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**Changes in Market: A Case of Apoteket International AB and its
Efforts to Respond to Market Liberalization**

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Abstract

This thesis focuses upon the on-going de-regulation of the Swedish pharmacy market. The liberalization of a market imposes opportunities and challenges to the monopolist, in this case Apoteket AB. By going from a protected position to a free competitive market, the organization has to face the challenges and harness the opportunities to survive in the new environment. This paper is based on a study of how Apoteket AB is harnessing the opportunities of the market liberalization to survive in such environment. The aim of the study is to describe and analyze how the organization is capitalizing on the internal know-how, and more specifically, how the spread of its competences is being translated into new contexts. Empirical evidence has shown that they have done so by establishing a new company, Apoteket International AB, which aims at expanding its businesses internationally, by capitalizing and diffusing its competences outside the Swedish market. Apoteket International' strategy to pursue these goals is based on an internationalization stepwise process of its activities and, in particular, that process has different approaches in the different markets mainly due to different governmental regulations.

Keywords: changes in market, translation, internationalization, case study

Acknowledgement

This study has constituted a valuable learning project. An interesting case study has provided the opportunity to understand a real scenario that organizations face with unexpected results. I am particularly thankful to Kajsa Lindberg for her efforts to make this study possible and for her contribution throughout the project, and also to Apoteket International AB and its managers who conceded openly their time and knowledge making this a worthwhile study.

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Introduction

Pharmacy Market

The pharmacy sector is considered in many countries as a crucial sector to ensure health care and safety of the population. Pharmacists have a great role in providing the first health aid to the population, and are highly trusted in their advices for product' selection (PGEU Statement, 2007). For these reasons it is typically a highly regulated sector in order to guarantee the quality of the service and to ensure public health safety. The fact that this sector is highly regulated and the pharmacies are, in many European countries, privately owned, increases the complexity of the system (PGEU Statement, 2009) and consequently it increases power struggles. A prove of this complexity and power struggle is that all countries in Europe have different regulations for the pharmacy sector (PGEU Statement, 2009). However, during the past decade many such regulations have been challenged and the market is now undergoing general changes.

Liberalization of the markets in EU and their heterogeneity

Recently, the pharmacy sector in many countries in Europe has been under deep changes. There are a different number of reasons behind these changes, and the main ones are (Almarsdóttir and Traulsen, 2009):

- the new regulations imposed by the European Union;
- reduction of investments/costs by the governments in health care;
- reduction of the prices of the pharmaceuticals;
- increase the number of pharmacies per citizen.

These changes are going towards a more liberalized market, however, the heterogeneity of the sector – i.e. the diverse form of regulations – among the European countries means that the processes and the degree of liberalization vary significantly (Almarsdóttir and Traulsen, 2009). On one hand, there are countries whereas the sector has more strict regulations such as Italy, Germany and Denmark, and on the other hand, the degree of freedom is higher such as in Iceland, Norway and UK.

The liberalization of the markets in the different countries is highly influenced by the social, economic, and political aspects which characterize each one (Almarsdóttir and Traulsen, 2009). The outcomes of these changes also vary depending on the power of the different actors in the sector (Anell, 2005). These conflicts involve the governments that want to ensure the social aspects, pharmacists who want to secure their position and profession, and the owners who want to ensure a profitable business (PGEU Statement, 2009). According to the research made by Morgall and Almaradóttir (1999), the power

struggle in the sector is not only a conflict between the different actors, but also within the pharmacist community. The power struggle within the pharmacists has been a crucial factor influencing the outcome of the liberalization processes (Morgall and Almaradóttir, 1999). For example, in Denmark the attempt to change the market regulations produced few modifications, because the pharmacists had a great impact in preventing the changes. While in Norway or Iceland the pharmacists did not have much power and, thus, deeper changes have been produced (Anell, 2005). Alongside with the outcomes, the drivers that led to the changes in the pharmacy sector in the different countries also vary from country to country depending on the characteristics of each individual market. For example the drivers that led to reregulate the market in Iceland were to end the monopoly on ownership, increase the number of pharmacies, and decrease price through competition (Almarsdóttir and Traulsen, 2009). While in Norway the motivations were, additionally, to allow over-the-counter (OTC) medicines to be sold outside pharmacies.

Pharmacy Market in Sweden

As mentioned above, the regulatory systems on the pharmacy sector vary from country to country and Sweden is not an exception. Since 1970 the Swedish market has been controlled by a state-owned company, which by 2009 had about 900 pharmacies. The monopoly lasted till 2009 when the reregulation of the Swedish market happened, meaning that Sweden was one of the last countries in Europe to deregulate its market and one of the few countries in the world that had a monopoly on the pharmacy sector (Ministry of Health and Social Affairs, 2008). There are a number of reasons that led to this change, and one in particular was an imposition by the EU court. In 2005 the European Court of Justice declared that the monopoly was illegal because it has proved to be discriminatory for product procurement. Additional to this reason, the Swedish government wanted to reduce costs in the Health Care system, increase the number of pharmacies (which was one per 10 000 inhabitants by 2009), decrease the price of the medicines through competition, and allow selling OTC products outside pharmacies (Swedish Government Official Reports, 2008:4).

The reregulation process consisted in selling approximately two thirds of the pharmacies owned by the Apoteket AB to different types of owners to ensure a competitive environment. This meant that, the pharmacies were sold to large retail companies, both national and international entities, and to a small number of private enterprises/entrepreneurs. The pharmacies can be owned by non-pharmacists but need the presence of qualified pharmacists on site during opening hours. It is allowed to be sold OTC medicines in places rather than pharmacies. Concerning the prices of medicines, the changes in the market resulted in the creation of a model (run by a government agency)

that maintains pressure on the prices to the customers, but allowing for negotiations on the purchasing price – OTC medicines are not included in this model and have total freedom (Ministry of Health and Social Affairs, 2009). After the implementation phase (in 2011) a committee (independent examiner) will be set up in order to assess the evolution of the changes implemented in the sector (Swedish Government Official Reports, 2008:4).

Problem description and practical situation

Due to all the changes in the Swedish pharmacy market one player has been greatly affected: the state-owned organization that was running the market – Apoteket AB. The organization “lost” about two thirds of its pharmacies – 465 out of 930, and additionally 150 are to be sold phased to small entrepreneurs – and consequently lost its position on the market, although it is still a key player (Annual Report, 2009). Since the regulatory reform in 2009, Apoteket AB has been facing new challenges and opportunities. From a privileged situation in the national market, the company is now facing an intensive competition from different new internal and international players. Therefore, the company had to change its orientation from a social perspective to a competition perspective, which forced to restructure the company. In particular, the organization felt the need to restructure the board of directors in order to respond to the new orientation of the organization (Annual Report, 2009). Additionally, the organization was forced to share knowledge and infrastructures with the remaining players, contributing for example with information databases and IT infrastructures to allow e-services.

However, the state-owned, Apoteket AB, had after the changes in the market the opportunity to expand its activities into other countries in Europe. The liberalization of the internal market allowed the organization to enter other countries. Thus, the organization through its international subsidiary (Apoteket International AB) can exploit and capitalize on its capabilities and technology. During the monopoly era, Apoteket was able to develop dynamic capabilities and technology that led it to be now the world leader in production and distribution of multidose packaged drugs, and also well advanced in terms of IT support systems (Annual Report, 2009). This knowledge and technology became a source of competitive advantage to the organization which can be the success factor on its internationalization.

Aim and Research Questions

Apoteket has faced a deep change on the market regulations, going from a monopoly to a free competitive market, and all the consequences (opportunities and challenges) that it

brought. Thus, this study is focused on the opportunities that Apoteket International can take advantage of through its international expansion in different countries. The aim of the paper is to describe and analyze how the organization is spreading its technology and how it can capitalize on significant assets, know-how, concepts and systems which have been developed during the monopoly period.

The research questions which this study attempts to answer are:

- How Apoteket International organizes its activities in order to adapt to market liberalization.
- How Apoteket International do capitalize on the existing capabilities in different markets.
- How the spread of knowledge is organized by Apoteket International among the different markets.

Thus, to analyze the case study, and specifically the spread of Apoteket International's technology and capabilities into the German and Norwegian markets, the author has used the translation model and Uppsala internationalization model. With these two approaches the study will have to distinct but complementary analysis of the case study. By adopting particularly the translation model, this study does not aim to draw lessons to be generalized, but instead it allows the understanding of how the processes unfold, and why they end up in those particular (expected or unexpected) outcomes.

Disposition of the paper

In the present section has been introduced the study of this thesis. It has been described the market in focus, the company that constitutes the case study, the specific problem and the practical situation, and, finally, the aim and research questions in analysis. In the next section, it is described and critically assessed the chosen literature that supports the analysis of the case. In the third section it is presented the methodology followed to conduct the study. In this part it is described in-depth the different techniques, such as the strategy, method, design, and data analysis, which better fit the purpose of the study. It is also briefly described the background of the interviewees. In the fourth section, the empirical data collected from the interviews are presented. Here it is initially described detailed data about the organization and afterwards in-depth data of its activities in the different countries are presented. Following, in the fifth section, is analyzed the case through a comparison and contrast with the existing literature presented in the second section. And finally the last section presents the concluding remarks of the study.

Literature Review

Introduction

In order to understand how Apoteket International is organizing, capitalizing on its capabilities and spreading knowledge, the theoretical framework used in this paper will be based on literature on Translation Theory and Uppsala Internationalization Model. By adopting these two different theories, it contributes to the improvement of the understanding and analysis of the case. Internationalization model will provide a broader and simpler analysis of the general internationalization strategy, while the translation model will provide a more depth and specific analysis of how the operations actually evolved abroad. Thus, these theories complement each other allowing for a more complete analysis of the case, from a broader to a narrower perspective.

Uppsala Internationalization Model

Uppsala internationalization model was developed by Johanson and Vahlne (1977) based on previous studies on international business made by the authors. This “model of the internationalization of the firm focuses on the development of the individual firm, and particularly on its gradual acquisition, integration, and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets” (Johanson and Vahlne, 1977:23). In the basis of the model is that the lack of knowledge about internationalization process and the lack of knowledge about the foreign markets constitute a critical barrier to the development of international businesses. Thus, the main assumptions of this model are (Forsgren, 2002): (1) acquiring knowledge is mainly done by being active in the market and “learning through doing” (Johnson, 1988: 75); (2) international investments are made incrementally; and (3) most of the knowledge is dependent on individuals and contexts, therefore is difficult to transfer to another individuals and contexts.

