector healthcare providers cannot deny anyone from treatment, and they need to take the patient in, this has happened many times, and can be expected to rise as the amount of private healthcare providers is on the rise. This challenge also possesses an opportunity as the Consultant Neurosurgeon explains:

*A good opportunity could also be seen in the problem in a way... If the private and public sectors would combine their strengths, a system could be created in which a complication on the private sector could be treated on the public sector without the public sector having to pay for it.*

Combining powers would however allow the sectors to look into this and find new solutions such as insurance-based treatment for any complications, which would be paid by the private sector causing the public sector to have no costs. Here also the private companies alongside the large public ones could have a potential business, which could generate revenue for them as well. Also, if the public sector actors would be able to generate revenue from selling their own services, they would be able to further engage in the development of such activities as the needed resources could be financed through the revenue stream. This potential revenue stream would also allow hiring of capable and needed personnel not just for the private sector related activities but for the public sector as well.

Another good opportunity for the cooperation in internationalization was seen rising from the rather great potential of Russia as an export destination. While there have been

several private companies aiming towards the Russian market, in practice also public actors are needed in Russia to take care of and sustain the service exports. Public sector actors can be considered as a vital part of the service export chain as they possess the size and knowledge necessary for cross-border internationalization. In turn, the private sector is able to be more flexible and dynamic adapting to the market situations within the Russian market, and in general they are faster in forming the needed relationships and activities within the private companies in the market than the public sector is. The operators not just in the healthcare network but as such taking care of the whole export chain and of the patients are vital for success. The network would thus in the long-term also be potentially effective in reducing overlapping resources within the healthcare industry.

#### 6.2.4 *The threats*

Only two clear threats were identified by the interviewees. The largest risk was clearly identified to be in regards to the control over the network and its activities, which was addressed by all the interviewees. As a second point, from the viewpoint of the private sector actors the risks related to political decision making which occurs in the public organizers cause a risk within a cooperative business.

The first and most difficult considered threat was the lack of coordinators in the internationalization network. However, the actions despite the coordinators are much more complex as noted by the Chief Administrator:

*How can it be made sure that the participants of the network actually agree and follow the operational follow through a common business plan? How can it be made sure of that for example Orton in Tampere or HYKS would not just suddenly decide to start selling each other's competitive advantages and products? There would need to be a binding common business strategy and a plan, which clearly distributes who is producing what, which in turn requires building a common organization.*

The problem arises in that while the MEE is planning such a common organization, both the theories and the empirical findings would suggest that such a common organization should not be a public actor but a private one. While these do not belong to the agendas of the public sector actors, it is troublesome to act with them. Also, competition within the network should be avoided fiercely as it could lead to potentially large-scale problems. Then again, preventing competition between the different actors on a market is a rather impossible mission to perform in practice. In practice, as the municipalities are responsible for the services production the municipalities themselves would need to be able to agree on a joint operation dividing the tasks among the different healthcare service providers in their respective areas. As the internationalization network would need to then cover at least most of these

municipalities if not all due to the fragmentation of top-level knowledge and skills around Finland, the municipalities should thus also try to specialize in one way or another to specific services, which they would then be able to sell through such an internationalization network.

The second considered threat as was brought up by the Consulting Neurosurgeon public sector providers as private sector actors are problematic, because it is led through political decision-making, which in turn most often prevents effective business decisions and reaction to the market needs in time. If the network activities are governed by a public sector actor there exists a great risk that the decision-making becomes too political, inflexible and populist, and therefore if public sector actors aim to be a part of such private business activities there needs to be a clear economical business-based risks and the actions need to be independent from political decision-making, which causes great risks to business decisions in the market. It is therefore suggested that such forms of private business in which there is no financial risk they would not be able to succeed, as it would distort the decision-making and the abilities to operate in a changing market.

### **6.3 Views on formation of the public-private –partnership in healthcare**

The purpose of this section is to create understanding on how the cooperation and development of the PPP activities can be formed by the sectors, and what it means in practice. The section aims at answering the second and third sub-questions of the research question. In more detail, the section aims at answering the questions of how the most suitable business model would allow the public sector healthcare providers to take part in demand-based market-oriented service exports, what different kind of cooperation models could be seen between the sectors and how the public sector actors see the actions within the proposed internationalization network together with private sector actors. The last sub-question is aimed to be answered through understanding what kind of a division of duties should there exist between the sectors in cooperation and in the internationalization network, what factors have the most affect for cooperation possibilities and success, and how the responsibilities and the risks can be divided amongst the sectors and their actors.

