

The internationalization strategy of private medical companies to China and the misdistribution of the tender bidding process

A multifaceted, in-depth analysis of market and non-market approaches of international strategies in the healthcare system

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Abstract

The internationalization of private healthcare companies has become a prominent issue in international trade and healthcare management. With the growing trend of globalization and increasing trade, private healthcare companies are seeking to expand their operations across borders and enter new markets. China, being one of the world's largest medical markets, presents significant opportunities and challenges for these companies. This thesis provides a comprehensive analysis of the international strategies adopted by Chinese private healthcare companies, with a specific focus on the challenges they encounter in a competitive environment.

The study examines the motivations, modes of entry, and competitive advantages of firms venturing into foreign markets. It explores the unique features and issues associated with global changes in the healthcare industry, including regulatory processes, cultural considerations, and patient expectations. The research highlights the challenges and risks faced by Western companies as they navigate the Chinese market. Furthermore, the paper primarily concentrates on the MedTech industry, emphasizing the significant growth potential of China's healthcare market, particularly in medical devices.

Based on the insights from the literature review, the paper offers practical recommendations for Western firms seeking successful entry and expansion in the Chinese healthcare market. These recommendations encompass understanding China's industrial policies, building strong international networks and strategic partnerships, selecting appropriate entry modes and expansion strategies, emphasizing market segmentation and localization, and adapting to economic nationalism and trade policies.

Additionally, the paper provides an in-depth analysis of international tender processes in the Chinese healthcare sector. It explores the purpose and significance of tender bidding, examining the key characteristics of tender processes, including eligibility criteria, evaluation methods, transparency, and fairness. The analysis also delves into the challenges faced by private medical companies in navigating the complexities of tender bidding in China, such as information asymmetry, competitive dynamics, and potential biases.

Table of Contents

1. Introduction	4
1.1 Background.....	4
1.2 Research Problem	5
1.3 Research Questions	6
1.4 Objectives.....	6
1.5 Significance of the Study	7
2. Literature Review.....	7
2.1 Internationalization Strategies in the Healthcare Industry.....	7
2.2 Internationalization of Western Firms in China: A Comprehensive Comparative Analysis ..	10
2.3 Conclusion and Practical Recommendations for Western Firms in China	12
2.4 Market and Non-Market Approaches	14
2.5 International Tender Processes in the Healthcare Sector	17
2.6 Challenges and Barriers in the Internationalization of Western Firms in China	19
2.7 Summary and Framework	20
3. Research Methodology.....	21
3.1 Research Design	22
3.2 Data Collection Methods	22
3.3 Data Analysis Techniques	23
4. Results or Findings.....	24
4.1 Challenges Faced by Western Companies in Tender Bidding Processes.....	24
4.2 Strategies for Improving Success in Tender Bidding Processes	29
5. Discussion	32
5.1 Summary of Findings.....	32
5.2 Contributions to Existing Literature	33
5.3 Practical Recommendations	35
5.4 Limitations.....	37
6. Conclusion	39
6.1 Summary of Findings.....	39
7. References:.....	41
8. Appendix	43

1. Introduction

1.1 Background

The internationalization of private healthcare companies has become an important issue in international trade and healthcare management. “MNCs are traditionally thought of as successful firms that have grown over many years into large corporations that are international in their operations, vision and strategies.” (Aggarwal, 2011). With globalization and increasing trade, private healthcare companies are looking to cross borders and enter new markets. As one of the world's largest medical markets, China presents great opportunities and great challenges for these companies where “China has experienced a substantial increase in public medical expenditures, increasing from 9.34% of total government expenditures in 2001 to over 14% in 2012.” (Sun, 2015). This thesis provides an in-depth look at the international strategies adopted by Chinese private healthcare companies, with a particular focus on the challenges they face in competition. More importantly, the fast increase in spending has been followed by congestion in the medical market, which has been reflected by long wait times, and the better level hospitals are, the longer wait time their patients must confront (Sun, 2015).

This study examines the motivation, mode of entry and competitive advantage of firms entering foreign markets. In the healthcare industry, researchers explore the unique features and issues associated with global change, including regulatory processes, cultural considerations, and patients in the middle. In addition, the available literature highlights local challenges, cultural differences, and the political risks they face, shedding light on the international experience of Western companies in China.

Understanding the challenges faced by private healthcare companies in China's competitive environment is important for academic researchers and business professionals alike. The paper will focus mostly in the MedTech industry, explaining that “medical devices are instruments, equipment, and tools used in the prevention, rehabilitation, treatment, or knowledge generation with respect to disease or other abnormal conditions, and in maintaining and promoting positive health outcomes.” (Boyer et al., 2015). The Chinese healthcare industry offers many opportunities

for international companies, but the complexity of the competitive process creates barriers to entry and growth. The article emphasizes the remarkable growth of China's healthcare market, driven by the country's immense population and rapidly expanding economy. With a projected growth rate of 15% per year over the next decade, the medical device market in China presents substantial opportunities for investors and businesses alike (Boyer et al., 2015). Moreover, “of the top 10 global medical device manufacturers, all maintain a sales presence and six are currently manufacturing in China.” (Chen et al., 2018).

By addressing these issues, this work focuses on knowledge of international strategies and competitive processes, providing insights that can inform decision-making from private medical companies and policy makers, however, shows how many challenges international companies are facing since “public hospitals have made spending on medical consumables a lower priority.” (Chen et al., 2023).

In conclusion, this thesis presents the research content of the international business strategies of China's private medical companies, focusing on the challenges they face in competition. It highlights the importance of understanding these challenges and proposes a scientific approach to solving them. The findings of this research will contribute to the existing literature and provide insight for private healthcare companies and policy makers seeking to solve the pressure treatment problems of the Chinese economy. By examining this course in depth, we aim to gain knowledge and understanding of international strategies and competitive processes in the health sector.

1.2 Research Problem

The research problem is to investigate the challenges faced by private medical companies during the tender bidding process in China. Tender bidding plays a critical role in determining which companies are awarded contracts to provide healthcare services, equipment, and supplies in the Chinese market. However, there is evidence to suggest that private medical companies encounter obstacles and face a lack of transparency, fairness, and equal opportunities in this process. Understanding and addressing these challenges is crucial for private medical companies aiming to successfully navigate the Chinese market.

However, there is a significant gap in the literature concerning the specific challenges faced by private medical companies during the tender bidding process in China. Tender bidding plays a crucial role in the selection of healthcare service providers and suppliers, determining the allocation of contracts within the Chinese healthcare market. The intricacies and dynamics of this process remain relatively unexplored. Consequently, the research questions of this study are as follows.

1.3 Research Questions

To address the research problem effectively, the following research questions will guide this study:

What are the specific challenges encountered by private medical companies during the tender bidding process in China?

How can Western firms improve their chances of success in the tender bidding process in China?

1.4 Objectives

The main objectives of this research are as follows:

To identify and analyze the challenges faced by private medical companies during the tender bidding process in China.

To explore strategies that Western firms can employ to enhance their competitiveness and improve their chances of success in the tender bidding process.

In this paper, an in-depth examination of the challenges faced by private medical companies in tender bidding processes in China is conducted. A comprehensive literature review is conducted to establish a theoretical framework, drawing from academic papers, industry reports, and news articles. The research methodology is outlined, including the research design, data collection methods, and data analysis techniques. Primary data is collected through interviews with representatives from private medical companies, policy makers, trade associations, and consultants with expertise in tender bidding processes in China. Secondary data sources are also utilized to support the findings.

1.5 Significance of the Study

This study holds both academic and practical significance. Academically, it contributes to the existing literature on internationalization strategies, market entry barriers, and the tender bidding process in the healthcare industry. Practically, the findings will provide valuable insights for private medical companies planning to enter or expand their operations in the Chinese market. Additionally, policymakers and industry stakeholders can benefit from a deeper understanding of the challenges faced by private medical companies and the potential solutions to enhance the fairness and effectiveness of the tender bidding process. The findings of this study shed light on the specific challenges encountered by private medical companies in tender bidding processes in China. These challenges include information asymmetry, regulatory complexities, competitive dynamics, and the influence of non-market factors. Additionally, this research explores strategies that can enhance the chances of success for private medical companies in tender bidding processes.

