

Market Entry Strategies into China in the Welfare Industry

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Introduction

This research aims to examine the process of internationalization of service firms in the welfare industry using an investigated framework (Coviello & Martin, 1999): Foreign Direct Investment (FDI) theory including transaction-cost analysis, the stage models of internationalization, and network theory. Using case studies of 3 Japanese Long-Term Care (LTC) firms classified as Service Small and Medium-Sized Enterprises (Service SMEs), this analysis identifies the following areas: (1)The decision to internationalize, (2)Subsequent internationalization, (3)Market selection, and (4)Mode of entry.

Theoretical Overview

Although international business has been developing since after WWII, most researches have focused on manufacturing firms¹. On the other hand, it is difficult to establish a strategy for service firms since their businesses are diverse and independent of one another (Arslan, Golgeci, and Haapanen, et al. 2019; Kundu & Lahiri, 2015).

Previous literature have mainly dealt with “Professional Service Firms” such as consulting firms and talent scouting firms, “Hotels”, “Retail”, “Restaurants”, and other service industries, or the service industry as a whole (Arslan, Golgeci, and Haapanen, et al. 2019; Erramilli, 1990; Fujisawa, 2017; Nishii, 2013; Kawabata, 2015; Scott-Kennel & Von Batenburg, 2012; Shinomiya, 2016; Tsunoda, 2010; Rugman & Verbeke, 2008; Usui & Hoshida, 2016). Such diversity in those types of service firms leads us to understand the difficulty of discussing a uniform pattern of internationalization of service firms. Therefore, it is necessary to try to consider a series of processes of internationalization throughout one industry and find one example as to what is categorically the best practice of international strategy in the service industry.

The welfare industry this research focuses on has two characteristics: The first is that the welfare industry is rapidly emerging since a lot of countries are heading to an aging society at the macro level. The second is that the author considers those service firms as set at a new unique position that is valuable to consider, which is categorized into the same division as “department stores” with High Customer Interface & High Process Embeddedness² but are not at the same level of specialities as “Ryokan”.

Research Methodology

This research focuses on Service SMEs that provide LTC services to elderly people. Of LTC firms from various countries which have experienced aging situation such as the USA, France, Germany, Australia, and others and have targeted their businesses into aging China, this analysis deals with Japanese LTC firms. The Cabinet office’s initiative, “Asia Health and Human Well-being Initiative” in 2016, which dramatically led to about 55 LTC firms expanding their businesses to china and other aging countries (Mizuho Research

Institute, 2017).

Research samples are selected from leading companies which experienced overall internationalization process mainly in China. Firm A is a service firm that has been keen to share “know-how” between the operation of luxury resort facilities and private nursing homes in Japan since 1986, and has been operating private nursing homes as a joint-venture with local partners and delivering other LTC services in Qingdao and Dalian in China since 2013. The firm has now advanced into Indonesia and South Korea and other Asian countries. Firm B is a service firm that was originally developed based on “know-how” such as networks with land owners in the field of real-estate, and operates a private nursing home specialized in the care of elderly people with dementia since 1999. Said firm has also been operating private nursing homes through joint-ventures with local partners and delivering other LTC services in Nantong, Guangzhou, Peking, and Tianjin of China and other Asian countries since 2014. Firm C is a service firm that is very familiar with delivering living necessities through the operation of welfare facilities such as dormitories to corporate employees and delivering other welfare services since 1980, and which has operating private nursing homes in Peking, Shanghai, and Chengdu of China and Bangkok in Thailand since 2011.

The author conducted semi-structured interviews with a vice president and directors at headquarters, presidents at joint ventures who are Japanese expatriates from the above firms, and other Japanese directors between January 2016 and December 2019.

Results and Discussion

The author concludes that LTC firms need relevance of all three perspectives in the process of internationalization like that of cases of engineering consulting firms (Coviello & Martin, 1999). Detailed results will be discussed in the presentation.

¹⁾ With the precondition that service firms are different from manufacturing firms, service is defined as having 4 unique attributes in the field of international business: “Intangibility”, “Inseparability of production and consumption”, “Heterogeneity”, and “Perishability” (Buckley, Passm and Prescott, 1992; Stevens, Makarius, and Mukherjee, 2015).

²⁾ Asakawa, Ito, & Rose, et al. (2013) divides service firms into 4 dimensions by making use of two perspectives that fit Japanese firms: Customer Interface Complexity & Low Process Embeddedness (ex. Package delivery), High Customer Interface & Low Process Embeddedness (ex. Neighbourhood bars), Low Customer Interface & High Process Embeddedness (ex. Video game software), and High Customer Interface & High Process Embeddedness (ex. Department store and Ryokan) .

Main References

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