Based on the interviews it was shown that no clear understanding of a suitable operational model for the public sector healthcare service providers to being able to partake in market-based exporting activities exist, as none of the interviewees seemed to have similar propositions aligned with each other. Instead, several different models were offered some of them clearly more reformative than others. The Chief Executive Officer suggested that while the public-sector actors have resources which the private

sector actors are either unable to acquire or they are not worth to be acquired, the public-sector actors could rent out such resources:

*While we have also other use for these resources, they could be shared, which would mean that we are renting the resources. For example, our top-level exports we could rent to such purposes.*

However, such activities would need to rely on the assumption that there in reality is over-capacity and that the resources could be used in the best possible manner. For example, although it happens in practice in the private-sector of healthcare services in Finland that a doctor on the payroll of a private hospital may be ordered to a different location for periods of time based on the need, such actions and model is not feasible in the long-run as most likely the doctors will not tolerate such activities for long. As the doctors in Finland have somewhat a very special arrangement of being able to move rather freely between the public and the private sector of the industry as also noted by the Development director, they would most likely transfer to the private-sector causing shortage and lack of skilled personnel within the public-sector. By allowing the doctors to move freely between the sectors it has allowed the costs of the top-level skills on the public-sector to remain relatively low, which is essential for the functioning of the Finnish healthcare system. The basic model, however, could represent some concrete potential if organized correctly. Another form as suggested by him would be jointly owned companies just like HYKSin Oy in Helsinki. In practice they have been as the most suitable and easy option of engaging in private-sector business potential while using public-sector resources, and therefore more of such firms are about to come to the market. The challenge for such companies is that while they are publicly resourced even when operating as private companies, no risk can be taken with public capital. As such business ventures always involve risks and private equity is therefore needed, which however is especially at the moment relatively difficult due to the world economy. Such risks are also unacceptable for public providers of today and contain many different legislative and taxation based questions for which reason any such activities are necessary to be incorporated into a private company. The Head of Neurosurgery Division notes that:

*...most probably it would need to use this kind of a public utility or corporate model directly then. However, those are most likely to fit badly this current organization of ours as such, and there would need to be this kind of a corporation or public utility attached to our field of operation [neurosurgery], and then we would need see how it develops from there.*

The Chief administrator notes in turn that it has been tried to accomplish different kind of cooperation for example with the hospital districts alongside the track from St. Petersburg to Helsinki while trying to create a successful concepts, which have however had little success. One of the greatest problems with such concepts and while trying to handle cooperation between the actors is that the concepts have failed because the actors

have most often been unable to agree on the division of activities and where different treatments can physically be done.

One great challenge in regards to such operational models for the public sector to participate in the market-based healthcare services is that while the private-sector is widening, which is also essential for the future success of Finnish healthcare services in internationalization the paradox is created in that this can potentially lead to increase in the costs of the doctors. As the wages have been lower on the public sector the difference why it has been successful has been done through differentiation of the work tasks between the sectors. In general, if the doctor has been employed by both of the sectors, then she has had basic cases and treatments on the public side and more demanding specialist cases on the private side. Now that the growth of the private-sector is on the rise they are also starting to compete more directly with services traditionally offered by the public sector, or compete with the companies established by the public sector, which makes them rivals within the industry, but with one same resource: the doctors. This is also a very timely issue as a lot of discussion has been raised by the newly began and privately-operated Helsinki Hospital, which has been seen by the public-sector as a direct rival for HYKSin Oy, the private company of the Central University Hospital of Helsinki. Whether this is the case or not, currently it is under consideration also whether in the future the doctors are allowed to move around as freely as they have been. Then again, as already discussed there is most probably little the public-sector can do in such occasions as it would mean losing the talent, but for the moment the result is unknown and so is its effects on the functioning of the service system. As the Development director notes:

*...the public sector will face some serious challenges in keeping its top-talent. And solving this equation in these cooperations [network activities] is difficult, because we don't have such amounts of top-doctors... If we want to exploit our Finnish top-talent, this dual-role needs to be secured in some way.*

Because of these related issues the Development director also calls for rather focusing in the cooperation between the sectors on health technology and other new innovative businesses, where the private sector is a really separate actor causing such cooperation efforts to be much easier between the sectors as no conflicts of interests, or at least less of them, exist.

The Consulting neurosurgeon takes a completely different view than the others by stating that if the some of the public actors really want to be able to receive revenue from exporting of healthcare services to abroad or by bringing patients here, the actors involved in the effort need to build a separate hospital for the purpose. This discussion was already earlier noted in the first section of the findings as in order to actually be successful in the competitive healthcare services industry for medical travelers top-notch services as well as facilities are needed, and also outside of the operating room.

Such activities again contain the business risk, which is not considerable by the public sector. As he notes:

*[I]f you have a company into which you channel money from the state and the municipalities, it does most probably flourish, but that's not how it should be done today. When we are also building a [private] hospital, we put in millions of euros in cash. Everything that we have on our accounts, take a loan from the bank, take more loan on the firm, investors, so that there are real risks. Thinking that we don't have to invest anything but rather invest taxpayers' money such like in HYKSin Oy, it has burned millions of taxpayers' money for the business...*

without evident successes for the moment being. A key message regarding this would be that first of all if one plans to make something happen all the efforts really have to be diverted towards it fully, and secondly one needs to be able to take the risks. While it is difficult for the public sector to take part in risk-related ventures at least in the short-term, this would again enforce the need for cooperation through its benefits between the two sectors. However, making something to happen requires firstly the full support of the both sectors or actors within before anything can be made properly. The need for both sectors in cooperation is also well supported option considering the recent export promotions in healthcare services which have focused mainly on small private companies through some public funding services such as the ones with Finpro, the Finnish national trade, internationalization and investment development organization. Despite good efforts relatively little successes have resulted at least considering in the scale of the internationalization network activities and little prerequisites can be seen from it considering the large scale exporting of Finnish healthcare services.