Translation Theory

Within organizational change there are different perspectives that authors have recently adopted. There have been long discussions among the scholars about which one better explains a change process, but the most common approaches are: planned perspective and translation perspective. The approach adopted in this paper is the translation perspective, and in particular the paper is based on the model developed by Czarniawska and Joerges (1996). In the basis of this theory is that a change or a diffusion process is always influenced by political and contextual environments (Nicolini, 2009). Therefore, using this approach in the study enables the author to analyze the diffusion of the innovation without predicting the outcome. This means that the “translation model

permits the unexpected and unforeseeable, thus promising ambiguity and uncertainty in the process” (Czarniawska, 2008). The translation of an innovation goes through a process whereas the object is disembedded from its original place, then it travels on time and space, and finally it is re-embedded in the new location and new contextual environment (Nicolini, 2009; Czarniawska, 2008).

Uppsala Internationalization Model

“Seeking theoretical explanation through the behavioral theory of the firm” (Johanson and Vahlne, 1977: 23), the authors incorporated empirical evidence from past studies in development of international business and developed an internationalization process model. Thus, the model is based “on the interplay between knowledge development and increasing foreign market commitments” (Johanson and Vahlne, 2006).

The authors of the model realized that the internationalization processes of the observed organizations followed a pattern. This pattern was not adopted by the companies as a preliminary strategic decision, but instead has a consequence of an incremental process of adjustments to changing conditions of the companies and their environments (Johanson and Vahlne, 1977). Although the authors have observed such pattern, they believe that each internationalization process is independent and different from each other, and is handled depending on the context. The model is built upon assumptions that led to its final conception (Forsgren, 2002):

- The lack of knowledge about foreign markets and internationalization processes are a main constrain to the development of activities abroad. However, this knowledge can be acquired mainly through experience originated from own local operations, given the need for specific and contextual knowledge. The knowledge can also be acquired through other sources such as acquisitions and new human capital;
- Decisions concerning international investments are made incrementally due to the lack of knowledge and, therefore, market uncertainty. The experience acquired, or the so called “learning by doing” (Johnson, 1988), is the basis of the incremental approach. The more the company learns about the market and the operations, the lower will be the uncertainty (or the perceived market risk) and the higher will be the investments in the particular country. The perceived market risk will be then determined by the knowledge that has been acquired in the specific market/country;
- As mentioned above, the knowledge required in the internationalization process is very specific and contextual, therefore this knowledge is highly dependent on

individuals and, thus, difficult to transfer to other individuals and contexts. The knowledge will be mainly acquired by those working at the local who have the first contact with the market.

Having the main assumptions of the Uppsala model identified, the authors developed it based on four aspects. These concepts can be grouped in two groups: the State aspects, and the Change aspects. Within the state aspects are included the Market knowledge and the Market commitment (Relationship commitment), whereas within the change aspects are included the Commitment decisions and Current activities. The market knowledge and market commitment are assumed to affect both commitment decision and the way current activities are performed, which in turn change the market knowledge and the market commitment (Johanson and Vahlne, 1977). Although its simplicity, the internationalization model is illustrated in the following figure:

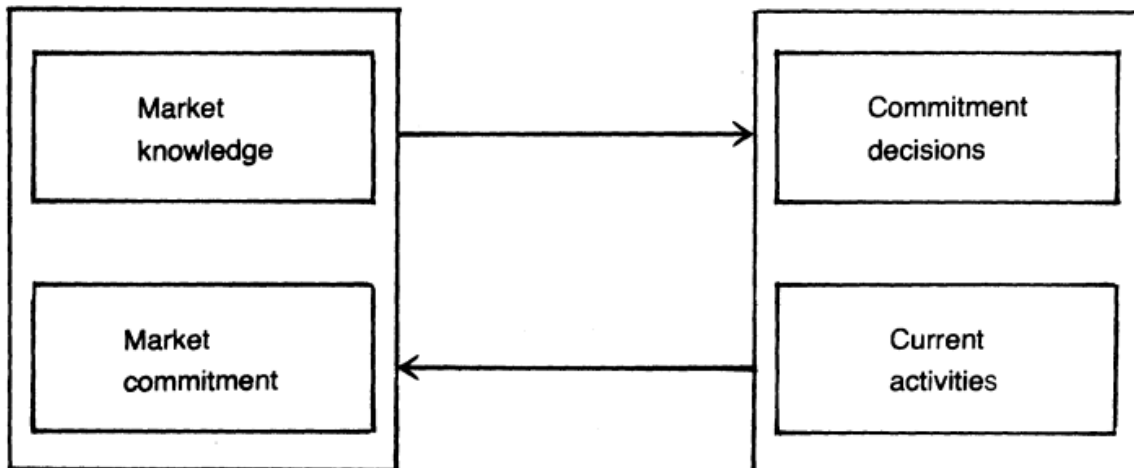


Figure 1 – Mechanism of the Uppsala internationalization model (Johanson and Vahlne, 1977:26)

Market Commitment (Relationship Commitment)

Market commitment represents the difficulty in finding alternative uses for the resources and their allocation in those alternatives (Johanson and Vahlne, 1977). This concept is composed of two factors – amount of resources committed and the degree of commitment. Thus, market commitment is determined by the resources invested in that specific market and by the quantity of resources which determines the degree of commitment. The more characteristic the resources are to a specific market the higher is the degree of commitment. The resources that are being used in the domestic country but directed to the foreign market are also considered market commitment to that foreign market. Resource in this model is used in a broad sense and can include investment in marketing, organization, personnel, and other.

A change has been introduced in the model to accommodate new research done by the authors and developments in firms' behavior. This change is a response to the modification of the focus of the model from a single firm's commitment to the market to a focus on commitment to relationships with other entities in the internationalization model (Johanson and Vahlne, 2006). Thus, this aspect was initially called "Market commitment" is now called "Relationship commitment". However, this change has no other implications to the model and its basics are still the same. The organization when is committing to a market it is committing to relationships with partners and indirectly to a wider network. Therefore, this commitment to relationships will create opportunities more significant than those that arise just with the business activities (Johanson and Vahlne, 2006).

Market Knowledge

Market knowledge is an important aspect because investment and, therefore, commitment are based on knowledge. Two different sorts of knowledge are important to determine the commitment: first, knowledge about opportunities and challenges to originate decisions; and, second, knowledge about performance and market environment to evaluate alternatives (Johanson and Vahlne, 1977). A fundamental distinction of knowledge in this model is the way the knowledge is acquired. The model distinguishes between objective knowledge and experiential knowledge. Objective knowledge, commonly known as explicit knowledge, is the knowledge that can be easily transmitted and taught, and experiential knowledge, also known as tacit knowledge or experience, is the knowledge that cannot be transmitted and cannot be easily acquired (Lagerström and Andersson, 2003). The Uppsala model emphasizes the importance of the tacit knowledge in internationalization processes and its significance in "perceiving and formulating opportunities" (Johanson and Vahlne, 1977: 28). Another distinction of knowledge in this model is between general knowledge and market-specific knowledge (Johanson and Vahlne, 1977). General knowledge refers to common characteristics across markets and countries, and can be simply transferred from country to country. Whereas market-specific knowledge, as the name says, refers to characteristics that are particular to individual markets and can be acquired mainly through experience. Both types of knowledge are important to establish international activities.

Current Activities

A fundamental of this model is that the "current activities are also the prime source of experience" (Johanson and Vahlne, 1977: 29). Alternatively, the organization can hire new employees with experience or contract external experienced entities. However, the model

makes a distinction between firm experience and market experience, which implies that external entities and new personnel lack on firm experience. The model suggests then that persons working in the boundary between firm and market are the ones who can more accurately interpret information driven from both sides. It is assumed that the more complex and differentiated the activities in a market, the greater is the commitment to the market.

Commitment Decisions

Commitment decisions, i.e. decisions to commit resources to foreign operations, are made in response to perceived opportunities and /or challenges of the market. Problems and opportunities, in this context is the awareness of needs and possibilities for business action, and are assumed to be dependent on both market and firm experience (Johanson and Vahlne, 1977). Both problems and opportunities are most likely discovered by those people working closer to the market, and therefore solutions are mainly linked with the current activities. Thus, alternative solutions for resources usage that might be raised are also related to the current activities performed in the market and represent generally an extension of the commitment to that market. Opportunities can additionally be raised by organizations with which the company is interacting in the market. The likelihood of these opportunities depends on the commitment of the company to the market. The decisions and additional commitments are incrementally extended until they reach the limit of the tolerable risk (Johanson and Vahlne, 1977). This limit depends on the amount of investment already made in the market and the level of aggressiveness approach towards risk. Thus, market experience leads to a stepwise incremental investment depending on the perceived risk and market growth (Johanson and Vahlne, 1977).

Limitations

The Uppsala internationalization model was first presented three decades ago, meaning that research about its relevance has been already conducted. Therefore, some critics have been done and some changes to the original version have been made, as described above. It is interesting to discuss now some criticisms to the model, although the authors have stated that “never expected this longevity of the model. [...] we would not have built the model differently today, but with somewhat different underpinning” (Johanson and Vahlne, 2006: 166).

A key criticism to the model as a whole has been made and consisted in accusing the model to be an establishing chain for international activities (Andersen, 1993). However, this criticism has been rejected by the model developers defending that the focus of the model is commitment and opportunity development, and has just been observed some

internationalization paths more common than others (Johanson and Vahlne, 2006). Other criticisms have focused on the basic assumptions of the model. Such criticisms are (Forsgren, 2002): (1) firms sometimes invest in foreign markets without own experiential knowledge; (2) firms invest abroad without possessing any substantial market knowledge if the perceived risk of investing abroad is lower than the perceived risk of not investing abroad; and (3) gradual accumulation of market knowledge does not restrain the firm from radical changes in the foreign investment behavior.

Translation Theory

Translation theory was developed as a divergence to the planned change theory and a response to its weaknesses (Czarniawska, 2008). Nevertheless, some advantages have been recognized in the planned change, such as: (a) it questions what is taken for granted; (b) it generates opportunity for reflection and self-reflection by “unfreezing” (Lewin, 1947) the existing processes; and (c) it includes external entities in the changing processes. The main weaknesses of this theory identified by Czarniawska (2008) are: (a) planned change does not allow for adaptations on the aim of the change, even if this change is a long process; (b) the method used to achieve the aims of the change can take the central focus instead of the aims; (c) unexpected changes are ignored or rejected; and (d) planned change tempts to an excessive anxiety for change. Additionally, the planned change model is built upon the fact that initiative always comes from only one person who carries all the knowledge and energy needed (Bergström, 2007). Important models developed in the planned change theory have been for example the three-step model of change developed by Kurt Lewin (Burnes, 2009), and the eight-steps to transforming an organization by John Kotter (Kotter, 1996).