The findings of this study contribute to the literature on internationalization strategies, market entry barriers, and tender bidding processes in the healthcare industry. By identifying and analyzing the challenges faced by private medical companies in China, this study provides valuable insights into the dynamics of tender bidding and its implications for market entry and growth. The proposed strategies for improving success in tender bidding processes offer practical recommendations for private medical companies and policymakers. Additionally, this research bridges the gap in the existing literature by focusing specifically on the tender bidding challenges faced by private medical companies in China, thereby enriching the understanding of internationalization dynamics in the healthcare sector.

2. Literature Review

2.1 Internationalization Strategies in the Healthcare Industry

In this section, the literature review explores the general concepts and theories of internationalization strategies adopted by companies in the healthcare industry. It examines various approaches such as market entry modes, strategic alliances, and mergers and acquisitions. Additionally, it explores the unique characteristics and challenges associated with

internationalization in the healthcare sector, including regulatory frameworks, cultural factors, and patient-centric considerations.

Internationalization strategies are dependent on “the international product life-cycle theory which claims that the market entry of a product is carried out in a foreign market depending on the position of the product country-specific product life-cycle” (Glowik, 2016). Hence, the healthcare industry involves selecting appropriate market entry modes. High-technology firms have been attracted to the Chinese market, investing in advanced diagnostic devices and equipment for chronic disease treatment (Boyer et al., 2015). This trend presents a favorable environment for foreign companies seeking expansion opportunities. Companies can choose from various entry modes, such as direct exports, licensing, joint ventures, or wholly owned subsidiaries. Each mode offers distinct advantages and risks depending on the level of control, resource commitment, and market knowledge required (Piedrahita & De Villa, 2019).

For instance, joint ventures and strategic alliances with local partners may facilitate access to market insights, distribution networks, and regulatory expertise. On the other hand, wholly owned subsidiaries allow for greater control over operations but require substantial financial and managerial resources. By understanding the nuances of different market entry modes, Western firms can make informed decisions that align with their capabilities and the unique characteristics of the Chinese healthcare market (Piedrahita & De Villa, 2019).

Strategic alliances and mergers are common strategies employed by healthcare companies seeking international expansion. These collaborations offer opportunities to share resources, expertise, and risk while accessing new markets. In the context of China's healthcare market, forming partnerships with local firms or acquiring existing local players can enhance Western firms' market penetration and acceptance (Di Tommaso et al., 2020).

Navigating the regulatory landscape is crucial for successful internationalization in the healthcare sector. Each country has its own set of regulations and standards governing medical products, clinical trials, and market access. Western firms entering the Chinese market must comply with China's evolving regulatory framework, including registration and approval processes (Di Tommaso et al., 2020).

Moreover, cultural factors play a significant role in the healthcare industry, affecting consumer preferences, patient care, and professional relationships. Understanding and respecting

the cultural nuances in the Chinese healthcare context is essential for building trust and successful market penetration (Lagerström & Lindholm, 2021).

Patient-centricity is a critical aspect of healthcare industry strategies, especially in an international context. Different markets may have varying patient needs, preferences, and healthcare expectations. Western firms expanding into China's healthcare market must adapt their products and services to cater to the needs of Chinese patients effectively (Di Tommaso et al., 2020).

The tool proposed by Piedrahita and De Villa (2019) provides a systematic approach for assessing international market needs and aligning them with the capabilities of emerging market companies. By thoroughly analyzing the global and emerging market contexts, this tool assists companies in identifying the right market entry strategies and expansion plans. This holistic evaluation allows Western firms in the healthcare industry to make informed decisions that leverage their strengths while addressing the specific demands and challenges of the Chinese market.

As Western healthcare SMEs expand their presence in China, they must carefully balance network expansion and maintaining their independence. While developing strong relationships with key opinion leaders (KOLs) and local stakeholders is essential for gaining legitimacy, SMEs must also ensure that they preserve objectivity and avoid potential conflicts of interest (Lagerström & Lindholm, 2021).

In conclusion, a comprehensive understanding of internationalization strategies in the healthcare industry is vital for Western firms seeking successful entry into China's healthcare market. By considering insights from "The Globalization of China's Health Industry" (Di Tommaso et al., 2017), "International Firms' Economic Nationalism and Trade Policies in the Globalization Era" (Chandan & Christiansen, 2019), and the tool proposed by Piedrahita and De Villa (2019), Western firms can develop informed strategies that align with China's industrial policies, build strong partnerships, adapt to economic nationalism, and cater to the unique challenges of the healthcare sector. These strategies will be instrumental in determining the future of the healthcare sector as the need for innovative healthcare solutions increases globally.

2.2 Internationalization of Western Firms in China: A Comprehensive Comparative Analysis

This subsection focuses specifically on the internationalization of Western firms in China. It examines the motivations and entry strategies employed by Western healthcare companies seeking to enter the Chinese market. Key factors influencing market entry decisions are explored, such as market attractiveness, competitive landscape, and institutional environments. The literature also delves into the challenges faced by Western firms during their internationalization efforts in China, including regulatory barriers, cultural differences, and political risks.

In this section, I will provide an in-depth and comparative analysis of the insights drawn from two seminal books: "The Globalization of China's Health Industry: Industrial Policies, International Networks, and Company Choices" by Marco R. Di Tommaso, Francesca Spigarelli, Elisa Barbieri, and Laretta Rubini (2020) and "International Firms' Economic Nationalism and Trade Policies in the Globalization Era" by Harish C. Chandan and Bryan Christiansen (2019). These books offer distinct perspectives on the internationalization strategies adopted by Western medical device companies in the Chinese healthcare market, providing valuable insights into various aspects of market access, entry modes, and localization strategies.

In "The Globalization of China's Health Industry," the authors emphasize the importance of understanding China's industrial policies and their implications for market access (Di Tommaso et al., 2020). The book explores how China's healthcare industry has been shaped by government policies, incentives, and regulations. It discusses how, as a foreign company, aligning strategies with China's national goals, such as emphasizing innovation and domestic R&D, enhances market entry prospects. The book underscores the significance of comprehending the "Going Global" strategy initiated by the Chinese government and the "Belt and Road Initiative," which opens avenues for international firms in the Chinese healthcare market.

On the other hand, in my analysis of "International Firms' Economic Nationalism and Trade Policies in the Globalization Era," I take a broader view of economic nationalism and its implications for market access (Chandan & Christiansen, 2019). The book discusses how economic nationalism can lead to preferential treatment for domestic firms, influencing market access conditions for foreign companies. It also explores the impact of trade policies, tariffs, and non-tariff barriers on market entry in various countries, including China.

As highlighted in "The Globalization of China's Health Industry," the book stresses the role of international networks and strategic partnerships in the globalization of China's health industry (Di Tommaso et al., 2020). It discusses how Western medical device companies often form collaborations with Chinese firms to leverage local expertise, distribution networks, and market insights. The book emphasizes the need for building relationships and understanding the cultural nuances to facilitate successful partnerships. Furthermore, the authors delve into the concept of "guanxi," an essential element in Chinese business relationships, where trust, reciprocity, and long-term commitment play vital roles in partner selection and business negotiations.

In my analysis of "International Firms' Economic Nationalism and Trade Policies in the Globalization Era," I explored how certain countries may impose restrictions on market access and partner selection (Chandan & Christiansen, 2019). The book discusses how economic nationalism can influence the selection of partners and collaborations, with the government favoring domestic entities. This can pose challenges for Western medical device companies seeking to form strategic alliances with local firms.

Both books discuss the various entry modes and expansion strategies employed by Western medical device companies in China. As I have learned from "The Globalization of China's Health Industry," aligning entry modes with long-term objectives and understanding the regulatory environment is crucial (Di Tommaso et al., 2020). The book explores the advantages and disadvantages of different entry modes, such as joint ventures, wholly owned subsidiaries, and licensing agreements. It highlights the importance of choosing the right entry mode based on capabilities, risk appetite, and strategic goals.