The second interview question on what different kind of cooperation models would the public organizations be able to implement together with the private sector proved to be another difficult one. The interview answers seemed to clearly bring out that despite the different governmental institutions are looking into to the topic as suggested by the MEE in 2011, the hospital districts which have considerable power on how the services will be arranged and therefore whether such internationalization activities will be participated have not even considered the cooperation with private sector in reality, or no conclusions have been drawn by the time of the interviews. Yet, as the Chief Executive Officer points out there are several actors who are pondering on the topic:

*Tampere region is pondering this, Hospital District of Helsinki and Uusimaa (HUS) is pondering this and pretty much everybody to some extent... Eksote ponders this towards the East, and then there's of course this cooperation model, which would create all to be in a common corporation both ways. However, [due to the role of the municipalities] small Finland would be divided this way at least to 20 [public] export operators, if...*

everybody is looking at things on his or her own without any cooperation. There is a lot of discussion going on around the topic, but no suggestions so far. Yet, some characteristics for different kinds of operational models can be found from the answers of the interviewees.

Firstly, it is becoming evident also now within public healthcare producers that they do not have to produce everything themselves, but they can and do outsource even large parts of the total production, and that they will have new opportunities arising from growth in private-sector through potential to form cooperation activities. However, the limitations to what can be outsourced come quickly as especially the university hospitals have also teaching requirements, and due to the nature of the teaching and the business models of the private sector these would be relatively hard to accomplish on the private sector. So far the sole reason for purchase decisions from the private sector has been based on the capacity issues while this can be seen to change in some manner in the future. All such operational activities, however, require careful planning and identification of such areas of production where there exists capacity to be sold.

Secondly, a great challenge for the cooperation activities is caused by the fact that even when a public-sector actor established a private company, the company will eventually start to change its operational model towards more profit-seeking. This has been illustrated by an example of the public healthcare providers themselves. At some point in time it was considered wiser to form a separate private company to run the IT departments of several university hospitals. While this worked well and some benefits were seen from the increased cooperation between earlier separate departments, in the long-term the outcome turned to worse as the firm started to seek for better profits and diversify its actions also beyond of those which it was established for, while working still on public funding. The same could happen in an internationalization network, if the governing body is not well enough defined on its purpose and if nobody governs the body itself. Running a private company is also difficult as a common corporation between the sectors or the governing body between the sectors in an internationalization network does not actually own the production capacity, and as the production capacity in all the cases where public sector is a part of the network is tied to public healthcare services production. As the public services production in turn is always under public legislative power, it therefore also always will go over the customers' requests, which effectively prevent customer-based business. This in turn would give weight to the presented need of establishing an own hospital, which focuses solely on paying customers and does not have the need to take in anyone else.

Thirdly, despite the general view that existing resources of the public-sector healthcare providers could be put to use more effectively while drawing on over-capacity, the difficulty is defining which of these resources are such that have real over-capacity. Without being able to quantify and measure the matters objectively verifying the excess capacity provisioning of such public spaces to private operators will be

difficult. As these are most often also not in the priorities of the public healthcare service providers, there is little probability of such an outcome.

The third question on how the interviewees saw their organization's actions in the proposed internationalization network together with private sector actors seemed to also separate the interviewees based on their answers. Two of the interviewees had worked earlier on in the international medication industry, which is known to have established quite good relationships to different directions. These persons seemed to also favor the idea of working together in a cooperation network with the private-sector actors more easily as according to them there are always more advantages than disadvantages in cooperation. However, as they note such cooperation also always contains many potential problems, which need to be addressed either beforehand or well when they take place in guaranteeing the success of the functionality.

In such cooperation also the proposed role of the activities governing body becomes highlighted. As already established such an actor is needed and as the Development manager notes:

*...the actor may as well be private. I would think that if this kind of a business is being started, it would need to be partially supported by the state... but who runs the business under certain conditions... I can't see it would make a difference.*

However, the views on the activities governing body seem to differ greatly between the respondents depending on their current position within an organization. Some of the interviewees therefore seem to be more in favor of government control advocating that as government support is needed in establishing such a network also its operations should be run by the government therefore. Other opinions would suggest the governing actor to be a private one highlighting the importance of its separation from the other actors within the network in order to retain trust and ability to solve potential issues within the network as a neutral actor between the sectors. The matter of political decision making in governmental organizations is also highlighted in an argument that governmental decision-making combined with the political perspectives, which are argued to affect the decision-making subjectively in some instances, affects the activities of the whole network in such a manner that the operations of the network can be greatly affected in a negative manner. One of the most common aspects in general is that governmental, policy-related decision making slows down decision-making especially in a business environment by so much that such organizations are unable to respond to changes in the market and their surroundings fast enough to survive in a competitive business.