Therefore, as Bergström (2007:387) has defended, “planned organizational change is in fact rare, and change processes are instead full of unintended consequences and contingencies that can be better described in terms of translation model”. Thus, the translation model can be contrasted with the planned change model (Latour, 1986), whereas the ideas do not spread by themselves, they are carried by, what Stejernberg and Philips (1993) called, “souls-of-fire” who pass the idea between them and interpret it in their own way in different stages. Another contrast is that, in the translation model, friction and resistance – between ideas, between souls-of-fire and among them – is the energizing to keep translating and developing the ideas (Czarniawska, 2008). Finally, the translation model assumes that changes in the initial idea are inevitable and unexpected leading to ambiguity and uncertainty in the translation process. This contrast can be summarized in the following table (Czarniawska, 2008):

Planned Change Model	Translation Model
Initial idea has a source	Difficult to identify the origin of the idea
Friction and resistance are seen as negative and undesired happenings	Resistance and friction are the energizing of the change
Do not accept changes in the initial idea	Changes in the initial idea are unexpected, unforeseen and inevitable

Table 1 – Planned Change Model versus Translation Model of change (Czarniawska, 2008)

The translation model assumes that the change process starts with ideas which are materialized into objects to be able to travel/sent in time and space, are translated into actions, and, if repeated/stabilized are translated into an institution (Bergström, 2007). Translation in this contexts means more than just the linguistic transformations, it means: “displacement, drift, invention, mediation, creation of a new link that did not exist before and modifies in part the two agents” (Latour, 1993: 6) – who translated and what is translated. The process is illustrated in the following figure for a better understanding:

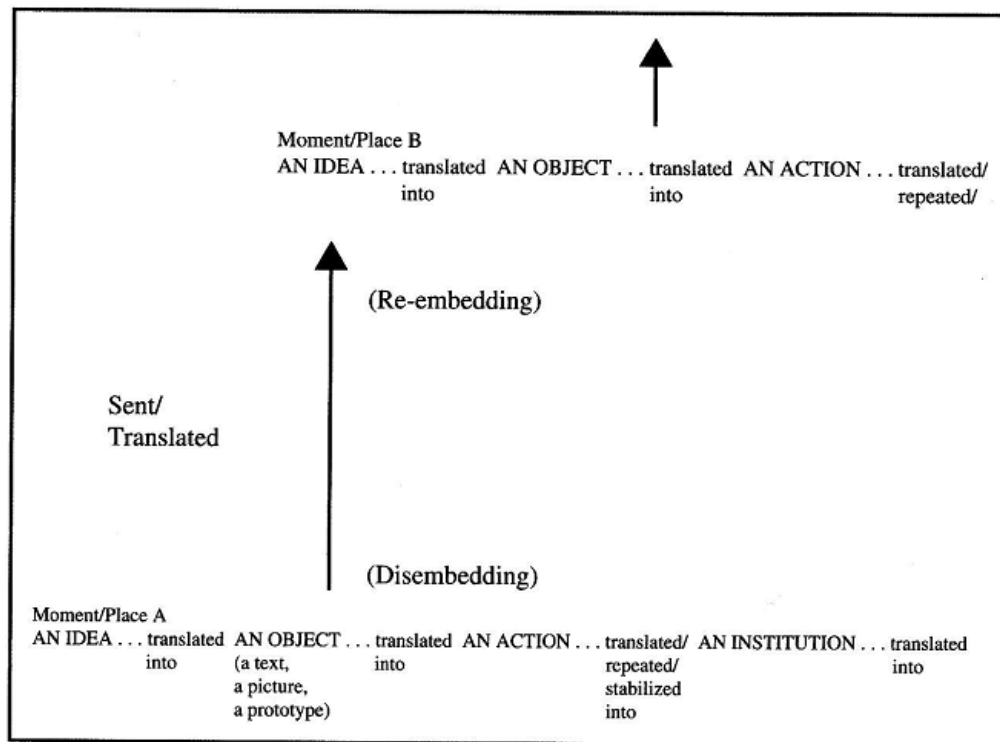


Figure 2 – Translation process (Czarniawska and Joerges, 1996:26)

An idea into object

“Ideas are images which become known in the form of pictures and sounds” (Czarniawska and Joerges, 1996:20), whereby how, when and where they arose are generally unknown. It is impossible to predict when an idea will arrive, and ideas are constantly travelling in the world whereas some times are institutionalized and other times just vanish (Czarniawska, 2008). An idea – a thought, an image – can then be materialized into an object – a text, a picture, a prototype. This materialization process is not linear and it can suffer consequences that are not planned and even not desirable. The materialization will then produce changes such as: unknown objects appear, known objects change their appearance, and practices become transformed (Czarniawska and Joerges, 1996).

An idea to be able to be materialized cannot be totally unknown. A person can only perceive an idea if the idea is related to something already known. Ideas are perceived and recognized when there is a readiness and something to relate with. The perception of an idea will vary depending on the individuals and on the individuals’ expectations of it. The materialization process is a chain of different perceptions and translations, which will vary as the process evolves and new discoveries are made. In this process, the idea is influenced by political and cultural structures embedded in the individuals. A person or a group with an idea to be materialized has to find allies as a legitimization process, to which Pohl et al. (2009) have called “interessement”. The process of materialization “is not only a matter of mobilizing and exploiting know-how but equally a matter of attracting interests and creating a sense of business opportunity” (Pohl et al., 2009:49). An idea to materialize needs a leadership that is able to attract allies and involve them on the development of the idea. Trying to create legitimization around an idea already made will not create the energy needed: “one plants ideas into a group, one does not hit it with them” (Czarniawska and Joerges, 1996: 30).

Travel of Ideas

Ideas can only be translated into new places after being materialized into objects or quasi-objects (Czarniawska, 2008). Czarniawska and Sevón (2005:9) went further by stating that “a practice or an institution cannot travel; they must be simplified and abstracted into an idea, or at least approximated in a narrative permitting a vicarious experience, and therefore converted into words or images. Neither can words nor images travel until they have materialized, until they are embodied, inscribed or objectified, as only bodies or things can move in time and space”. Ideas can be materialized into texts, images, models, and to travel they need to catch the interest of different actors whom will keep the translation “alive”. Therefore, these actors, motivated by individual and different interests, introduce the energy needed in the process to keep the translation going

(Nicolini, 2009). In order to constitute an interest and to catch on, an idea has to exist in many people's mind for some time (Czarniawska and Joerges, 1996).

The process of translation in time and space starts by disembedding the idea from the context in which it exists, which then is translated into new locations where it is, finally, re-embedded into the new context (Czarniawska and Joerges, 1996). This process involves the following notions (Nicolini, 2009):

- The travel of an idea is not a merely copy or imitation of the idea, it is instead the recreation of it in the new location/time. As Erlingsdóttir and Lindberg (2005: 55) described, "organization imitation may lead not only to homogenization of forms (isomorphism), but, in some cases, may lead simply to the spreading of a name, like quality assurance";
- The idea has to be flexible to local context and interests to catch on, and these interests will shape the idea into its final form to fit the context;
- Translation is a process that requires continuous sources of energy (different people) which will continuously modify and reinterpret the idea, being it a continuous and uncertain process of transformation;
- An idea is only re-embedded if it is able to create a network of allies who are intermediaries that will build relationships and dependences;
- The translation is then a process of power struggle whereas people are constantly being empowered and disempowered.

Ideas into actions

In this phase an idea has been materialized into an object at some point of time and place, it has travelled into new places through time (or just in time), and it has arrived in the new place to be translated into an action.

"Many actions take place because they form a routine and nobody really remembers what their meaning originally was" (Czarniawska and Joerges, 1996: 39). Translating an idea into action requires ongoing legitimization, no matter if is a popular idea or a less known idea. The attributes of the idea and those of the action are not decisive for the way the two will be matched. The match is a result and not the cause of the translation process, whereas this process will change both. This process of translating an idea into an action is not a simple process and it can become increasingly complex.

Institutionalization

After an idea becomes translated into actions, if repeated and stabilized, it can become a fashion or even an institution. This process of institutionalization often takes long time,

although the new information and communication technologies make it faster (Czarniawska, 2008). Globalization makes the institutionalization process faster, but also the process of de-institutionalization faster. Institutions are created by preserving practices, by refusing to reject previous fashions, or by accepting a new fashion as the final solution. Thus, fashions can give place for institutions, but also institutions can give place for new fashions, since the process of institutionalization creates room for new ideas (Czarniawska and Joerges, 1996).

From local to global

The concept, so far described, has been focused on the local knowledge, however as “more people are pursued to translated the idea for their own use, it can be materialized into a collective action” (Czarniawska and Joerges, 1996: 44). Thus, the idea, in an objectified form, starts to move into global time/spaces. The process of globalization, in this context, can be defined as “a phenomenon comprising various practices, ideas, customs, usages and technologies that spread from their places of origin to new places of around the world” (Czarniawska, 2008: 93).

This process is boosted by actors that involve other people and legitimize the idea by sending signals to the wider community, such as, marketing, selling, or propagating. “All these signals contribute to the creation of a wave, a fashion, which sometimes survives subsequent fashions and turns into an institution” (Czarniawska and Joerges, 1996: 44). This process works in a spiral way being an ongoing procedure. This process is illustrated below in figure 3.

The globalization process involves two opposite effects on the translation of ideas: homogeneity and heterogeneity (Czarniawska, 2008). Thus, on one hand, globalization has a homogenizing effect through a phenomenon called isomorphism (Powell and DiMaggio, 1983). This phenomenon can take three different forms: coercive, normative, or mimetic. For these reasons, organizations end up acting homogeneity when translating an idea. However, on the other hand, organizations also are affected by heterogeneity forces relatively to local contexts that influence the final outcome.