In my analysis of "International Firms' Economic Nationalism and Trade Policies in the Globalization Era," I delved into the impact of economic nationalism on entry mode decisions (Chandan & Christiansen, 2019). The book discusses how economic nationalism may influence policies favoring domestic firms, making it challenging for Western medical device companies to establish wholly owned subsidiaries or gain controlling stakes in joint ventures. As a result, companies may need to consider alternative entry modes, such as forming alliances with Chinese partners or establishing research and development centers in China.

Both books emphasize the importance of market segmentation and localization strategies in the Chinese healthcare market (Chandan & Christiansen, 2019). The significance of

understanding the cultural, demographic, and regional variations that shape market demand in different provinces and cities is underscored. Adopting a localized approach to product development, marketing, and customer service is crucial to gaining a competitive edge in the diverse and dynamic Chinese healthcare market (Chandan & Christiansen, 2019).

In my analysis, I explored how economic nationalism may influence market segmentation and localization strategies (Chandan & Christiansen, 2019). Government policies and preferences for domestic companies may impact the ability to penetrate specific market segments. Fostering strong relationships with local partners, engaging in technology transfer, and demonstrating a commitment to China's long-term healthcare goals are essential strategies for success in the Chinese healthcare market.

2.3 Conclusion and Practical Recommendations for Western Firms in China

In conclusion, the comprehensive comparative analysis of the two books, "The Globalization of China's Health Industry" and "International Firms' Economic Nationalism and Trade Policies in the Globalization Era," has provided valuable insights into the internationalization strategies adopted by Western medical device companies in the Chinese healthcare market (Di Tommaso et al., 2020; Chandan & Christiansen, 2019). By understanding China's industrial policies, international networks, entry modes, and localization strategies, this paper gained a deeper reasoning for the challenges and opportunities that arise in this dynamic and complex market.

The internationalization of Western firms in the Chinese healthcare market is influenced by various factors, including industrial policies, economic nationalism, and the strategic use of international networks. As the Chinese healthcare industry continues to grow and globalize, Western firms must navigate the complexities of the market to achieve success. Therefore, based on the insights gained from the books, I offer the following practical recommendations for Western firms seeking to thrive in the Chinese healthcare market:

- 1. Understanding China's Industrial Policies:** It is crucial for Western firms to thoroughly understand China's industrial policies and how they impact the healthcare industry. Aligning strategies with China's national goals, emphasizing innovation and domestic R&D, and actively participating in the "Going Global" strategy and the "Belt and Road Initiative" can enhance market entry prospects and foster favorable relationships with the Chinese government (Di Tommaso et al., 2017).
- 2. Building Strong International Networks and Strategic Partnerships:** Forming collaborations with Chinese firms and building strong international networks can provide Western firms with local expertise, distribution networks, and market insights. The concept of "guanxi" is vital in Chinese business relationships, emphasizing trust, reciprocity, and long-term commitment. Establishing and nurturing these relationships can facilitate successful partnerships (Di Tommaso et al., 2020). Moreover, "to move from a no-win situation among multiple actors to a compromise and potential win-win situation" (Brinkerhoff & Brinkerhoff, 2011).
- 3. Selecting Appropriate Entry Modes and Expansion Strategies:** Selecting the right entry mode and expansion strategy is critical for Western firms to gain a competitive edge in the Chinese healthcare market. Wholly owned subsidiaries, joint ventures, and licensing agreements each have their advantages and disadvantages. Careful consideration of capabilities, risk appetite, and strategic goals is essential in making informed decisions (Di Tommaso et al., 2020; Chandan & Christiansen, 2019).
- 4. Emphasizing Market Segmentation and Localization:** Understanding the cultural, demographic, and regional variations that shape market demand in China is key to successful market segmentation and localization. Adopting a localized approach to product development, marketing, and customer service can help Western firms cater to the diverse needs and preferences of the Chinese healthcare market (Di Tommaso et al., 2020; Chandan & Christiansen, 2019).

- 5. Adapting to Economic Nationalism and Trade Policies:** Being aware of economic nationalism and its implications for market access is vital for Western firms. This may require forming strategic alliances with local partners, engaging in technology transfer, and demonstrating a commitment to China's long-term healthcare goals. Flexibility and adaptability in response to changing trade policies and market conditions are essential for sustained success (Chandan & Christiansen, 2019).

In summary, Western firms can capitalize on the growing opportunities in the Chinese healthcare market by adopting a comprehensive and well-informed approach to internationalization. Understanding the market's unique dynamics, aligning with China's industrial policies, building strong partnerships, and adapting to economic nationalism will enable Western firms to thrive and contribute to the advancement of China's healthcare industry. By implementing these practical recommendations, Western firms can navigate the complexities of the Chinese healthcare market and drive sustainable growth and success.

2.4 Market and Non-Market Approaches

The literature review continues by discussing the distinction between market and non-market approaches to internationalization. Market approaches involve traditional market transactions, while non-market approaches encompass strategies involving government relations, lobbying, and public advocacy. It is a crucial part while entering a new market, since “firms engage in political activities because the social, political, legal, and cultural institutional context affects their ability to succeed in the marketplace and may either constrain or facilitate their activities.” (Shirodkar et al., 2020). This section examines the relevance of market and non-market approaches in the context of the healthcare industry and their impact on the tender bidding process in China. It analyzes the advantages, limitations, and potential synergies between these two approaches for private medical companies operating in the Chinese market.

In the pursuit of success in the Chinese healthcare industry, Western firms must adopt a nuanced and comprehensive approach that combines both market and non-market strategies. While market strategies focus on traditional business practices, non-market strategies go beyond

economic considerations and involve engaging with various stakeholders in the non-market environment. This section explores the interplay between market and non-market approaches and their implications for Western firms operating in China's complex healthcare sector.

Market approaches in the internationalization of Western firms in the Chinese healthcare industry revolve around market entry modes, strategic alliances, and mergers and acquisitions. The financing part of a long-term approach takes into consideration the services in the market. “When firms are purchasing services on a market, they are more concerned with opportunism than they are when the services are offered in the context of an ongoing relationship (as in the case of a long-term customer). If the service being provided is new, then it may be hard to anticipate all contingencies and establish a price.” (Helper & Kiehls, 2004). These strategies primarily focus on the commercial aspects of international expansion and gaining a competitive edge in the market. By selecting appropriate market entry modes and forming strategic alliances with local partners, Western firms can leverage local expertise, access distribution channels, and navigate regulatory challenges (Lagerström & Lindholm, 2021).

Mergers and acquisitions present another avenue for market entry, allowing Western firms to acquire existing Chinese healthcare companies and tap into their established market presence. This approach facilitates access to a broader customer base, technology transfer, and the consolidation of resources and capabilities. However, successful mergers and acquisitions require careful due diligence, cultural integration, and a deep understanding of the local market dynamics (Di Tommaso et al., 2020).

Complementing market strategies, non-market approaches are essential for Western firms to navigate the socio-political landscape of China's healthcare sector. These strategies encompass advocacy, corporate social responsibility (CSR) initiatives, community engagement, and collaboration with industry associations. “It is suggested that four kinds of social responsibilities constitute total CSR: economic, legal, ethical, and philanthropic.” (Carroll, 1991).

1. By engaging with various stakeholders beyond economic interests, firms can address regulatory complexities, build social legitimacy, and establish themselves as responsible corporate citizens (Frynas et al., 2017).

2. Advocacy efforts involve proactive engagement with government officials, policymakers, and regulatory bodies to shape favorable policies and regulations. By participating in policy dialogues and lobbying, firms can influence decision-making processes and create an enabling environment for their business operations (Frynas et al., 2017).
3. Corporate social responsibility initiatives demonstrate a firm's commitment to social impact and sustainability. Investing in initiatives that address healthcare challenges, environmental concerns, and social welfare enhances a firm's reputation and fosters positive relationships with local communities and stakeholders (Frynas et al., 2017).
4. Engagement with local communities and grassroots organizations provides valuable insights into the healthcare preferences and concerns of Chinese consumers. Partnering with NGOs and community-based organizations allows firms to contribute meaningfully to the well-being of the local population and gain social legitimacy (Frynas et al., 2017).
5. Collaboration with industry associations and advocacy groups enables firms to collectively address common challenges, advocate for industry-wide reforms, and influence industry standards. These collaborations enhance a firm's credibility and visibility in the market, positioning them as industry leaders (Frynas et al., 2017).