Considering the global competition within the healthcare services and over the global patient flows the market can be considered as very competitive. Therefore, in engaging such business activities it would be important for the network to be flexible and able to respond to changes in its environment. This would highlight the need for fast decision-making. However, while the network is to be consisting of both public and private

operators, regardless of the governing actor within the network the decision-making is bound to have a mixture of decision-making between the two sectors depending on how the public-sector actors would be able to partake in the activities. However, as one of the most important central roles of the governing actor would be providing the market knowledge of the specific markets that are aimed for to the participants as well as gathering tacit knowledge and opportunities of the business, it could be seen more suitable to be handled by a private third-party operator in allowing faster information flow between the participants. As such, it could also be more beneficial on creating the relationships required for successful internationalization or exporting in target countries. In reality the formation of such a network especially with the current actors within the Finnish healthcare service sectors needs to be a joint combination of both sectors, and public sector is needed in practical organization considering the scale no matter what kind of an organization acts as the governing body later on. As the Chief Executive Officer notes:

*It is important that the actor is such that enjoys the trust of both sectors. It also wouldn't be bad that [regardless of public or private] it would have some kind of a mandate from a ministry or the state in performing its actions.*

The second set of questions in the third part aimed towards finding what kind of a division of duties should there exist in practice in the cooperation and within the internationalization network, what factors have the most effect on cooperation opportunities and for the success, how the responsibilities and risks can be divided amongst the parties within an internationalization network.

The fourth question regarding the division of duties amongst the different actors within the network shows that clearly the topic of an internationalization network and acting within one has not been considered by any of the respondents as their answers differed so greatly without any specific points. On the other hand it was noted that the public units of the Finnish healthcare service sector will need to focus on their own skills and knowledge, which are producing the healthcare services, and they cannot take up on this kind of a new challenge, in which all the participants would need to be able to establish international relations and business operations and planning required for it. This in turn could be seen somewhat inconsistent with the previous views on the matter as the view has been commonly that also public healthcare services need to participate the internationalization activities of the network. On the other hand, examining this further a conclusion can be found in that the public healthcare providers are not as such able to take considerable role and part in such an internationalization network despite their great importance as established before.

Therefore, in practice they would be able to take part in such activities through offering their resources, though on which there is no clear view of whether there are any other excess resources than that of knowledge and research, which would in turn further diminish their possibilities. And as the internationalization of the private sector actors is

based on the theoretical perspective to a great extent tied to the interests and possibilities of public sector healthcare providers, would this suggest the private healthcare providers have little possibilities together with the public healthcare providers. However, a great challenge is created by the timing of the public sector related activities as noted by the Head of Neurosurgeon Division:

*This business is a much competed one, for which reason healthcare, and the public actors I mean, need to be able to react pretty fast and create their own plans or otherwise it might be that we are too late. Therefore, we might not have enough of these international patients, if some else has managed to make the deals before us. So this would also be the potential advantage of acting fast.*

This highlights in turn the importance of being able to act fast. However considering that the strategic initiative on the formation of the internationalization network was initiated roughly three years prior to this study by the MEE, and this strategic initiative clearly had not come down to the level of the biggest healthcare service operators in Finland, there is room to doubt the speed at which the government is able to produce the needed network and activities for internationalization. This would further suggest some form of further cooperation with the private sector in creating the prerequisites for successful internationalization in the future.

The fifth question regarding the factors that have the most effect on cooperation opportunities came up with different options. As already also earlier highlighted, the cooperation opportunities are heavily affected by the fact that in building such an internationalization network real efforts need to be placed into it, and there needs to be change in how public large organizations work, as engaging in such activities requires also large changes in operational activities of the public sector actors. No matter how big an organization is nothing will happen by itself, especially with such complex topic and purposes as this one. Entering international markets requires always a lot of export promotions, effort and resources, and therefore it cannot be made only partially. Important point to note regarding the cooperation opportunities that the work needs also to be supported at all levels as noted by the Development manager:

*It means then that the actions need to be supported on all the levels. When a patient comes down for a demanding surgical operation for example, also a whole variety of different kind of supporting services are needed... Therefore, it will not work that a single specific area such as neurology decides to start selling procedures as there are other relevant services needed by it.*

The cooperation activities are also heavily influenced by the current organizational structures of the public healthcare service providers, which effectively prevent engaging in such internationalization activities as network activities through PPPs.

The last question on division of responsibilities and risks between the parties showed there to be many different kind of risks. The greatest problem regarding such activities

was that in most cases depending on how the network is structured and what the participative role of the public sector healthcare providers on the network activities are, there is an involved business risk, which is not something the public healthcare service providers are willing to take. The risks therefore need to be clearly separated from the public sectors regular production and activities, which however is a rather difficult task to manage. Regarding the risk also the state or the ministries would need to take some sort of a role as a backup in such cases where these risks realize for public healthcare providers, or they would need to be allowed to engage in such activities with a separate budget.