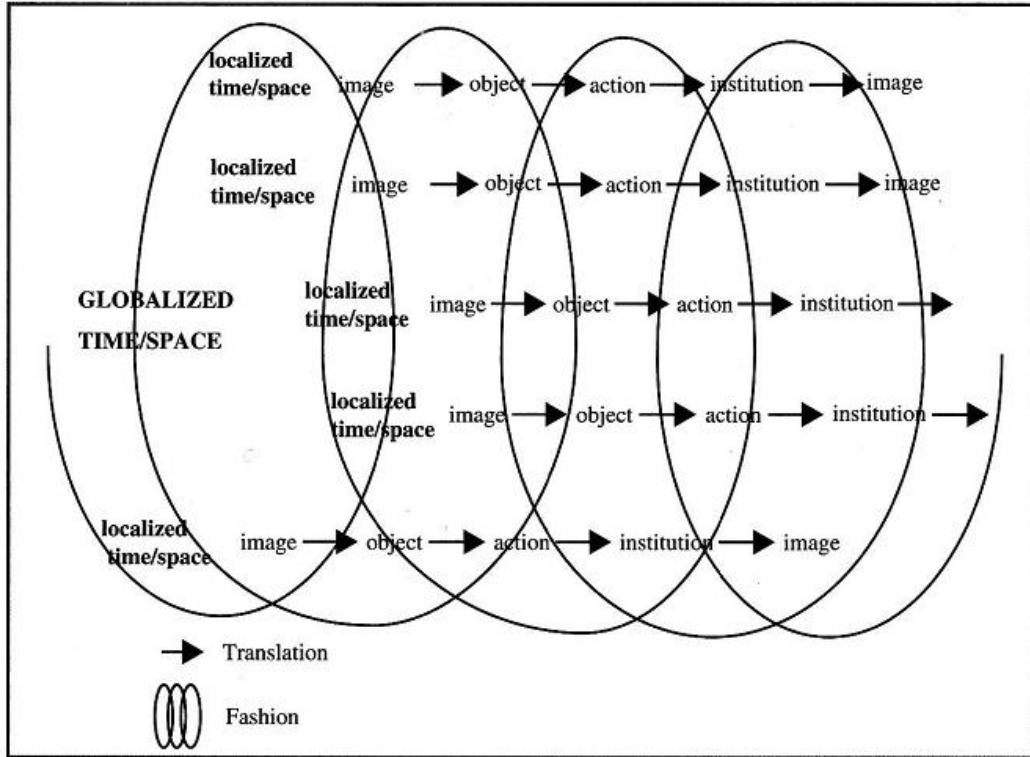


Figure 3 – From local to global (Czarniawska and Joerges, 1996:46)

Methodology

Research Strategy

There are a number of research strategies that researchers can choose from, and the one adopted by the researchers will depend on the kind of research that is being conducted. Researchers can opt for a quantitative approach, or a qualitative approach, or even a combination of the last two approaches.

A quantitative research is, according to Bryman and Bell (2003), based on the quantification in the collection and analysis of data. This method, generally, entails a deductive approach (i.e. theory guides the research), in which emphasizes on the testing of theories. It has incorporated the practices and norms of natural scientific model, and embodies a view of social reality as an external objective way. On the other hand, qualitative research is based on an emphasis in words rather than quantification in the collection and analysis of data. This method, generally, focus on an inductive approach (i.e. theory is an outcome of research), in which emphasizes on the generation of theories. It has also rejected the practices and norms of the natural scientific model, and included a view of social reality as a constantly shifting emergent property of individuals' creation.

Qualitative Research

Given the characteristics of this study, the research method that it is more appropriated to answer the proposed research questions is the qualitative research strategy. As mentioned previously, the research that will be conducted in this thesis is based on understanding how to organize a company in order to adapt to a new market situation and, specifically, how to organize after a liberalization of the pharmacy market. Therefore, it leads then to a kind of data that cannot be quantified, but instead be of an analytical generalized character. Thus, the research strategy followed a typical sequence of a qualitative research: General research questions; Selecting relevant site(s) and subjects; Collection of relevant data; Interpretation of data; Conceptual and theoretical work; and Findings and conclusions.

Reliability and Validity

While conducting a qualitative research it is important to ensure reliability and validity. Reliability can be seen as external reliability which represents the degree that a study can be replicated; and internal reliability which represents the agreement among the observers of the research (Bryman and Bell, 2003). Validity can be seen as internal validity which represents a good match between researchers' observations and the theoretical

ideas they develop (since this is based on measurements, it has more relevance for quantitative research than for qualitative research); and external validity which represents the degree to which findings can be generalized across social settings, this is then more relevant for qualitative research.

As the thesis is focused on a specific in-depth case study, the external reliability and validity are of no relevance. Also, the purpose of the study is not to provide generalized and replicable conclusions, but it is instead to look and analyze the particularities of the context in which the organization is inserted and which influence the ways of organizing. To ensure internal validity and reliability the empirical data has been recorded, transcribed, and sent back to the interviewees. By having done this, the author can avoid misinterpretations and produce a correct analysis of the data.

Research Design

Having the research strategy defined it is important to define the research design that better fits the purpose of the study and the research strategy (Bryman and Bell, 2003). A research design provides a structure that guides the execution of a research method and the analysis of the subsequent data. There are a number of different research designs that will framework differently the collection and analysis of data, such as: experimental and related designs; cross-sectional design (the most common in social survey research); longitudinal design (e.g. panel study and the cohort study); case study design; and comparative design (two or more case studies).

Case Study

The research design that better suits the type of research that it is proposed here is a case study design. This design entails the detailed and intensive analysis of a single case, whereas a case can be a single organization, a single location, a person, or a single event. Thus, given the purpose of the research question and the type of issue addressed, i.e. all change processes are different and have individual characteristics, the study has focused on a single case within an organization. In this kind of analyses it is not easy to compare different cases due to its contextual differences and is wrong to create management fades on how to tackle change processes. Therefore, by having only a company as a case, it will provide more in-depth data on how the organization is capitalizing on its capabilities after the liberalization of the market. The research design can be done at different levels (individuals, groups, organizations, or societies), whereas in this thesis the level that better helps analyzing the research question is individual. Thus, the paper analyzes the different perspectives of certain decision-makers in the changing environment. A case

study can also take different types, such as the critical case (analysis of specified hypotheses), the unique case (focus in clinical studies), or the revelatory case (analyze and observe a phenomenon). The type followed in the thesis is the revelatory case, whereas it is observed and analyzed a situation in a specific organization, characterized by the actual context and the actual moment of time, i.e. the internationalization process and practices adopted by Apoteket International.

Research Method

Having chosen the right research strategy and research design it is important to have the right research method to conduct the study. Within the qualitative research there are a number of research methods that are commonly used, which are: ethnography/participant observation; qualitative interviewing; focus group; language-based approaches; and collection and qualitative analysis of texts and documents (Bryman and Bell, 2003). However, when crossing the qualitative strategy with the case study design it is possible to come up with two methods widely adopted: ethnography/participant observation, and qualitative interviewing. In the former method, the researcher is immersed in a social setting for a long period of time in order to observe and listen with a view to gain an appreciation of the culture of the social group. Whereas the latter is a broad term to describe a wide range of interviewing styles, and is more short-term and focused than the former method. The analysis of texts and documents are also used additionally.

Qualitative Interviewing

Given the differences between the interviewing and participant observation methods above explained, the method that has been used in this research is the qualitative interviewing. Therefore, by adopting a qualitative interviewing the data is captured and adapted to the interest of the interviewee's point of view, and therefore become a flexible method to collect data. Thus, the data reflect the individual point of view of the process and the individual feelings about the strategies and the ways of organizing. Interviews vary according to the degree of flexibility between an unstructured interview and a semi-structured interview. In the former the researcher uses at most just some notes to help starting the interview, being the rest of the interview free, something like a conversation. In the latter the researcher uses a list of questions of a fairly specific topic to be covered, but leaving room for adding or changing questions. For the purpose of the thesis, a semi-structured interviewing is more appropriate since specific and concrete data has to be collected, and since the time available is short; but still with a high degree of flexibility. This allowed the interview to remain aligned with the research purpose and at the same

time giving room to capture the interviewee own opinions. There were produced four interviews to participative managers in the present transition phase. Three of the interviewees belong to the board of Apoteket International AB, and one interviewee works as board advisor at Apoteket International AB and at the Swedish pharmaceutical association. To ensure higher relevant data, there were selected employees that have been involved in the decision-making of the expansion of the organization.

Data Analysis

Due to the complexity and unstructured data that a qualitative interviewing collects the analysis of these data is not a straight forward process. Unlike in quantitative research, there are not a large number of techniques to analyze qualitative data (Bryman and Bell, 2003). However, there are two main general strategies (framework that only guides the data analysis) of qualitative data analyses which are widely accepted: analytic induction, and grounded theory. The former is an approach in which the researcher seeks explanations of the phenomena by pursuing the collection of the data until no cases are inconsistent with a hypothetical explanation. The latter is an approach in which theory is derived from data, systematically gathered and analyzed through the research process. The grounded theory is then concerned with the development of theory out of data and it is an iterative approach.

Grounded theory

Given the characteristics above described of both approaches, the general strategy that has been used in this research was inspired on the grounded theory. This research did not have the goal to reach hypothetical explanations, its goal was to analyze what have been done within the organization, therefore a grounded theory has been used. There are different tools within the grounded theory that can be used: theoretical sampling, coding, theoretical saturation, and constant comparison. A particular useful tool used in this thesis is the theoretical sampling. By using this tool it was possible to jointly collect, code, and analyze the data in order to identify the next step and develop the theory as it emerges. It is also important to notice that this is an ongoing process instead of a single stage. Thus, as the interviews were being produced the facts and happenings within the organization start to be clear, being possible to draw the analysis.

Literature Review

Additionally to the collection and analysis of empirical data a literature review has been produced. This task is important to understand what have been studied in the same field,

and to support and validate the analysis and conclusions drawn in this study. It is important that a literature review include a critical assessment of the contributions previously made in the field, instead of just being simple descriptions. A literature review that is both rigorous in formulation and relevant to practice – well founded and socially robust – contributes to a research useful and reliable. These are the characteristics of a systematic literature review which will in turn help to justify the research question which is posed. Thus, this approach has been adopted in the thesis, following the main steps of conducting a review: Identification of research; selection of studies; study quality assessment; data extraction; and, finally, data synthesis. (Tranfield et al., 2003) The databases used in this literature review were Business Source Premier, Google Scholar, and ScienceDirect (Elsevier). The latter one has been high relevant to gather information about the pharmacy market. The main keywords used to gather and contrast previous contributions were: “translation perspective”, “diffusion of innovation”, “Uppsala internationalization model”.