The integration of market and non-market strategies is crucial for the successful internationalization of Western firms in the Chinese healthcare industry. A holistic approach that considers both economic and social dimensions allow firms to navigate the complexities of the market while contributing positively to the country's healthcare development.

Striking a careful balance between expanding networks and preserving independence is essential for firms to maintain objectivity and prevent conflicts of interest. Effective stakeholder engagement and relationship-building are key to understanding the needs and expectations of various stakeholders, tailoring strategies accordingly, and gaining social acceptance (Lagerström & Lindholm, 2021).

The interplay between market and non-market strategies requires an interdisciplinary perspective, drawing insights from various disciplines such as business, politics, sociology, and public policy. This interdisciplinary approach empowers firms to navigate the unique socio-political dynamics of the Chinese market and build mutually beneficial relationships with stakeholders (Frynas et al., 2017)

In conclusion, the internationalization of Western firms in the Chinese healthcare industry necessitates a thoughtful and integrated approach that combines market and non-market strategies. Market approaches focus on traditional business practices, while non-market strategies involve engagement with various stakeholders to address regulatory complexities, build social legitimacy, and contribute positively to the healthcare sector's development. By adopting an interdisciplinary perspective and embracing both economic and social dimensions, Western firms can thrive in China's dynamic healthcare landscape and contribute to the country's ongoing healthcare transformation.

2.5 International Tender Processes in the Healthcare Sector

This subsection provides an in-depth analysis of international tender processes in the healthcare sector. It explores the purpose and significance of tender bidding, emphasizing its role in selecting healthcare service providers and suppliers in China. The literature review investigates the key characteristics of tender processes, including eligibility criteria, evaluation methods, transparency, and fairness. Furthermore, it examines the challenges faced by private medical companies in navigating the complexities of tender bidding in the Chinese context, such as information asymmetry, competitive dynamics, and potential biases.

In this section, I will delve deeper into the dynamics of international tender processes in the healthcare sector, drawing insights from the papers "A qualitative study for developing a framework for implementing public-private partnerships in developing countries" by Almarri and Abuhijleh (2016) and "Utilization of multiple-criteria decision analysis (MCDA) to support healthcare decision-making" by Drake et al. (2016). These papers offer valuable perspectives on the complexities and challenges faced by Western firms engaging in international tendering activities in the healthcare industry.

International tendering in the healthcare sector is a critical aspect of our market entry and expansion strategies in China. From the analysis of the research, it can be understood that international tendering involves the competitive bidding and selection of suppliers for healthcare products and services by public and private healthcare providers (Almarri & Abuhijleh's, 2016). In developing countries like China, public-private partnerships play a significant role in healthcare procurement and service delivery. As Western firms, they must navigate the intricacies of these partnerships and understand the factors that influence tender evaluations and decision-making.

Multiple-criteria decision analysis (MCDA) emerges as a valuable tool for supporting healthcare decision-making during international tender processes (Drake et al., 2016). MCDA allows for a systematic evaluation of multiple factors, such as product quality, price, and credibility, to inform tender evaluations. By using MCDA, healthcare providers can assess the trade-offs between different criteria and make more informed and objective decisions.

In the context of international tendering in China's healthcare sector, it is essential for Western firms to consider the varying evaluation criteria and weights used in different provinces. As researchers point out, tendering evaluation criteria can vary significantly across provinces, which can create challenges and complexities for strategists (Almarri & Abuhijleh's, 2016). Understanding the unique criteria and weights used in each province is crucial for tailoring our tendering strategies to align with local requirements.

Leveraging MCDA can enhance our tendering efforts by providing a comprehensive assessment of various factors. As indicated by MCDA can assist in determining the best value-for-money propositions and supporting the negotiation process (Drake et al., 2016). By employing evidence-based decision-making, we can strengthen our competitive position in the international tendering process and present a compelling case based on objective and quantifiable metrics.

Furthermore, the understanding of public-private partnerships and the dynamics of healthcare procurement in developing countries, enables to craft tailored approaches for engaging with healthcare providers in China (Almarri & Abuhijleh's, 2016). Recognizing the role of political, legal, and professional actors in the tendering process helps us build vital network contacts that provide critical information about regional laws, rules, and medical customs, ensuring compliance and legitimacy throughout the market entrance process.

2.6 Challenges and Barriers in the Internationalization of Western Firms in China

Expanding into the Chinese healthcare market poses unique challenges and barriers for Western firms seeking internationalization. While the market presents lucrative opportunities, navigating regulatory complexities, cultural differences, and competition requires strategic foresight and adaptability.

China's healthcare sector operates within a complex regulatory framework, subject to stringent approval processes and evolving policies. Western firms must comply with specific regulations for product registration, licensing, and marketing authorization. The lack of harmonization between international and Chinese regulatory standards can create bottlenecks in market entry and slow down product approval timelines (Di Tommaso et al., 2020).

Cultural nuances and language barriers can impede effective communication and relationship-building with local stakeholders. Understanding Chinese cultural norms, communication styles, and business etiquette is crucial for Western firms to gain trust and establish credibility in the market. Investing in cross-cultural training and hiring bilingual professionals can enhance the firm's ability to navigate cultural challenges (Frynas et al., 2017).

The Chinese healthcare landscape is characterized by patient-centricity, where personalized care and patient satisfaction are paramount. Western firms must align their products and services with the unique preferences and needs of Chinese patients. Tailoring marketing strategies and product offerings to address local patient expectations can bolster market acceptance and long-term success (Di Tommaso et al., 2020).

China's healthcare market is fiercely competitive, with both domestic and international firms vying for market share. Western firms encounter competition from established local players that possess deep market knowledge and strong brand recognition. Strategic differentiation, value proposition, and competitive pricing are essential for Western firms to carve a niche and gain a competitive edge (Piedrahita & De Villa, 2019).

Protecting intellectual property (IP) rights remains a concern for Western firms operating in China. The risk of IP infringement and unauthorized copying necessitates robust IP protection strategies, including patent registrations, trade secrets, and confidentiality agreements. Engaging

legal experts with expertise in China's IP laws can safeguard the firm's proprietary technologies and innovations (Piedrahita & De Villa, 2019).

Forming strategic alliances and joint ventures with local partners is a common approach for Western firms to overcome market barriers and gain market access. However, negotiating equitable terms and ensuring effective collaboration require careful due diligence and clear contractual agreements. Selecting trustworthy and compatible partners is crucial to avoid potential conflicts and ensure the success of joint ventures (Di Tommaso et al., 2020).

2.7 Summary and Framework

The literature review concludes with a summary of the main findings and insights derived from the reviewed literature. A conceptual framework is developed to guide the subsequent analysis and discussion, integrating the key elements of internationalization strategies, Western firms' entry into China, market and non-market approaches, and the tender bidding process in the healthcare sector.

In this chapter, I have explored various market entry and expansion strategies in China's healthcare industry, drawing insights from the literature and research articles. I began by discussing internationalization strategies in the healthcare sector, highlighting the significance of market entry modes, strategic alliances, and mergers and acquisitions. Through my analysis, I have recognized the importance of adopting the right internationalization strategy to gain a competitive edge in China's complex healthcare market.

Moving on, I delved into the significance of network and non-market approaches in the healthcare industry. Understanding the role of networks, institutional embeddedness, and non-market strategies is crucial for gaining legitimacy and establishing business relationships in the Chinese market. My examination of relevant literature has emphasized the importance of building and leveraging networks to gain trust and acceptance in the Chinese healthcare market. Additionally, comprehending the local healthcare system, cultural norms, and accepted procedures is essential to navigate the complexities effectively.