## 7 CONCLUSIONS

Internationalization of the Finnish healthcare services sector is a timely issue with many possible opportunities as well as many difficulties on how to obtain it. This study attempted to verify the views of the earlier reports by the Finnish ministries on the formation of such an internationalization network for joint cooperation, and to identify the defining factors in the formation of such a network from the public sector's perspective in practice through the main research question: *"How do public sector actors perceive Finnish healthcare services internationalization in cooperation with the private sector in a public-private partnership?"*

Based on the analysis done on earlier studies on the formation of an internationalization network for improving cooperation between the public and private sectors together with suitable theories as well as the empirical findings based on the expert interviews it can be concluded that while the need for Finnish healthcare services internationalization is well recognized, in practice the formation of the cooperation in an internationalization network might not be as straightforward as described in the reports by the Ministries.

In general there is a clear and evident need for the internationalization efforts by the Finnish healthcare services in some form or another. As the field of healthcare services is becoming more internationalized, increasing global competition also drives the Finnish healthcare service providers to internationalize as increasing competition from abroad threatens the earlier more domestic industry as proposed by the Ministries. The EU's new patient directive will remove many of the traditional barriers within the European healthcare service sector, which will evidently have an effect also on the Finnish healthcare system despite the fact that the changes caused by this cannot be estimated. In the end, healthcare business is to a large extent a volume business subject to theories regarding increasing international competition, and there exists no reason for the Finnish services not to internationalize if the service quality and amount is to be kept at the existing level. In the challenging environment of healthcare production today the public healthcare providers agree that there are no logical reasons why Finnish healthcare services should not internationalize in some manner.

Several strengths, weaknesses, opportunities and threats were identified by both the reports by the Ministries and the chosen experts. Joint cooperation of the sectors can aid in different internationalization activities due to the different characteristics and possibilities of the sectors as well as increase the total quality of healthcare and its revenue stream. The greatest advantage from the cooperation in practice was identified to be the complimentary skills of the two sectors in size as well as flexibility and ability to take risk.

However, the heavily competed healthcare services market proposes a challenge for successful internationalization. The reports by the Ministries seemed to lie heavily on the fact that the Finnish healthcare service system contains such knowledge and skills

that could become potential export products. However, in practice the correspondents seemed to question whether Finland actually has high-enough talent and knowledge for international competition today. Despite having some niches in which Finnish know-how can be considered high enough for international competition, these niches are rare and so small in size that they cannot be seen to form the basis for a such a large scale internationalization efforts as proposed by the internationalization network to be organized between the sectors. Instead, propositions were done towards new and innovative healthcare businesses such as eHealth and other electronic healthcare services such as mobile apps. As a less developed market of healthcare services it could propose considerable opportunities, whereas Finland was considered to sustain the needed talent and skills for the competition in practice.

In practice the interviewees identified several more weaknesses for Finnish healthcare services internationalization in general and together with the private sector ranging from structural to cultural and legal matters than the reports by the Ministries did suggesting that the planned internationalization activities will not be as easily reached as have been earlier proposed. While any such transitions are time-consuming and long-term oriented, in practice the magnitudes of the identified weaknesses most likely will prolong the process from the planned one. In any case, the identified practical issues need to be solved prior to successful cooperation.

While the opportunities of the cooperation in a public-private partnership were seen substantial and necessary for future success, the identified threats by the experts contain considerable issues. First of all, the political decision-making based healthcare services internationalization was seen to unnecessarily prolong any market-based decision making, which is required in the fast moving global healthcare services market. Such decision-making is undoubtedly also required by the private sector in the cooperation. In the end it was severely doubted whether the different incentives and goals of the two sectors could actually be fitted together well enough for success. The second point related to the first one was the matter of ineffective control over the internationalization activities, competition and actors. Especially from the public sector's perspective participating in such internationalization activities which do not belong to their normal operational tasks propose a potentially large risks if the cooperation ends up in a failure because of ineffective control. As public sector actors are not allowed to take monetary risks, in practice for such an internationalization network as proposed by the Ministries to become functional, the control over the network, its activities and its actors need to be controlled from the beginning in an effective manner. It was also doubted whether the private sector companies would be willing to partake in such strictly controlled activities, and how it would be possible to distribute the arising opportunities within the network in a manner of keeping all the actors satisfied.

Arranging such an internationalization network in practice together with the private sector was seen as rather difficult in general. Based on the interviews it became clear that there exists no general understanding or consensus of the most suitable business

model allowing the public sector to take part in a demand-based market-oriented service exports. While PPP models have certainly been used in many different public-private cooperation activities throughout the Europe for decades now, and also in healthcare, its use in the Finnish healthcare industry is such a new phenomenon. While it is only taking its first steps at the moment, the interviewees could in most parts not offer a comprehensive view on its possibilities. Lack of clear understanding of suitable operational models not just on the Ministry level at the moment but also within the largest public sector providers implies great challenges for the formation of the network considering the large and important role of the public sector in it. In practice, however, it can be seen that while the PPP efforts need to be focused on the healthcare services producers in Finland in both sectors, the structure of the Finnish healthcare system causes troubles in practice, and considerable changes are required on the public sector's structures before any successful internationalization activities can take place. This again can prove very time consuming due to the nature of political decision making as raised up by the interviewees.