Interviewees

The interviewees who participated in this study are employees at Apoteket International and have participated in the entire process of internationalization. Three out the four interviewees were working at Apoteket AB before the establishment of the daughter company, and the remaining one was hired few months before this establishment to integrate the team. The employees have different background and studies which contributes to a diversification of the perspectives of the internationalization process, and consequently to a richer data.

The first interviewee has a background in pharmacy and has been working for Apoteket AB for more than 15 years, and nowadays is a board member at Apoteket International and simultaneously works at the Swedish Pharmaceutical Association. The second interviewee works for Apoteket AB for the last 5 years, and has 25 years of experience in the pharmaceutical industry. Nowadays, occupies the position of chief of business development at Apoteket International. The third interviewee has been brought into Apoteket International in 2009 to become the chief of marketing and sales. Finally, the last interviewee has been working for Apoteket AB for more than 25 years at several different positions. Nowadays occupies the position of chief of operations at Apoteket International.

Empirical Data

Apoteket AB

Background

Apoteket AB was founded in 1971 when the Swedish government decided to regulate the pharmacy market as a monopoly. Hence, Apoteket AB, a state-owned organization, was established to run the pharmacy market as the monopolist. By the end of the monopoly era, the company was running 930 pharmacies in the Swedish market. Nowadays, Apoteket AB is no longer a monopolist due to the liberalization of the market (in 2009), but it is still state-owned. The liberalization had a great impact in the organization which forced the company to undergo in deep changes, such as a number of policies, strategies and even the mission. The structure of Apoteket AB is divided in four main departments, Retail, Wholesaler, Services, and Apoteket International. The three first departments deal only with the Swedish market, while the last one deals with all the activities done abroad. Nowadays, the whole organization has approximately 5000 employees. For the future (medium-term) this structure is planned to be changed to accommodate the international activities when (and if) they represent an important part of the entire business. Whereas the future structure will be divided into three departments (retail, wholesale, and services) and each department will have a team managing the operations for the different countries. The evolution of the organization is described below in more detail with focus on the changes occurring within Apoteket AB.

Monopoly Era

The monopoly era has, unsurprisingly, influenced the characteristics and the culture of Apoteket AB, given that it has lasted from its establishment till 2009. This means that, this status allowed the organization to develop important competences that would probably not been able to develop in different market situations, but it also means that the organization had serious limitations.

Thus, in the positive side, the monopoly allowed the organization to be the only player in the market, meaning that the organization had a large business opportunity – the Swedish market. The company had then the opportunity to create economies of scale and take advantages of it. This meant that Apoteket was able to create a standardized and national wide approach to the market, reflected in, for example, standardized e-prescriptions, licenses for e-prescriptions, national databases and statistics, etc. This big scale allowed as well for concentration of the production, especially the extemporaneous production that was removed from all pharmacies and placed in four factories. This in turn led to the

increased quality and decreased margins in medicines. Since Apoteket had a presence in all areas of the health care system, it led the company to establish a large number of services, which in turn meant that the company developed a variety and crucial knowledge in different areas of the sector.

However the monopoly also represented limitations for Apoteket AB. In order to keep costs and prices low the organization could not open more pharmacies which led to a small number of pharmacies per inhabitant (one pharmacy per 10,000 inhabitants comparing with the European average of one per 3,500 inhabitants). Also the opening hours were short, in which both factors combined resulted in long queues. The fact that Apoteket was the only player in the market and the fact that it was obliged to sell certain products, that resulted in no power of negotiation with the pharmaceutical companies. Finally, another backside of the monopoly era was the low growth opportunities for the organization due to the extensive regulations of such market situation. In this situation Apoteket AB was not able to start international businesses and the internal market did not have more opportunities for growth.

Post-Liberalization

In 2006 when the new Government decided to liberalize the pharmacy market, the board of Apoteket was “among the first to welcome the change” (Annual Report, 2009:2). Although this change involved a lot of implications for the organization, the board knew that the benefits could overcome the negative effects of such a change. The board was aware that the potential growth for the organization was low with the market as a monopoly. Therefore, the liberalization of the market meant that the organization had to sell two thirds of its pharmacies – from 930 pharmacies Apoteket owns now 315 of them. Another important implication was the loss of the IT systems to support the data collection and services which were taken over by the regulatory authorities to be available to all the players in the market.

Hence, when the change came in 2009 it meant that the company had to change radically its approach to the business. The focus and the mission of Apoteket since its foundation has been a social care-taking perspective, and from this point the company should be profit-driven to fund its own businesses. It also required changing the board, including the CEO, to accommodate the new perspective and mission of the organization. The reduction of the national business (through the reduction of pharmacies) forced the company to undergo in a downsize process. In this process, the pharmacists have not been affected as they have just been transferred to the new employer, however Apoteket was facing an excess in the management that had to be reduced. The loss of the IT systems led to the

need to re-develop internal software systems to support the services and to support the data collection. Another consequence is related with human resource management, which had to undertake activities to communicate the changes and consequences to all employees, and to undertake training programs to align the services with the new approach to business (e.g. educate pharmacists).

However, as expected by the Apoteket's board, the liberalization meant that some of the legal restrictions have been unblocked which brought the opportunity to develop new businesses and strategies. Among these opportunities the more relevant ones were the possibility to start international activities, to initiate businesses in the wholesale sector, and develop new model for negotiation with suppliers and delivers. Thus, with the new regulations Apoteket can use the internal knowledge and competences in new businesses and activities to ensure the future growth and development of the organization. According to the chief of business development, the internationalization of the organization is the strategy that is expected to provide the most growth and opportunities for Apoteket, representing approximately 80% to 90% of the expected growth.

Both the positive and negative consequences of the liberalization process allowed the company to develop new competences that did not exist previously. The competences developed were mainly in the commercial area, but also knowledge for supplying and negotiation. These competences were needed to respond to a change in the market situation, where the company had always been the single player in the market and now is facing competition which requires other type of sales and commercial strategies. Another reason for developing new competences was the need to complement the existing knowledge with supportive capabilities in the new business areas.

Strategy of Apoteket AB

In 2006, when the Swedish government approved the changes in the pharmacy market – to be implemented in 2009 – Apoteket AB initiated a project to analyze possibilities and strategies to expand internationally. This project involved different actors, internal and external, whereas internally has been analyzed and mapped the capabilities and competences, and externally has been analyzed the different markets and the different characteristics. Thus, by crossing these data the group was able to come up with different possible solutions and possibilities for the future expansion. During this period it was also analyzed the possibilities and opportunities existing to expand within Sweden. However, it was concluded that there was no opportunity to grow within the country. Apoteket was, then, forced to decrease its business in the national market and there were no more services that were possible to create, given the organization's knowledge. Having now

30% to 35% of the market share, the organization is not allowed by the competition authorities to increase this margin, meaning that it cannot grow anymore internally it can only protect its position on the market. Therefore, looking at the unique competences created during the monopoly era and the most concrete opportunity to grow was internationally, the organization shifted its focus to outside.

Thus, when the reregulation was about to come into practice Apoteket AB established a subsidiary to manage the strategies for the international activities – this was the creation of Apoteket International AB. From this point of time, Apoteket could now start international businesses although it had previously, for a long period of time, provided advices and shared knowledge and competences – created while running a large chain of pharmacies – with foreign companies and governments. The reasons to establish a new daughter company were:

- The inexistent knowledge and experience in internationalization processes;
- More independence and freedom to develop strategies;
- Easiness to assess the performance;
- Increased number of responses to the evolution of the business.

Apoteket International AB

Background

Apoteket International was established in 2009 as a strategic consequence, among others consequences within Apoteket AB, of the liberalization of the Swedish pharmacy market. Since its establishment, Apoteket International has started activities in Germany and Norway, where it has been created two small subsidiaries to run the local operations. When Apoteket International was founded it was only composed by two employees running the business, however by now organization has already twelve employees managing the businesses from the headquarters and around 20 employees abroad working at the local operations. The organization has now established a factory in each country where it is being produced and distributed the multi-dose packages, constituting a part of the current international services that are being managed by the organization. The structure of the organization is divided into three areas: business development, sales & marketing, and operations. The local subsidiaries established abroad are also organized into three areas: production, distribution, and sales & marketing. The impact and contribution of Apoteket International to the group is still very small, for the reason that just one service has started to be provided abroad and the operations have only started in 2009.

Strategy in practice

As mentioned above, the strategy of Apoteket AB to achieve the sustainable growth needed for the future relies mostly on the international expansion managed by Apoteket International. According to the chief of business development at Apoteket International, this expansion is still in the beginning of what will be the future of the organization and it has as the starting point the capitalization of the existing know-how and competences within the mother organization. With the end of the monopoly an opportunity to expand overseas has been obtained, however it also meant that Apoteket International had to adopt strategies whereas there did not exist knowledge or experience.

The internationalization process has started with the realization of an exhaustive analysis of the markets and the existing capabilities by internal business developers and external consultants. The result was a number of different possibilities and opportunities, and in particular the most suitable strategy to start an international activity based on the internal competences and know-how. Thus, to put in practice the strategy it was established Apoteket International which would be in charge of running and develop this expansion.

After looking at which competences were unique inside the organization and the opportunities in different markets, Apoteket International decided then to start its expansion based on ApoDos. Although this technology already existed in foreign countries, the managers found that the organization could provide this product more accurately than the existing players in those markets. The knowledge and the approach around this product in Apoteket International were more developed and complete than the competitors' one, whereas the company had great capabilities in all sectors of the entire system of this technology. This was a very important aspect of this product since it has to be highly integrated from supply till delivery and also integrated with IT support systems. The high knowledge and experience around this product, created in the national market, constituted the key decision criteria, along with the prospects of international growth and the relative easiness to export it. Hence, the managers chose to start the international expansion based on the easiest competence that was able to be exported and had opportunity to grow outside, rather than complicated and complex businesses to start with (as for example opening pharmacies).

The strategy was also based on the fact that the company had the preference to start the internationalization in countries close to Sweden where the cultures are similar comparing to distant countries. Thus, having market proximity as the first selection criteria, Norway was the first country chosen because it also fulfilled other important criteria, such as, it was an open and deregulated market and there was opportunity for market penetration.

The German market was the second market chosen due to its proximity although it presented additional difficulties due to the extensive regulations existing in this country. The introduction of activities in the different countries has to be dealt independently since the regulations vary greatly from country to country – as mentioned previously – forcing Apoteket International to create different strategies and business models for the different countries.