Furthermore, I explored the complexities and challenges of international tender processes in the healthcare sector. The use of multiple-criteria decision analysis (MCDA) emerged as a

valuable tool to support healthcare decision-making during tender evaluations. My review of the literature highlighted the importance of leveraging MCDA and understanding the evaluation criteria and weights used in different provinces. By employing evidence-based decision-making and building strategic partnerships, firms can strengthen their competitive position during tender evaluations.

Based on the insights from these subchapters, I propose a comprehensive framework for market entry and expansion in China's healthcare industry. The framework integrates internationalization strategies, network and non-market approaches, and informed tendering processes to create a tailored market entry and expansion plan. By recognizing the significance of network connections, non-market strategies, and evidence-based decision-making, firms can build a strong presence and achieve sustainable growth in the competitive Chinese healthcare market.

In conclusion, market entry and expansion in China's healthcare industry require a strategic and nuanced approach. Through this chapter, I have gained a deeper understanding of the various strategies and approaches employed by Western firms to enter and expand in the Chinese market. By following the proposed framework, firms can seize the opportunities presented by China's growing healthcare market and contribute to the advancement of the industry on a global scale. This comprehensive approach will guide firms in navigating the complexities and challenges of the Chinese healthcare market, ultimately leading to success and long-term growth in this dynamic industry.

3. Research Methodology

In this chapter, I present a comprehensive overview of the research design, data collection methods, and data analysis techniques employed in this study. The research methodology is crucial for ensuring the rigor and validity of the findings and provides a systematic approach to addressing the research objectives. The research onion serves as the guiding framework for structuring the research process (Saunders et al., 2012).

3.1 Research Design

This section outlines the research design adopted for this study. It discusses the chosen research approach, which combines qualitative and quantitative methods to provide a comprehensive understanding of the research problem. The rationale for selecting this approach is provided, along with a discussion of the benefits and limitations of using mixed methods.

For this study, I adopted a qualitative research design, which allowed for an in-depth exploration of the complexities and nuances of the Chinese healthcare market and the challenges faced by multinational medical device companies. Qualitative research is well-suited for understanding the perspectives, experiences, and behaviors of industry experts and stakeholders, providing rich and detailed insights that quantitative methods may not capture adequately (Saunders et al., 2012).

Within the qualitative research paradigm, I employed a mixed-methods approach, combining both primary and secondary data sources. Primary data was gathered through expert interviews, while secondary data encompassed academic literature, government reports, and relevant articles. This combination of data sources allowed for a comprehensive and multi-dimensional analysis of the research topic.

3.2 Data Collection Methods

The data collection methods section details the sources of data and the techniques employed to gather relevant information. It describes primary data collection methods, such as interviews conducted with consultants with experience in tender bidding processes in China. Additionally, it explores secondary data sources, including academic papers, industry reports, and news articles, which offer valuable insights into the challenges and strategies employed by private medical companies.

The primary data for this study was collected through semi-structured interviews with industry professionals. The semi-structured interview format provided a balance between flexibility and standardization, allowing interviewees to express their views freely while ensuring that the research objectives were addressed systematically (Saunders et al., 2012).

The expert interviews were conducted using a purposive sampling technique, which allowed for the selection of suitable interviewees who possessed in-depth knowledge and

experience in the Chinese healthcare industry. Each interview session was recorded and transcribed verbatim to capture the nuances of the participants' responses accurately.

3.3 Data Analysis Techniques

In this subsection, the data analysis techniques utilized in the study are explained. The qualitative data collected from interviews and secondary sources are subjected to thematic analysis to identify recurring themes, patterns, and insights. It is crucial to remember that “methodological choice and related strategies will also influence the selection of an appropriate time horizon.” (Saunders et al., 2015).

The data collected from expert interviews underwent thematic analysis, following the research onion's qualitative layer. Thematic analysis is a rigorous and systematic approach that involves identifying, analyzing, and reporting patterns (themes) within the data (Saunders et al., 2012).

The analysis process began with familiarization, where I read through the interview transcripts and secondary data to gain a comprehensive understanding of the content. Next, initial codes were generated based on recurring ideas, concepts, and phrases within the data.

These codes were then organized into potential themes, which were continuously refined through a process of comparison and contrast. The themes were reviewed considering the research objectives and theoretical framework, and connections were drawn to generate meaningful and interpretable findings (Saunders et al., 2012).

Secondary data, such as government reports and articles, underwent content analysis, another layer of the research onion (Saunders et al., 2012). Content analysis involves systematically categorizing and quantifying textual information to draw meaningful conclusions.

The content analysis process involved reading through the documents to identify key topics and concepts related to the research objectives. Data points and relevant quotations were extracted and organized into categories for further examination (Saunders et al., 2012).

The abductive approach, as part of the overall research structure, was employed in this study to allow for a dynamic interplay between theory and data. According to Saunders et al. (2012), abductive reasoning involves generating new theoretical insights based on observations

and findings from the data, which can then be further refined and validated through additional research.

The abductive structure allowed me to integrate existing theories and concepts with new insights emerging from the expert interviews and content analysis, enabling a deeper understanding of the complexities of the Chinese healthcare market and the implications for multinational medical device companies (Saunders et al., 2012).

4. Results or Findings

4.1 Challenges Faced by Western Companies in Tender Bidding Processes

This section presents the findings related to the challenges encountered by Western - private medical companies and medical devices companies during the tender bidding process in China, favorizing local manufacturing, as stated “a rise in regulatory policies in China favoring domestic products puts a premium on companies achieving some level of localization in the country.” (Chen & Wang, 2023). It synthesizes the information gathered from the interview with common themes and specific obstacles faced by these companies. The findings shed light on issues such as: information asymmetry, regulatory complexities, competitive dynamics, and the influence of non-market factors on the tender bidding process.

In the ever-evolving landscape of the Chinese medical device market, Western companies encounter a multitude of complex challenges when participating in tender bidding processes. These challenges stem from the unique regulatory environment, fierce competition, and the Chinese government's emphasis on domestic manufacturing. As discussed in the paraphrased interview with Helen Chen, Vice President at a leading healthcare consultancy firm, let's delve deeper into the key challenges faced by Western companies. The interview was divided into discussing ten challenges:

- 1. Regulatory Complexity and Local Requirements:** The Chinese medical device regulatory system is intricate and distinct from Western counterparts. Navigating this web of regulations requires in-depth expertise and a clear understanding of the specific requirements imposed by local governments and hospitals. In China, medical devices are subject to rigorous registration and approval processes, which can vary based on factors such as the device's classification and intended use. Additionally, local governments and hospitals often have additional stringent requirements beyond formal regulations, further complicating the tender bidding process. Companies must meticulously adhere to these regulatory protocols to gain market access and ensure compliance with Chinese authorities.
- 2. Localization and China Manufacturing:** One of the primary challenges faced by Western companies is the Chinese government's emphasis on promoting domestic manufacturing. This is evident in the inclusion of products in tenders based on the criterion of "Made in China." Consequently, even if a product is not initially listed, tender rules might require its localization to encourage China-based production. Deciding whether to localize production in China involves intricate strategic considerations. Companies must assess the feasibility of setting up manufacturing facilities in China or partnering with local manufacturers while evaluating potential impacts on production efficiency, supply chain costs, and the need to adapt to local manufacturing standards. Furthermore, localizing production involves navigating various challenges, including intellectual property protection, technology transfer, and quality control. For some companies, localized production can open doors to government incentives and subsidies, but for others, it may come with added complexities.
- 3. Competitive Landscape and Market Saturation:** China's medical device market is highly competitive, with both domestic and international players vying for market share. Companies entering the market may find themselves in direct competition with well-established competitors who have already secured a significant market presence. As Helen Chen emphasized in the interview, companies that are already operating in China, whether Chinese or international, have a distinct advantage, making it challenging for newcomers to gain a foothold and carve out their market share. Entering a crowded and mature market

necessitates a compelling value proposition, differentiated offerings, and effective market entry strategies to stand out from competitors.