Therefore, it can be concluded that while the formation of such an internationalization network taking advantages of the both sectors can be seen as a potential way despite its many issues to correspond to the international opportunities, its formation is likely to take too long. Considering the only identified competitive advantage – geographical location next to Russia – Finland needs to be able to act fast to use this advantage whether in healthcare tourism or large scale healthcare exports as Russia has recently placed a lot of effort on its healthcare service system improvements. Considering the formation of the network as a long-term plan, it would be beneficial for Finland to have a parallel short-term strategy.

While the reports by the Ministries tend to claim that internationalization of Finnish healthcare service producers is to a large extent defined by the interests of the public sector in a largely public operated and produced healthcare services market, this can be seen not to hold. For example, the Finnish private healthcare services operator Nordic Clinic has just recently announced opening up of its own clinic and operational center in Russia with the aim to help all interested parties in their businesses in the Russian environment. Considering all the issues related to not just internationalization of Finnish healthcare services but also on the PPP activities Finland could in turn adopt a two-tier strategy focusing on the short term and the long term. While the long term formation of the internationalization network between all the actors in Finland is most likely to yield considerable benefits in the future not just for internationalization but in restructuring the Finnish healthcare system to a more open, dynamic and service-oriented one offering better services at a lower cost, it is the short term potential which is likely to play a major role also in the success of the long term plan. As shown by the empirical data, the Finnish healthcare services need to hurry to be able catch up with the increasing global competition in healthcare services. As such, Finland needs to be able to benefit from its sole competitive advantage, in which a great risk is that it does not

exist anymore by the time the publicly build network is fully ready for the activities needed. Therefore, it would be the most beneficial to engage already now in the international healthcare services business through such an actor and private network operator as Nordic Clinic. Earlier on Finland has engaged in several private-sector healthcare service ventures and internationalization efforts, but these efforts have been so small and fragmented they have not been able to produce any considerable success stories. Instead, if cooperation with such network providers as Nordic Clinic would be improved and the resources used for several different small-scale attempts would be directed towards where the greatest potential lies, it could become possible to start the internationalization through a network solely from the private sector. Existing healthcare services producers could be directed towards such a network and its activities could be enforced by governmental financial support and related services. This in turn would allow the private sector to grow and develop considerable, and by the time the large scale national network would be ready, suitable connections for its activities would already exist in the private sector, and the private sector would be in much better position to engage in the similar activities with the public sector actors thus on their own part relieving the earlier discussed needed reforms and the issues of the public sector in participating such activities.

The limitations of this thesis considering the vast nature of the research topic clearly outline the need for further research on many different aspects of the given formation of the network internationalization. Firstly, as the network itself is affected by its environment and the culture such as noted by Holden (2003), it is however rather difficult to examine the topic further without further actions taken by the ministries in the formation of such a network and before the network has been formed in some form or another consisting of real actors, upon which further research can be directed to. There is clearly a need for further research what comes to the formation of such a network in the largely publicly operated healthcare services sector.

Secondly, also the structure of the network and its operations are clearly in need of further research, as was already pointed to a large extent by the reports of the two ministries. At the current moment there seems to be very little understanding within the field in operational aspects of such a network, which however is crucial considering its possibility to become successful.

Thirdly, and in fact, when such a network – or any other similar network gathered by the private sector for instance – has been established, it could prove very interesting to further study the relationships between the actors within such a network. Such studies would not just benefit the overall understanding of the actions of the network, but could also yield potential new business opportunities for healthcare service providers when they could more easily identify the potentials within the network and between the actors.

Fourthly, as pointed out by the conclusions in practice it can be proven very difficult for the public sector to take part in such activities related to the network even with

structural changes and reforms, as these changes tend to be rather time-consuming. As earlier suggested, as the current efforts by the governmental agencies for aiding in the internationalization of private healthcare providers have been rather fragmented, and in the short-term the greatest potential for reacting to market needs can be seen to be achieved through the more flexible private sector, this could also prove a valuable topic for further research.

Fifthly, although the earlier reports consisted of several interviews more than this study, this study so far has been the only one focusing on the formation of the network in practice looking it through the viewpoint of the public sector actors. The earlier studies on the topic by the ministries despite having considerably more interviews than this study consisted of mostly ministry-level interviews, and where producers were interviewed only the directors of the institutions or the companies were taken into the study. This certainly can give one a good cross-sectional view on the field especially when little prevailing knowledge exists, but cannot offer intricate information or details on how different organizations view the matter, as one person can hardly represent the whole institution. Therefore, further studies focusing on specific units more deeply could yield potential new information and viewpoints on the matter.

## 8 SUMMARY

The Finnish healthcare service system is confronting several challenges – both domestic and foreign – for which reason there is an evident need for change. Increasing globalization together with liberalizing agendas of the world trade and opening of traditionally protected sectors including the opening up of the EU's healthcare service sector to more open and international trade causes both opportunities and challenges for the existing healthcare system and services in Finland.