As in every business, the strategy adopted by the company needs to be built upon solid and sustainable core competences. The good quality of the products or services is an important factor to determine the success but it is not enough to constitute a sustainable competence. Therefore, the strategy delineated by Apoteket International is based in four areas that are considered to be sustainable competences that can drive the expansion of the organization to be successful. Although all of them are considered crucial, these areas have different importance and roles depending on which activity will be set up and depending on the characteristics of the market in question. These areas are then:

- Brand and location, i.e. by having a strong brand it increases the ability to negotiate and to differentiate from the competitors in the customer side. Also it has been able and create knowledge to choose the location closer to the customers depending on the target;
- Logistics, i.e. the knowledge that have been created after starting the wholesale activity, which is critical to run a chain.
- Business-to-business, i.e. the knowledge that have been built by providing a large number of services to all actors in the health care sector;
- Synergies between business-to-consumer and business-to-business, i.e. having businesses with an increased variety of actors gave the opportunity to acquired unique knowledge about the needs and characteristics of the consumers in all the areas of the health care system.

Additionally to the good quality of the products and the internal competences, another important factor in this internationalization process is the need to know the new market and the local aspects. As mentioned above, all pharmacy markets vary in a number of ways, which means that each one has to be analyzed independently and has different opportunities and needs that local entities are more knowledgeable about. For this reason Apoteket has delineated that an important aspect for the success of the implementation of the international activities is to arrange a partner that knows all the characteristics of the market in question so that the process can go smoothly.

However, starting and developing a new strategy from the scratch involves challenges and barriers that need to be overcome. These challenges increase when the concern is a former monopolist in a privileged situation which starts international activities facing an open market. One of the interviewees has referred four areas as the ones that have represented the main difficulties and complexities:

- No experience in international business, since the company was a monopolist it was never able to have international activities, meaning that did not exist any knowledge and experience in managing international activities;
- Competition, the company has never faced competition before starting the internationalization process. Starting international businesses the company started to face competition from different players, and from much bigger and experienced competitors;
- Multi-dose, the company launched a service that is not known in the pharmacy and health care markets representing a challenge to make it known, and make markets aware and ready to accept it;
- Economy of scale, Apoteket International needed to start a service that contributes to the growth of the entire group, meaning that it needs to achieve a big scale and, consequently, gather a large number of customers.

Thus, the strategy that Apoteket International adopted consists in choosing three or four countries where the company introduces the ApoDos as pilot projects. This way the company can assess and acquire knowledge from these projects to use in later phases of the expansion. Another characteristic of this strategy is that the company will, at the initial stage introduce only one service in the foreign markets – the ApoDos. However, Apoteket International has selected two other key areas that can be expanded internationally further down in the process given its unique competences in these areas and the prospects for growth. These areas are: opening pharmacies and therefore start with business-to-consumer activities; and, other services to different actors of the health care systems reinforcing the business-to-business position.

International Business

The Service

Given the characteristics of ApoDos and the strategy to enter into new markets, Apoteket International AB decided to choose this service – among a numerous number of services existing within Apoteket AB – as the first approach for the international activities. The competences that ApoDos is built upon are mainly from business-to-business knowledge that has been created during the monopoly era – described above. It had to be a service

that would guarantee high growth expectations but still within a limited budget and risk level. As the chief of sales & marketing mentioned, the board would not accept a small business proposal, nor an over budget and risky business proposal. Thus, ApoDos has been selected as the first service to start the international business.

ApoDos is a service which consists in linking the different actors of the market by being active in all the steps that it takes to provide medication to patients. The concept of this service can be seen as a loop (figure 4) in which it has a start when the doctor prescribes a prescription for a specific patient, which is sent to a pharmacy where it is controlled and checked if it matches with other prescriptions for the same patient through a database. Then, it is sent to the Apoteket International's production facilities whereas the drugs are put into pouches and bottles, and later packed into individual packages. Following, the packages are submitted to a pharmaceutical control and sent to the customers, for example nursing homes or homecare station ambulant care. In this stage Apoteket International provides training and education to nurses on how to use the service and handle the medication. Finally, these medicines are administrated to the final consumers, i.e. the patients – who afterwards go back to the doctor closing the circle system.

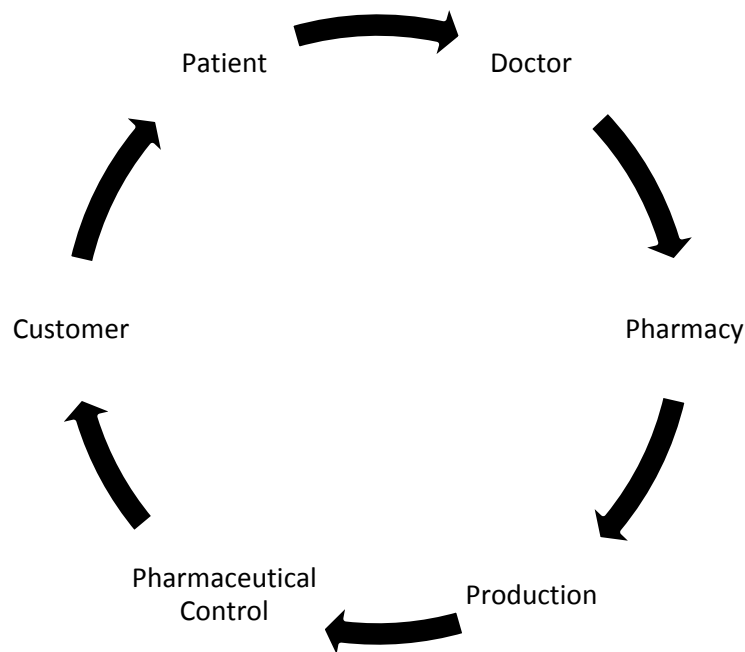


Figure 4 – Supply medication to patient system

Thus, to accurately link all these steps of the loop Apoteket International AB provides through ApoDos three main services (see figure 5):

- Pharmaceutical – supply the patients with all the pharmaceutical needs, such as pills, liquids, or ointments.
- Medication handling – a safe and efficient professional medication handling system to be able to provide the medication to the patients.
- Training – through “ApoDos Academy” the organization provides education and training to the nurses at the nursing homes with knowledge on how to use the system.

To bind all these services together and to bind them with the different actors, Apoteket International has developed an IT support system. With this IT system the company can integrate the all the information of the individual patients in a database. This information contains data of the medication list, i.e. the summary of the patient’s medication from the doctor, the pharmacy and the patient, in order to be able control and review the historical of the patient’s medication. With this information the nurses, pharmacists and doctors can increase the safety of the patients by reducing the chances for mistakes. The system is also connected to the production facilities, where orders for the individual patients are received directly from the IT system, and packages are set up.

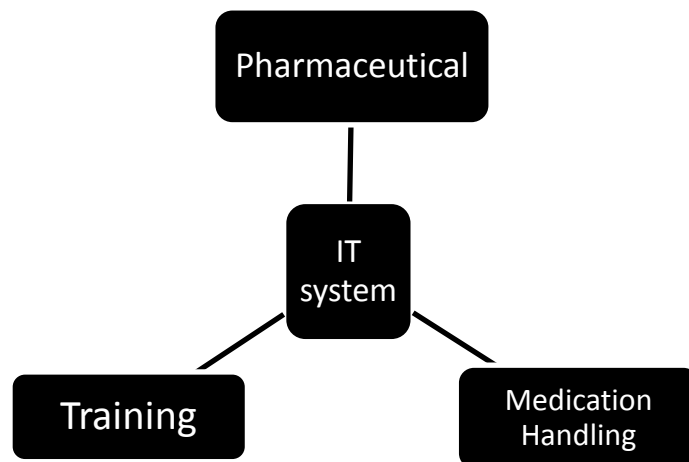


Figure 5 – ApoDos main services

Thus, the company takes a holistic view of the patient needs and the entire supply medication to patients instead of focusing in a specific step of this system. According to the chief of sales & marketing, by providing such a service that ties all this system together, supported by an IT system and people in the local, Apoteket International AB is increasing the patient safety, the quality control and the efficiency of the entire service. By

having this holistic view of the service the company has also positioned itself at a level which there is no direct competition.

The Apoteket International's competitors abroad have a different approach to the provision of this service. The fact that Apoteket AB has been working with all the actors of the health care system, it developed know-how and capabilities to understand how the different actors act and their needs. In turn, this allows Apoteket International to provide a service that fulfills the needs of all the actors in the supply medication system. This competence and approach to the service is not possessed by the competitors which gives Apoteket International AB a competitive advantage. The approach of the competitors is focused, then, on the production phase of this system (see figure 4). They focus simply on putting pills in the pouches, packing them and delivery to the customers. Contributing to this difference is the fact that there is not a holistic view of the service by the different actors, who tend to focus each one on its own role. Thus, multi-dose producers in Europe just focus on the production of the pouches, unlike the ApoDos service. Hence, the chief of sales & marketing believes that Apoteket International is providing an innovative service.

Although the company does not face direct competition in the foreign markets, it is facing a great challenge to implement ApoDos. As the chief of operations mentioned, this challenge – the awareness and readiness of the market for a holistic service – is the biggest challenge for the international activities. The fact that there are no players offering such a complete service, and therefore being an innovative service, the actors of this system are not well aware and ready to take it in the system. The manager reinforced this opinion by mentioning that the actors just want a supplier of pouches and are not aware of the savings that ApoDos can offer. Another challenge that Apoteket International is facing abroad is concerned with the IT support system. This system, as mentioned by the chief of business development, is limited on how much it can be standardized. It has to take in the local needs and be integrated with other IT systems existing in each different country. Therefore, the company has to develop an IT system in every country that starts businesses representing high costs and time consumption, and which has been one of the bottlenecks to do new implementations.

ApoDos is a service that has potential for growth. However, as the chief of sales & marketing referred, the growth relies on the western countries where the healthcare system has the capacity to support these costs. Also, the need for a more efficient and cheaper supply medication to patients is increasing in these countries due to the rising of

aging. Thus, given the characteristics of ApoDos, the potential to grow and be an important service is high.

The starting point – Sweden

ApoDos is a service that has been provided in Sweden for the last 25 years by Apoteket AB. In this country the service has taken mainly the role of putting the pills into the pouches and supplying them to the customers, i.e. the focus has been mostly on the production phase (see figure 4). Thus, looking at the concept adopted by Apoteket International AB, the service provided in Sweden is a simple version of what have been adopted abroad. A reason for this is because other services provided by Apoteket AB perform the rest of the activities of the supply medication to patients. Apoteket International AB took, instead, an approach more comprehensive of the service in order to differentiate from the competitors and to ensure a higher quality, safety and efficiency of the service in other contexts. In terms of efficiency, the Swedish operations are high efficient due to the well-established manufacturing system and due to the low regulations concerning production of pouches in this country. ApoDos is nowadays serving about 10-12% of the entire Swedish population.