4. **Product Differentiation and Local Adaptation:** Successfully navigating tender bidding processes in China requires more than simply offering innovative medical devices. Companies must differentiate their products from existing offerings and align them with the specific needs of the Chinese healthcare system. This demands a deep understanding of local preferences, stringent adherence to regulatory standards, and effective localization strategies. As highlighted in the interview, tailoring products to meet Chinese healthcare requirements and pricing them competitively are critical aspects of product differentiation. Companies must invest in market research to identify unmet needs and emerging trends in the Chinese healthcare sector, which can inform product development and marketing strategies. Moreover, understanding local clinical practices and the standard of care is crucial for customizing products to cater to the unique demands of Chinese healthcare providers and patients.

5. **Tender Process Efficiency and Timing:** Tender bidding processes in China can be notoriously time-consuming and intricate. Companies need to carefully plan and coordinate their tender submissions to ensure efficiency and timely compliance with all necessary requirements. Delays in product registration, tender submissions, or failure to meet specified deadlines can hinder market entry and limit a company's competitiveness in the medical device sector. Ensuring that all regulatory and administrative processes are meticulously followed, and that the necessary documentation is complete and accurate is essential for smooth tendering. Companies may also consider engaging experienced local consultants to facilitate the tender process, navigate bureaucratic procedures, and reduce the risk of delays.

6. **Geopolitical Tensions and Risk Management:** The ongoing geopolitical tensions between China and certain Western countries have introduced additional risks and uncertainties for companies seeking to enter the Chinese market. Unforeseen changes in trade policies, tariffs, or supply chain disruptions can significantly impact market access and create complexities for market entry. Developing robust risk management strategies and contingency plans is essential to mitigate geopolitical risks and ensure a company's long-term sustainability in the Chinese medical device market. Companies must proactively monitor geopolitical developments and assess their potential impact on market dynamics and business operations. This entails diversifying supply chains, exploring alternative markets, and maintaining open lines of communication with relevant government agencies to stay informed about policy changes.
7. **Long-term Market Strategy and Adaptability:** Western companies must carefully align their market entry strategy with long-term objectives and adaptability to changes in the Chinese healthcare landscape. As emphasized in the interview, having a well-defined and adaptable market strategy is crucial for companies to withstand the competitive pressures and evolving market dynamics in China. Companies should undertake comprehensive market assessments to identify growth opportunities, potential barriers, and competitive advantages. Additionally, they should continually evaluate market trends, assess the competitive landscape, and refine their strategies to maintain a competitive edge. Flexibility and agility are key in adjusting business strategies in response to changing market conditions and evolving customer needs.
8. **Establishing Local Partnerships and Collaborations:** Given the intricacies of the Chinese medical device market, establishing strong local partnerships and collaborations can significantly enhance a Western company's chances of success in tender bidding processes. Partnering with local distributors, manufacturers, or research institutions can provide valuable insights into the market landscape, facilitate product localization, and ease the regulatory compliance process. Local partners can offer invaluable market knowledge, established networks, and cultural insights, helping Western companies navigate the

complexities of the Chinese market. Additionally, collaborations with local research institutions can facilitate product development and clinical trials, increasing a company's competitiveness in tender bidding.

9. **Understanding Healthcare Procurement and Tendering Process:** A deep understanding of the healthcare procurement process in China is vital for Western companies aiming to succeed in tender bidding. This involves comprehending the intricacies of the tendering process, understanding buyer requirements, and aligning pricing and product specifications accordingly. As mentioned by Helen Chen, gaining insights into the hospital procurement process, tender evaluation criteria, and contract negotiation is crucial to make informed decisions and secure successful tender bids. Engaging with key stakeholders and building strong relationships with decision-makers can influence tender outcomes positively. Companies should invest in market intelligence and collaborate with experienced consultants who possess extensive knowledge of the Chinese healthcare system and tendering processes.

10. **Investing in Local Talent and Expertise:** A strong local presence and investment in local talent can significantly benefit Western companies entering the Chinese medical device market. Hiring local experts, building a culturally sensitive workforce, and fostering strong relationships with key stakeholders are essential steps for Western companies to integrate seamlessly into the Chinese healthcare ecosystem. As highlighted in the interview, having a strong local team can facilitate smoother market entry, aid in navigating regulatory complexities, and enhance communication with local authorities and partners. Cultivating a deep understanding of Chinese culture, business practices, and customer preferences allows companies to tailor their operations and marketing strategies effectively, leading to better brand resonance and market acceptance.

In conclusion, the challenges faced by Western companies in tender bidding processes in the Chinese medical device market are multifaceted and demanding. Navigating the regulatory landscape, localizing products, understanding the competitive market dynamics, and managing geopolitical risks all require strategic planning, adaptability, and an in-depth understanding of the Chinese healthcare ecosystem. By acknowledging these challenges and adopting a proactive approach, Western companies can position themselves for long-term success in the highly lucrative but complex Chinese medical device market.

4.2 Strategies for Improving Success in Tender Bidding Processes

Building upon the identified challenges, this subsection proposes strategies that Western firms can employ to enhance their chances of success in tender bidding processes in China. The strategies are derived from the analysis of the findings and are aimed at addressing the identified challenges and mitigating associated risks. The proposed strategies encompass both market and non-market approaches, considering the unique characteristics of the Chinese healthcare market and the tender bidding process.

In a highly competitive and dynamic Chinese medical device market, Western companies must employ effective strategies to enhance their chances of success in tender bidding processes. Drawing insights from the interview with Helen Chen, let's delve into key strategies that can improve Western companies' competitiveness and market penetration. I created ten possible strategies based on the interview with Helen Chen:

- 1. Thorough Market Research and Local Intelligence:** Conducting comprehensive market research and gaining local intelligence are paramount for successful market entry. Western companies should invest time and resources in understanding the unique needs and preferences of the Chinese healthcare system. This entails analyzing market trends, identifying unmet needs, and evaluating competitor strategies. Local intelligence, such as hospital procurement processes, tender evaluation criteria, and key decision-makers, provides valuable insights to tailor products and pricing strategies according to the specific demands of the Chinese market.

- 2. Strategic Product Differentiation:** To stand out in a competitive market, Western companies must differentiate their products from existing offerings. Developing innovative and high-quality medical devices that cater to local requirements can create a unique value proposition. Companies should focus on addressing the pressing healthcare challenges in China, such as chronic diseases and an aging population. Additionally, leveraging cutting-edge technology and showcasing the clinical efficacy of their products can further enhance product differentiation and market appeal.
- 3. Strong Local Partnerships:** Establishing strong local partnerships with distributors, manufacturers, or research institutions can provide Western companies with a strategic advantage. Local partners can offer invaluable market insights, established networks, and expertise in navigating the complex regulatory landscape. Collaborating with local research institutions can accelerate product development and facilitate clinical trials, expediting market entry and increasing the chances of success in tender bidding processes.
- 4. Robust Regulatory Compliance:** Given the stringent medical device regulations in China, Western companies must ensure robust regulatory compliance throughout the product lifecycle. This includes meticulous product registration, adherence to safety standards, and timely updates to comply with evolving regulations. Demonstrating a strong commitment to product quality, safety, and compliance with Chinese regulations enhances a company's reputation and credibility, positively influencing tender evaluation outcomes.
- 5. Localization and China Manufacturing:** Localizing production in China or partnering with local manufacturers can improve a company's competitive edge. Western companies should carefully evaluate the benefits and challenges of local production, considering factors such as cost efficiency, supply chain optimization, and access to government incentives. Investing in domestic manufacturing may also enhance the company's positioning in tenders where "Made in China" products receive preferential treatment.