This study was carried out as a smaller part of the larger research by the Turku School of Economics at the University of Turku's Center for Collaborative Research, of which purpose was to develop a thorough overview on the development of the healthcare service industry in Finland due to the recent and upcoming changes within it and to identify the main market drivers. As its own part this study attempted to examine a smaller part of this phenomenon and a market driver: Internationalization of the industry. The aim was to verify the views of the earlier reports by the Finnish Ministries on the formation of such an identified internationalization network, and to identify the defining factors in the formation of such a network from the public sector's perspective in practice. Therefore, the main aim of the thesis was to understand *how do public sector actors perceive healthcare services internationalization in cooperation with the private sector in a public-private partnership*. The matter was discussed through the following sub-questions:

- What are the reasons for Finnish healthcare services internationalization from the public sector's perspective?
- What are the strengths, weaknesses, opportunities and threats for internationalization in a partnership?
- How do the public sector actors see the establishment of such a partnership in practice?

Understanding the complex phenomenon required an extensive familiarization with the industry and its recent development as well as internationalization opportunities in general. Due to the difficult nature of the topic and the lack of earlier research on the topic the purpose of the first sub-question was to understand what the reasons are for Finnish healthcare services internationalization from the public sector's perspective, and whether the representatives of the public sector considered the need for internationalization as urgent as the reports do. The second sub-question then aimed at analyzing what are the strengths, weaknesses, opportunities and threats for the internationalization in a partnership with the private sector in order to better understand the underlying possibilities. A more comprehensive picture of the current situation was formed through a SWOT analysis taking the earlier studies as the base and complementing their views with the insights of the respondents. As these would lay the grounds for possible cooperation, the third sub-question aimed at understanding the

views of the public sector actors on establishing such partnerships with the private sector in practice, and how could the division of work be arranged between the two. The sub-question also considered how the network should be organized from the public sector's viewpoint for successful operations.

The study applied a qualitative research approach on the explorative research problem through expert interviews. Expert interviews were considered the best possible way to produce in-depth knowledge on an otherwise complex matter within the limitations of this study. The research data was collected through 6 different interviews in two of the largest Finnish public healthcare services providers; the Central University Hospitals of Turku and Helsinki. The interviews were carried out in the respective offices of the interviewees and the interviewees were given the semi-structured interview form beforehand to familiarize with the topic. The interviews were carried out according to the developed themes with relatively little variance in the order of the questions. The analysis methods of the empirical data consisted of data reduction and the use of a data display for arranging the data for conclusion drawing.

Reviews on existing earlier literature, suitable theories and the gathered empirical data regarding services internationalization, network internationalization and internationalization of services mostly publicly produced provided this study with an understanding and a framework on that the internationalization of Finnish private healthcare service producers is to a large extent defined by the interests of the public sector in a largely publicly operated and produced healthcare services market. In turn, the public sector actors need the specific skills and abilities of the private sector for successful internationalization, as they are in practice unable to take part on the needed large-scale change due to the current system and its limitations.

The internationalization of the Finnish healthcare industry is evident due to many environmental changes. Therefore, also the Finnish healthcare service providers either in public or private sectors need to consider the possibilities and threats involved with it. This seems to be especially challenging for the public sector, as considering such matters has never been a part of their activities, and thus relatively little knowledge over the matter exists in practice. In turn, internationalization in cooperation with the private sector offers several strengths and opportunities for both of the sectors. However, it became evident that the weaknesses and threats proposed largely by the current existing Finnish healthcare system within its own structures are such that they effectively prevent the internationalization activities.

This in turn has a considerable effect also on the formation of the internationalization network. Many issues regarding the joint cooperation between the sectors were identified. However, as there have not been such activities in a similar scale ever before, it turned out rather difficult to analyze the opportunities and issues in practice. Despite interests towards the internationalization network by the public sector, at its current state the existing system effectively prevents partaking in such an activity. Inability of the public sector to fully participate in the activities of such a network would also cause

numerous issues for private sector actors in the network making it inefficient and unnecessary.

As a conclusion, Finnish healthcare service system needs to find potential ways to internationalize its services. However, despite the views of the Finnish Ministries achieving a successful internationalization network between the sectors will be a rather challenging task involving many political decisions and structural changes to the existing healthcare services system. It may also be a too long-term plan in order to exploit the existing competitive advantage towards Russia, for which reason more efforts would be needed to be placed on an adjacent short-term opportunities through existing internationalizing private sector companies for instance. As an alternative, also new potential and more innovative areas such as eHealth could be considered a viable option as a development direction due to the lower competition and existing Finnish know-how.

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## Appendix 1

### The Interview Questions

Interview No.	Date:
Name of the interviewee:	Time:
Institution:	Place:

#### **Part 1 - Introduction**

- 1) Introducing the research topic to the interviewee.
- 2) Introducing the research aim and motives.

#### **Part 2 – General view on internationalization**

The purpose is to perceive the views of public sector actors on internationalization of Finnish healthcare:

- 1) Should Finnish healthcare services internationalize? Why so?
- 2) What services are the most potential as export products from Finland?
- 3) What kind of challenges are there in exporting of Finnish healthcare services?