Apoteket International AB has made, then, adaptations to Apotket AB's internal services when taking them to the foreign markets. These adaptations are a result of what the company believes that it is the best strategy to start international businesses. However, these differences between the internal services and international services are not straight forward, and distinctions have inclusive been made between the Norwegian operations and German operations. As a board member of Apoteket International mentioned, the concept needed to be adjusted, and the business models needed to fit the legal network of each country.

Operations in Norway

Governmental regulations in Norway are similar to Sweden, however it does not mean that the service is provided the same way. Apoteket International was forced to implement changes in ApoDos in order to adapt to the local context.

In Norway the company can work directly with the nursing houses without the need to involve a pharmacy in the process. However, to work with homecare stations Apoteket International need to have agreements with pharmacies since these entities are the ones responsible for the homecare patients. Thus, pharmacies only have an important role, in the system for supply medication to patients, to deliver the medication to homecare patients. As the Norwegian legislation does not require service suppliers to nursing homes

to be pharmacies, Apoteket International did not have the need to make partnerships with pharmacies in this country. Thus, the only partnerships that the company has in this country are related with logistics matters.

In Norway the nursing homes are public owned meaning that it is the local governments running them. This factor has implication with whom the company as to deal with as customers. Therefore, although the services are supplied to nursing homes and homecare patients, the direct customers are the municipalities that manage a large number of these institutions. This increases the importance of the customer in Norway, because each customer has a large number of medical care institutions and there are a reduce number of municipalities. This means that, every customer is important for Apoteket International and losing a customer would have a big impact on the customer portfolio, and also the strategy for sales and marketing needs to be different.

The operations in Norway have started in 2009 and this was the first country that Apoteket International established activities abroad. The company has already been able to increase its market share since its establishment and in the near future it will diversify the customers to provide ApoDos, for example hospitals and prisons.

Operations in Germany

Being the German pharmacy market highly regulated, Apoteket International has been forced to undergo changes in the service and, consequently, the loop of the supply medication became blurrier. Although the loop would look close to the one presented previously (figure 4), the extensive legislation influences the power of the different actors of this system.

The doctors in Germany have big power in deciding which brand of drug the patient should take. Together with the authorities, the doctors always prescribe the cheapest drug to the patient even if it clashes with other rules, for example, at the production phase. Thus, for example, a doctor can prescribe (if is cheaper for the patient) half box of a higher-strength medication against a full box of a lower-strength medication, while the authorities for manufacturing do not allow the usage of half boxes in the production of the pouches.

In Germany, the pharmacies have an important role in the system. The regulations demand that the supply of pouches to the nursing homes and homecare stations should be done through pharmacies. Hence, this forced Apoteket International to create partnerships with pharmacies in order to be able to deliver its pouches. This means that,

after the packaging and the pharmaceutical control phases, the pouches go to the pharmacies which then are sent to the nursing homes and homecare stations. By creating partnerships with the pharmacies, Apoteket International can avoid being a simple supplier of pouches and can ensure that continues to deliver the full service by negotiating special contracts with the partners. Through these agreements, the company performs the activities related to ApoDos which were performed by the pharmacy otherwise. Thus, pharmacies in Germany with which the company does not have partnerships are seen as competitors in providing the services to the nursing homes.

The production of pouches in this country is also highly regulated for the reason that the authorities see this process as a production of new drugs. Therefore, this has implications on the Good Manufacturing Practice (GMP) for Apoteket International's production facilities. For example, the pharmacists are those who decide which drugs can be used and for how long the drugs can be used at the production facilities, reducing then the flexibility and efficiency of Apoteket International's production.

The activities in Germany have only been established in 2010, meaning that Apotket International has not been able yet to capture significant market share. However, the prospects for growth in this country are high, since it is facing a fast aging so the demand for these services is increasing, and the sector is under restructure to reduce costs resulting in the increased demand for efficient and cheaper services, such as ApoDos.

Analysis

With the support of the Uppsala Internationalization Model and the Translation Theory, the empirical data is now analyzed with emphasis on how Apoteket International has adapted to the new market situation, how it has capitalized on the existing capabilities, and finally how the spread of knowledge is organized.

Internationalization Strategy

The strategy for the internationalization process, adopted by Apoteket International, has very generic lines which can be easily identified. It is a strategy that is very similar to what Johanson and Vahlne (1977) have proposed in their internationalization model. The authors have proposed that an internationalization process: (a) starts with exports of a single or few products/services and incrementally increases the degree of operations; (b) starts in closer and in a few number of countries; and (c) evolves as knowledge and learning increase. The strategy adopted by Apoteket International is based on a stepwise process in order to acquire knowledge on internationalization processes and knowledge about the markets (as it is analyzed below), and similarly Forsgren (2002: 258) has described the model stating that “the Uppsala model deals with knowledge acquisition, i.e. with learning”.

According to Uppsala internationalization model (Johanson and Vahlne, 1977), the process of commitment in foreign markets is done in an incremental and gradual pace due to lack of market knowledge and due to uncertainty. In line, Apoteket International has started initially its activities abroad by providing only one service. With this the company expects to understand how the different markets work and understand how the actors in the industry respond to its presence. The decision of adopting specifically ApoDos as the initial service had to do with the perceived growth expectations and the risk that the company was willing to take. According to (Johanson and Vahlne, 1977) companies invest in markets, in expectation of large returns, till the point that it reaches the tolerable risk limit – defined by each company. Accordingly, ApoDos has been chosen because it is able to provide high returns and knowledge from the markets, and at the same time the risk is not excessive for the Apoteket International.

In line with the thinking of Uppsala model that defends that the commitment to markets is made gradually and upon the knowledge acquired in each step, the translation theory has the same assumption. According to Czarniawska (2008), the translation model allows for

the unexpected and unforeseeable, whereas the course of the translation process is influenced by the existing context and the different actors in each step, creating ambiguity and uncertainty in the process. Apoteket International has then adopted the same service idea in Germany and Norway, nevertheless under different management teams so that it could accommodate the local needs and forces and take in different actors, in the implementation processes. Thus, having different actors involved and different local contexts has resulted in different practices in the different countries, which are analyzed in detail below.

Another aspect of the Uppsala internationalization model (Forsgren, 2002) is the fact that companies prefer to invest in few neighbor countries, instead of investing in several and/or distant countries simultaneously. Apoteket International has entered in the Norwegian market initially and subsequently entered in the German market. This means that, by now, the company has only started operations in two countries that are geographically and culturally close to Sweden. The proximity and similarity helps Apoteket International to enter the markets and to create knowledge about the specific markets, reducing then the uncertainty. The uncertainty for the company is reduced because these countries have similar languages, have similar health care systems compared with countries in other continents, and share a European culture.

The model defends that typically an internationalization process starts with exporting through a vendor before establishing a subsidiary and operations (Johanson and Vahlne, 1977). However, this was not the case of Apoteket International whereas the company established from the beginning factories in both countries which has activities. The reasons for this approach by the company are the high taxes and extensive legislations that exist to export medicines. Thus, the model and the actual process adopted by Apoteket International contrast in this aspect for reasons related to the industry regulations. The Uppsala model defends that organizations should start with exportations to understand the reaction of the market before increasing the commitment to the market. While the actual strategy adopted by Apoteket International was to start production in the foreign countries from the beginning as a strategic response to the high taxes for exporting medicines. Thus, the company decided to commit more resources initially instead of having exporting costs, which leads to, according to Johanson and Vahlne (1977), an increase of the degree of commitment.

Relationships with partners help companies to increase the market knowledge and, therefore, the commitment to the market (Johanson and Vahlne, 2006). The authors reinforced suggesting that these relationships are then a great source of learning through

interaction and also reduce uncertainties. Partnerships have an additional importance for Apoteket International in the German market. The company needed to enter in partnerships with pharmacies to gain access to the market, but also to collaborate with them and to acquire local knowledge. These relationships helped the company to enter in contact with the customers – nursing homes – and to gain knowledge about practices in this country. Pharmacies also gained with these relationships, since Apoteket International can provide the services more accurately while pharmacies can focus in their own core activities and expanding their businesses.

These relationships constitute another important aspect in implementing the idea in the new markets. In translation theory it is assumed that the translation process involves the need to create legitimization around the idea, i.e. to attract interested actors and create a group of allies with the sense of business opportunity (Czarniawska and Joerges, 1996; Pohl et al., 2009; Nicilini, 2009; Stejernberg and Philips, 1993). The relationships with partners constitute for Apoteket International the *interesement* and legitimization process that is needed to create an acceptance in the new markets for ApoDos. In Germany, pharmacies have a great role in these relationships and legitimization process, while in Norway, municipalities are the actors that have more importance in legitimizing the service.

From the perspective of the internationalization model decisions to commit resources in markets are highly dependent on people working close to the market, and therefore those decisions are most of the time related with the existing activities (Johanson and Vahlne, 1977). The authors state also that the growth of the investment on markets is done in a stepwise incremental pace to accommodate the limits of the tolerable risk. Apoteket International is supplying merely one service however the company is expanding the service to other type of customers in Norway. The market knowledge and the interactions with the market allowed the company to identify new opportunities. Thus, as suggested by the Uppsala model, these new opportunities are related to the current activities and are not disruptive activities. Although the company has identified new customers to provide the service, such as hospitals, the commitment to the market is made in an incremental pace by only adding a few new customers to the existing activities.

The service – ApoDos

As Apoteket International decided to harness the internal capabilities and knowledge in its internationalization process, as it needed to start from the existing services within the mother organization. According to the translation theory, an idea to be materialized

cannot be totally unknown, and it needs to catch the interest of people (Czarniawska and Joerges, 1996). Thus the selection of ApoDos was the solution to capitalize on internal knowledge and represented an idea that was known internally and there was some awareness in the foreign markets. This knowledge about the idea was crucial to identify possible markets, and the awareness of the foreign markets was crucial to attract people to energize the spread and implementation.

ApoDos had then its start in Sweden, where in this country the service is basically the production and packaging of the pills in pouches. However, when Apoteket International took this idea to other places it arrived as a different idea. The translation theory proposes that the travel of an idea is not a merely copy or imitation, it is instead a recreation of it (Nicolini, 2009). Authors, as Erlingsdóttir and Lindberg (2005), go further by stating that organization imitation might lead simply to the spreading of the name of the idea. Apoteket International took a concept (an idea objectified) from Sweden – production of pouches – and translated it into another idea – a holistic and complete view of a service to supply medication to patients. Although both concepts are different – one refers mainly to the production of pouches, the other refers to an entire service from the prescription till the patient – the organization kept the same name, ApoDos.