- 6. Tender Process Efficiency and Timing:** Efficiently navigating tender processes and adhering to deadlines are crucial for success. Companies should adopt streamlined processes for product registration, tender submission, and contract negotiation to maximize efficiency. Engaging experienced local consultants can help reduce bureaucratic delays and improve the accuracy of tender submissions. Moreover, companies must keep a keen eye on tender timelines and opportunities, strategically planning their market entry and product launch to align with specific tender cycles.
- 7. Adapting to Geopolitical Risks:** Companies must develop robust risk management strategies to navigate the geopolitical tensions that may impact the medical device market. Maintaining agility in supply chain management and exploring alternative markets can help mitigate risks associated with trade policies and tariffs. Maintaining open communication with relevant government agencies can provide timely insights into policy changes and their potential impact on business operations.
- 8. Continuous Learning and Adaptability:** The Chinese medical device market is dynamic, with evolving customer needs and changing market dynamics. Western companies should prioritize continuous learning and adaptability to stay ahead of the competition. Analyzing market trends, customer feedback, and competitor strategies can inform ongoing product development and marketing efforts. Companies should be open to iterating their market entry strategies based on new insights and emerging opportunities.
- 9. Building a Strong Local Presence:** Establishing a strong local presence is instrumental in building trust with Chinese stakeholders and customers. Western companies should invest in hiring local talent, fostering a culturally sensitive workforce, and nurturing strong relationships with key decision-makers. Engaging with the local healthcare community and demonstrating a deep understanding of Chinese culture and values can elevate a company's market reputation and customer loyalty.

10. Emphasis on Long-term Commitment: Western companies aiming for success in the Chinese medical device market should prioritize long-term commitment. A patient and strategic approach to market entry, supported by continuous investment in market intelligence and local partnerships, can yield sustainable growth. Companies should view market entry as a long-term strategic initiative, focusing on building brand equity and establishing themselves as reliable partners in the Chinese healthcare ecosystem.

In conclusion, successful tender bidding processes in the Chinese medical device market demand a comprehensive understanding of the market landscape, targeted product differentiation, strong local partnerships, and robust regulatory compliance. Western companies must adapt their market entry strategies to address geopolitical risks, maintain adaptability in a dynamic market, and cultivate a strong local presence. By implementing these strategies, Western companies can enhance their competitiveness and increase their chances of long-term success in the thriving Chinese medical device market.

5. Discussion

5.1 Summary of Findings

This section provides a concise summary of the main findings presented in the previous section. It reiterates the key challenges faced by private medical companies during the tender bidding process in China and highlights the strategies proposed to improve their chances of success.

This thesis aimed to explore the challenges and opportunities for multinational medical device companies (MNCs) in China's rapidly evolving healthcare market. By combining insights from an interview with an industry expert and a comprehensive review of existing literature, a holistic understanding of the Chinese MedTech landscape emerged.

The interview with Helen Chen revealed the dynamic nature of China's healthcare market, driven by a growing middle-class population, increased healthcare expenditure, and government support for the domestic MedTech industry. The expert stressed the significance of building strong

relationships with local partners, navigating complex regulatory systems, and understanding the preferences and needs of Chinese consumers to succeed in the market.

5.2 Contributions to Existing Literature

The discussion expands on the implications of the findings and its contributions to the existing literature on internationalization strategies, market entry barriers, and tender bidding processes. It highlights the novel insights gained from the study and how they contribute to advancing theoretical understanding and practical knowledge in the field.

This research contributes to the existing literature on the Chinese healthcare market and the challenges and opportunities faced by multinational medical device companies seeking to enter or expand in this rapidly evolving landscape. The findings of this thesis build upon and enrich the current body of knowledge in several key areas:

- 1. Understanding China's Healthcare Ecosystem:** Through a comprehensive review of academic papers, government reports, and reputable sources, this thesis provides an in-depth understanding of China's healthcare ecosystem. By analyzing the country's healthcare reforms, regulatory frameworks, and government policies, this research sheds light on the factors shaping the healthcare market and influencing market entry strategies for medical device companies.
- 2. Exploring the Perspectives of Industry Experts:** The inclusion of insights from interviews with the industry expert adds a valuable dimension to the existing literature. By directly engaging with a professional who has firsthand experience in the Chinese medical device market, this thesis captures real-world challenges, experiences, and strategies employed by multinational companies. These insights offer a nuanced and practical perspective that complements existing theoretical knowledge.
- 3. Market Segmentation and Regional Variations:** The synthesis of market segmentation strategies from various sources helps to delineate the diversity of China's healthcare

landscape. By examining regional variations, economic disparities, and healthcare infrastructure differences, this thesis highlights the need for tailored approaches to address the unique characteristics of each segment. This contribution aids medical device companies in designing targeted go-to-market strategies for different regions within China.

- 4. Navigating Tendering and Market Access:** The analysis of the tendering process and its implications for market access provides valuable insights for medical device companies looking to establish a presence in China. Understanding the complexities of tendering, the evaluation criteria used by provinces, and the dynamics of price and quality scoring offers practical guidance for companies seeking to compete effectively in the tendering system.
- 5. Emphasizing Innovation and Quality:** The emphasis on the importance of innovation and quality care addresses a critical aspect of the medical device industry's growth in China. By highlighting the trend of Chinese companies focusing on R&D and proprietary products, this thesis underscores the need for multinational companies to invest in innovation, obtain patents, and demonstrate clinical leadership to differentiate themselves in the market.
- 6. Strategic Partnerships and Distribution Models:** The exploration of strategic partnerships and distribution models offers valuable insights into the operational aspects of market entry and expansion. By investigating the pros and cons of distributor-based sales models and the significance of local partnerships, this research informs medical device companies about effective approaches for navigating the complex Chinese market.
- 7. Practical Recommendations for Multinational Companies:** The practical recommendations derived from the research findings serve as a guide for multinational medical device companies. These recommendations, based on a holistic understanding of the Chinese healthcare market, encompass strategic market entry, tendering strategies, partnerships, and emphasizing innovation, contributing to the existing literature by offering actionable and evidence-based suggestions.

In summary, this thesis enriches the literature on the Chinese healthcare market and the challenges faced by multinational medical device companies. By combining insights from academic sources, government reports, expert interviews, and a detailed analysis of relevant articles, this research provides a comprehensive and multifaceted understanding of the market dynamics. The practical recommendations offered here are rooted in a holistic perspective, addressing the complexities of China's diverse healthcare landscape. By building on existing knowledge and providing novel insights, this thesis aims to facilitate informed decision-making for medical device companies seeking success in the vibrant and rapidly expanding Chinese healthcare market.

5.3 Practical Recommendations

Drawing from the identified strategies, this subsection offers practical recommendations for private medical companies aiming to enter or expand their operations in the Chinese healthcare market. The recommendations provide actionable steps and guidelines to navigate the complexities of the tender bidding process effectively.

Based on the comprehensive findings, I offer the following detailed practical recommendations for multinational medical device companies seeking to enter or expand in China's healthcare market:

1. **In-Depth Market Understanding:** MNCs should conduct extensive market research to gain a thorough understanding of the Chinese healthcare landscape. This includes analyzing regional variations in healthcare infrastructure, patient demographics, and disease prevalence. Furthermore, studying government policies, regulatory frameworks, and reimbursement systems will provide valuable insights for market entry and expansion strategies. Tailoring product offerings and marketing approaches to suit the unique characteristics of different segments within China's diverse market will be instrumental in optimizing market penetration.
2. **Emphasize Innovation and Quality:** As domestic Chinese companies increasingly focus on R&D and develop proprietary products, MNCs must prioritize innovation and quality

care. Investing in cutting-edge research, development, and clinical trials will enable MNCs to introduce novel and high-value medical technologies to the Chinese market. Obtaining patents and showcasing clinical leadership will also help differentiate MNCs' offerings and maintain a competitive edge against domestic competitors.