#### **Part 3 – Public-Private –Partnership potential in exporting**

The purpose is to understand how public sector actors view cooperation together with the private sector in exporting healthcare services, and to gather information on public sector actors' motives and interests regarding cooperation together with the private sector in exporting of Finnish healthcare services:

- 1) What reasons in your opinion support cooperation together with private sector in healthcare services exporting?
- 2) What reasons possible complicate the cooperation with the private sector in exporting healthcare services?
- 3) How the cooperation with the private sector could possibly benefit your organization's internationalization and solve associated challenges?
- 4) What are in your opinion the greatest benefits and opportunities of cooperation from your organization's point-of-view?
- 5) How about possible disadvantages from your organization's point-of-view?

#### **Part 4 – Views on forming a Public-Private –Partnership**

The purpose is to understand how public sector actors see the formation and development of cooperation together with the private sector, and to identify division of

work (job roles and responsibilities) between the parties in cooperation aiming towards exporting:

- 1) What kind of a business model would enable the participation of the public sector service provider that you represent to market-based service exporting? What would be the role of the private-sector in this?
- 2) What different kind of cooperation models would your organization be able to implement together with the private sector?
- 3) The Ministry of Economic Trade and Employment has proposed creating an internationalization network between the public and private sector in Finland. How do you see from the point-of-view of your organization acting in such an internationalization network together with the private actors?
- 4) What kind of a division of work should there be in practice between the parties in cooperation? How about in the proposed internationalization network?
- 5) What factors have the most effect on cooperation opportunities? How about on successful cooperation?
- 6) How can the responsibilities and risks be divided amongst the parties?

## **Part 5**

Recommendations and open questions, in case there is time left at the end of the interview:

- 1) How do you see the capability of the organization that you represent in exporting?
- 2) Do you have any such matters that you would like to mention?

End time of the interview: \_\_\_\_\_

## Appendix 2

In modern Western welfare states such as Finland the responsibilities and actor-power are always divided between several important actors: Social and economic policies of governments, international institutions, and private profit-seeking companies, as illustrated by Figure 6:



Figure 6: Model structure of welfare states (adapted from Holden 2003).

Holden (2003, 288) argues that while the international institutions (e.g. WTO, IMF, WHO and the World Bank) are an integral part of the structure of welfare states, and they provide, in an increasing manner also, the setting in which services such as healthcare can be provided, the focus should rather be on the relationship between the state and the private companies, i.e. on the Public-Private Partnership. The reason behind is that even when the most influential and significant international institutions welfare-wise thrive towards liberalization and have the case through their power to tie governments down into universal agreements, these agreements provide only the basic framework upon which each welfare state has considerable amount of power to influence and decide upon how their services are organized. He continues to argue that the opportunities and barriers for international expansion of private healthcare service providers are to a large extent ruled by the mix of direct state provision; taxes, subsidies, and regulation in the welfare state, and therefore in studying services internationalizing in the context of healthcare the focus should be kept in the

relationship between the government and the private companies. Thus, this study will focus on the mentioned public-private relationship as it can be seen to yield the best possible framework considering the topic.

However, while this study will focus specifically on the relationship between private companies and governmental institutions at the same time it is important to acknowledge the fact that the international institutions do play a major role in the outcome of services internationalization in general. It is true as above discussed that the governmental institutions have the greatest effect on any individual country's healthcare services internationalization and transformation from government-centrally operated system to a cooperative one. But, however, the international institutions are the ones that control the overall services internationalization and are critical for the success. As Holden (2003, 288-289) points out there are several international institutions with seemingly same agendas, but different goals and viewpoints. One of the most important ones is the World Trade Organization (WTO) because of the General Agreement on Trade in Services (GATS), which aims at liberalization of services. WTO that contains considerable power over many countries has demanded countries to begin opening up of their services sectors including healthcare sector, and to give each institution – whether a governmental or private – the same treatment and position in competition regardless of their status within the operational governmentally run domestic sector (Ruane 2001).

However, many governments were able to protect their healthcare sectors by arguing that they are government services, which then again under the WTO rules classifies as a reason to protect the sector from competition, which gave the countries an opportunity to protect their service sectors from competition further (Holden 2003, 288). As the international institutions excerpting power also consist of their member countries, it does pose a challenge on opening up traditionally government handled sectors while many of the member countries are somewhat resistant to the proposed changes. Therefore any changes and liberalization done is most often reached only after many rounds of negotiations, which takes time to reach to, and yet more time to make to happen. There is also no enforcement mechanism other than imposing trade restrictions towards countries disobeying the agreed rules, which hinders the effect of them. As clearly shown above, despite the rather slow and complex system the movement is happening towards liberalization of services.

Considering the Finnish economy and healthcare services market the European Union (EU) plays an important role in the liberalization and internationalization of public healthcare services through its rules on public procurement. A specific directive on public procurement known as the European Public Procurement Directive aims at “increase cross-border competition between firms under public contracts within the EU by ensuring equal treatment of domestic and foreign providers”. All this put aside, and as argued earlier on, it is the structures of the welfare states aiming to internationalize

their services sector that provide the incentives and opportunities, or their lack of, for the private providers within those sectors. (Holden 2003, 290-291.) However, an important notion is also that while the international institutions do not exert such a strong power over developed economies as they do for the developing ones having much more to say about the firm-state relationships they do also add a new kind of, and a rather complex dimension to the functioning of developed economies relationships. (Holden 2003, 291.)