According to the translation theory, an idea is only perceived when there is a readiness and something to relate with, however, the travel of the idea is a process of different translations which will affect the idea as the process unfolds (Czarniawska and Joerges, 1996). ApoDos in Sweden was an idea which was perceived by Apoteket International to be adopted in other countries, i.e. there was an internal readiness and a market in which this idea fit. Thus, Apoteket International, although not working with ApoDos before, it had knowledge about this idea and service. In the foreign markets, production of pouches was not also a new service which meant that the actors in Germany and Norway had awareness about this simple service. However, when the company “sent” the idea to the new countries, new opportunities and needs, and different contexts led it to “arrive” as a different idea and to be translated into a new concept in these countries. ApoDos in Germany and Norway is not anymore just simple production of pouches, but it is now a full service that involves a large number of actors (figure 4) and sub-services (figure 5). The main reasons for this result of the translation process and the creation of a superior service are:

- The need to differentiate from the competitors, i.e. Apoteket International did not want to be one more producer of pouches among many others, it wanted to create something new and to achieve a position in the market that would allow it to develop a competitive advantage;

- The opportunities in the markets to develop such service, i.e. being a new player in these markets and having to create a strategy from the scratch, Apoteket International had the opportunity to create a different service and more complete from those that were already established and being supplied;
- And, the characteristics and context of the local markets, i.e. the markets regulations allowed the company to provide such service. The efficiency of the German and Norwegian markets was low due to the large number of actors involved, meaning that with ApoDos, the company could achieve better levels of efficiency. And there was some awareness in these markets for this type of service, although still low.

Thus, aiming to achieve a distinguished position in the foreign markets, Apoteket International took an idea from the Swedish market, added surrounding concepts and came up with a new idea that fit better the needs and opportunities of the company, and new contexts. The new service idea has arrived to the new markets to be implemented and translated into action by the same people.

International Operations

Having a new concept of ApoDos (object) to implement Apoteket International had then to put it in practice in the different countries (translate it into actions). According to translation theory this process has to take into account the local contexts which will influence the final result (Nicolini, 2009). Apoteket International started with the new concept of ApoDos and translated it into action in both Norway and Germany. The results of these translations were different among the countries. The translation processes started from the scratch in each country, whereas the company established new activities and through a step-by-step manner. The result was the diffusion of one service but different practices that are stabilizing and supporting this service.

Authors, as Czarniawska and Joerges (1996), have proposed that the match between the idea and the local practices is a result of the translations process influenced by the local contexts. The translation processes of the idea into actions in Norway and Germany were influenced by the governmental regulations existing in those countries and by the characteristics of the markets. In Germany a strict legislation forced Apoteket International to start partnerships with pharmacies and change practices within production facilities. In this country the relation between the different actors (figure 4) became blurrier due to the high influence of pharmacies in the system. The system could be probably drawn in a different way to accommodate this influence, by introducing the

pharmacies in the loop twice as shown in the figure 6. While in Norway the municipalities are the entities that run the nursing homes, therefore the company has to negotiate and deal with municipalities instead, although it provides the service directly to the nursing homes. Given the lighter legislation in Norway, it has not produced considerable changes in the system in this country remaining possibly similar to the initial concept (figure4). Additionally, differences in those countries have also led the company to develop different IT systems that were capable to fit the local needs and contexts. This has contributed also to the creation of new capabilities and knowledge within Apoteket International.

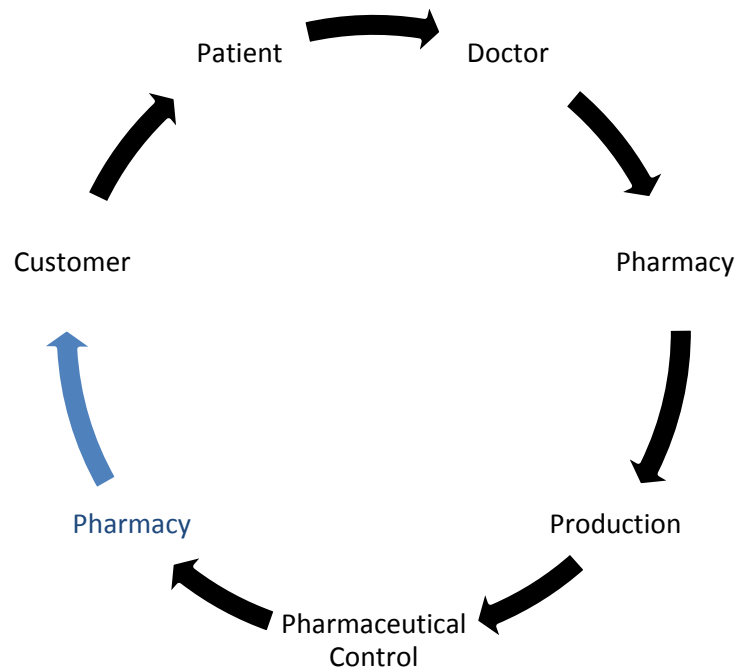


Figure 6 – The possible supply medication to patient system in Germany attending to the local context

The Uppsala model stresses also on the importance of the market knowledge to continually develop the international activities (Johanson and Vahlne, 2006). Further, the next step in the internationalization process is dependent on the knowledge acquired in the market during the current step of the process (Johanson and Vahlne, 1977). The operations developed in Norway and Germany have proceeded in line with this thinking and they have taken different paths due to the different contexts and market knowledge. The knowledge acquired in Norway has led Apoteket International to identify and learn how to approach new customers for the same service, such as hospitals and prisons. While in Germany, the recent establishment of operations has not allowed yet to acquire market knowledge enough to define the next step in this market.

According to Uppsala model and translation theory, internationalization or translation processes are influenced not only by the local contexts, but also by the relationships and the actors involved (Nicolini, 2009; Johanson and Vahlne, 2006). The different legislations forced the company to create relationships with different actors in the different countries. The different relationships constitute different legitimization processes, whereas the different actors led to the translation of the idea into different practices. In Germany, the fact that Apoteket International has to deal with pharmacies forced the organization to change the way it distributes the medication. In this country, the regulations have forced the company to deal directly with pharmacies, and in turn, the pharmacies require Apoteket International to send them pouches, leading to a change in the practices. In Norway, the fact that the company deals with municipalities, allows the company to send the pouches directly to the nursing houses. The relationships, and particularly the involved actors, led to a translation of the idea into different actions in the different countries.

The latest phase of the translation theory is the spread of the idea globally. This phase happens when the idea is recognized by the wider community, through different channels, and contributing to the creation of a spreading wave (Czarniawska and Joerges, 1996). The rearrangement of the concept of ApoDos initiated in Sweden into a new concept for the international activities by Apoteket International constitutes a recent innovation in the new markets which can be translated in the future in other markets and by other entities, leading to the globalization of the idea. This idea has a big potential to become globalized and translated into other locations due to the high concern existing in the developed countries with the aging issues and the costs in the health care sector. The aging issues require more and more expenses in the health care sector, while ApoDos represent a more efficient and cheaper solution compared to the existing practices.

Conclusion

In order to answer the proposed questions, the study is supported by Uppsala Internationalization Model and by Translation Theory, and is based on a qualitative case study at Apoteket International. By having used these theories, they have allowed for unexpected and interesting conclusions about how the entire process resulted. The conclusions drawn in this thesis are that Apoteket International has started activities abroad to adapt to the liberalization of the market, it has reorganized its existing services in a more complex way to better harness the opportunities in the foreign markets, and it has adopted different practices for its operations in the different markets as a response to the local contexts.

How Apoteket International organizes its activities in order to adapt to market liberalization.

The response of Apoteket international to the changes in the national market is mainly based on the internationalization of the company. It has started activities in foreign countries through a stepwise process. This is, the company has selected only one service – ApoDos – to start its activities, and it has selected a few countries close to Sweden to establish operations – Germany and Norway. With this approach Apoteket International tries to develop knowledge from these countries and understand the response of these markets to its presence before starting more activities. Thus, the next step on the internationalization process will be highly dependent on the local knowledge and experience acquired during the current phase. Contributing to the adoption of this strategy is the lack of knowledge in international operations, the heterogeneity of the regulations of the pharmacy industry, and the lack of readiness of foreign markets to the innovative service. The selection of the service was based on the opportunities in the foreign markets which allows for growth and is still an investment within the perceived risk limits. The selection of the countries was based on the closeness, the culture similarities, and the opportunities for growth.

How Apoteket International do capitalize on the existing capabilities in different markets.

In order to start international operations, Apoteket International needed to harness its internal capabilities and capitalize on them. Thus, after an extensive analysis of the internal services, the company reorganized the services in a way that better fit the different markets. Therefore, the organization grouped complementary services from different departments and created an innovative service that allowed the establishment of operations in the foreign markets to provide ApoDos. By rethinking the concept of the service, Apoteket International did not then simply use the internal capabilities on its

internationalization process, but instead it has leveraged them in the foreign markets. Additionally, and also part of this capitalization of the internal capabilities, the company had to create new capabilities to fully harness the opportunities of this service in new markets. The company has developed knowledge in software solutions, through the creation of new IT systems to support and to be part of the ApoDos concept. Thus, Apoteket International had to capitalize on the existing capabilities but also to create other capabilities that did not exist internally to provide a superior service.

How the spread of knowledge is organized by Apoteket International among the different markets.

The spread of the knowledge among the different countries was not made equally. The findings have shown that although the concept of ApoDos adopted in both Norway and Germany was the same, the operations in these countries are different. Thus, the spread of the knowledge was made locally and from the scratch in order to accommodate the contexts which were surrounding it. These differences were driven mainly due to different governmental regulations in these countries and the way the markets are organized. Thus, the main differences in the operations are related with the actors that Apoteket International acts directly: in Norway the contacts are mainly done with nursing homes under the municipalities' management and in Germany the contacts are made through pharmacies. Therefore, in Germany the company had to incur in partnerships while in Norway it could act directly with the customers. Other legislations have for example forced the company to have different practices in the production sites. Additionally to these differences in the regulations, another important factor that led to different processes in the different countries was the need to have customized IT systems in order to fit the existing software systems and accommodate different needs.

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