3. **Strategic Partnerships and Engagement:** Building strong relationships with local partners is crucial for navigating the complexities of the Chinese healthcare system. MNCs should actively engage with government-sponsored research programs, academic institutions, and local hospitals to gain market insights, understand customer preferences, and establish a trusted presence in the Chinese market. Collaborating with Chinese companies can also offer opportunities for joint ventures, technology transfer, and shared resources.
4. **Effective Tendering Strategies:** The tendering process is a significant route to market access in China. To succeed in tenders, MNCs must thoroughly understand the varying evaluation criteria used in different provinces and tailor their product offerings accordingly. Maintaining product differentiation based on quality, safety, and efficacy will be critical in tender bids. Moreover, adopting flexible pricing strategies that strike a balance between competitiveness and profitability will help navigate the dynamic tendering landscape.
5. **Customer Segmentation and Sales Strategies:** The diverse healthcare landscape in China demands a targeted approach to customer segmentation and sales strategies. MNCs should identify and prioritize key customer segments, including Tier 1, Tier 2, and lower-tier cities. Tailoring sales and distribution operations to different segments will optimize market presence and performance. Moreover, investing in robust post-sales support, including training and technical assistance, will enhance customer satisfaction and loyalty.
6. **Long-Term Vision and Adaptability:** Successfully establishing a presence in China's MedTech industry requires a long-term vision and adaptability. Companies should

recognize that success may not come overnight and be prepared for the challenges and uncertainties in the Chinese market. Flexibility in adapting strategies based on evolving market dynamics and regulatory changes will be crucial in maintaining a competitive advantage.

7. **Focus on Localization:** Customizing products and services to cater to Chinese consumers' preferences and cultural sensitivities is vital. Developing localized marketing strategies, packaging, and user manuals in Mandarin can significantly enhance product acceptance and brand recognition. Additionally, investing in local talent and leadership will help MNCs better understand the Chinese market and build stronger relationships with local stakeholders.

5.4 Limitations

In this subsection, the limitations of the study are acknowledged and discussed. These limitations may include sample size constraints, potential biases in data collection, and the generalizability of the findings. By addressing these limitations, the study establishes transparency and provides avenues for future research to overcome these constraints.

Despite the valuable contributions made by this research, there are some limitations that should be acknowledged. These limitations provide opportunities for future research and offer insights into the areas that warrant further investigation.

1. **Data Availability and Currency:** One limitation of this study is the reliance on existing literature, government reports, and an expert interview. While efforts were made to ensure the use of reputable and up-to-date sources, the availability and currency of data may impact the accuracy and comprehensiveness of the findings. As the Chinese healthcare market is continually evolving, future research should aim to incorporate the latest data and trends to provide a more current understanding of the market.

- 2. Scope and Generalizability:** This thesis focuses primarily on the medical device industry in China. While the insights and recommendations provided here are relevant to multinational companies operating in the Chinese market, they may not be directly applicable to other healthcare sectors or other countries. Future research could explore the nuances and specific challenges faced by different healthcare industries within China or investigate the market dynamics in other countries.
- 3. Language Limitations:** Another limitation is the restriction to English-language sources for the literature review. While English-language articles are widely accessible and reputable, relevant information published in other languages may not have been included. Incorporating non-English sources could provide additional perspectives on the Chinese healthcare market and enhance the depth of analysis.
- 4. Expert Sample Size:** The insights gained from the expert interview are invaluable; however, the sample size of the interview may limit the generalizability of the findings. Expanding the number of expert interviews and incorporating a more diverse group of industry professionals could provide a more comprehensive understanding of the challenges and opportunities faced by multinational medical device companies.
- 5. Evolving Regulatory Landscape:** China's healthcare regulatory landscape is subject to continuous change, driven by evolving government policies and reforms. While this research provides a snapshot of the market at a particular time, future studies should consider tracking regulatory developments to keep pace with the changing environment and its impact on the medical device industry.
- 6. Competitive Landscape:** The competitive landscape in the medical device industry is dynamic and influenced by various factors. This thesis provides a high-level overview of the competition between multinational companies and domestic players; however, a more detailed analysis of specific company strategies and market share dynamics would be valuable for a comprehensive understanding.

6. Conclusion

6.1 Summary of Findings

The conclusion section provides a concise summary of the main findings, key insights, and the strategies proposed to enhance the chances of success in the tender bidding process for Western firms in the Chinese healthcare market.

In conclusion, this thesis has explored the multifaceted landscape of the Chinese healthcare market and the challenges and opportunities it presents to multinational medical device companies. Through a synthesis of academic literature, government reports, expert interviews, and the analysis of relevant articles, this research offers a comprehensive understanding of the market dynamics.

The Chinese healthcare market is rapidly evolving, driven by significant government investments, policy reforms, and an increasing demand for high-quality medical products and services. For multinational medical device companies, entering and expanding in this dynamic market requires a strategic and adaptable approach.

The research findings highlight the importance of innovation, quality, and strategic partnerships as key factors for success in the Chinese market. Emphasizing R&D and obtaining patents can help companies differentiate themselves from domestic competitors and maintain a competitive edge. Additionally, forming strategic partnerships with local companies and leveraging government-sponsored R&D programs can provide valuable access to resources and local expertise.

Tendering presents both challenges and opportunities for market access in China. Understanding the complexities of the tendering process, regional variations, and the criteria used for evaluation is crucial for multinational companies to compete effectively.

Despite the valuable insights provided, this research has its limitations, including the reliance on existing literature and expert interviews. Future research should aim to incorporate more current data, expand the scope to other healthcare sectors or countries, and include a larger sample size of industry experts.

In conclusion, this thesis contributes to the existing literature by providing a comprehensive and practical understanding of the Chinese healthcare market and its implications for multinational medical device companies. The recommendations offered here can serve as a guide for companies

seeking to navigate the complexities of this vibrant and rapidly growing market, facilitating informed decision-making and strategic planning for success. As China continues to be a significant player in the global healthcare industry, understanding and capitalizing on the opportunities it presents will be essential for multinational companies aiming to thrive in this promising market.

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8. Appendix

Appendix A

Interview with Helen Chen (transcribed):

1. **Interviewer:** From an implementation standpoint, sometimes the local governments are perhaps more stringent than the formal requirements, and sometimes the hospitals are more stringent. So even if a particular piece of equipment is actually not in the list, there could be possibilities that the tender rules suggest that, and the reason for that is to encourage China Manufacturing. So it's around the manufacturing location and not the brand of the equipment, yeah. And so there are many options, of course, to maybe tackle this issue of manufacturing. Right. Because you can, of course, through many of the eyes or produce manufacturing in the parts of China. However, is it so black and white? Is it so easy to obtain this "Made in China" status within the manufacturing process? So does every company do it?
2. **Interviewee:** Well, I think every company can do it. The question is whether you choose to or not. Right? Because we are in medical equipment. It is a regulated market. So you do, actually, if you have your import license, if your product registration is tied to an import, if you localize. Right. Then you actually have to change your product registration from an import to a domestic China manufacturer product. So there is another order that helps it to accelerate that transfer process. Right. But if you think about so there are some counterbalancing there. But maybe not every company wants to manufacture. Because for medical manufacturing, as it is for many manufacturing, volume has a lot of efficiencies. If you split the volume and put something in China that potentially can reduce the efficiency of your original plant and your China plant, so your production costs can actually go up. You actually have to have a facility. Right. So then you have the capital cost of making that investment. Or you may have to find a contract manufacturer. Right. So there are actually a lot of decisions related to your production, your cost of goods, your supply chain. Right. So all of that becomes a series of decisions. Of course. So understanding that then.

3. **Interviewer:** If a multinational company, or even not because it can be a smaller company, is about to make a decision to enter the Chinese market through those steps that we're talking about and the volume and efficiency and of course, looking at the cost, how do companies are trying to weight the value of it? Of course. How can the company risk if, for example, by any chance, any regulations or form of policies might change within the future, how do they assess the risk while entering the country?
4. **Interviewee:** I think that's really quite a fair question. First of all, I think before I answer that question, I just want to specify, right, the products that are on the list are generally products that already have a lot of in China manufacturing. Because the government is not really going to say, put a product on a list where there's no in China manufacturing for because then they just cut out the entire category. So typically, then these are products that are relatively well established. So if you are an international company that manufactures these products and you are not yet in China, in some ways, you're behind already. So then, is it worth it for you to come already? There's already a number of international companies in China. There's already a lot of Chinese companies in China. So even if you come in free and clear, without any government restrictions, it is a very competitive market. Okay, so if it's too saturated, then the competitive landscape would just kill the competition immediately. Even though it's possible to enter, right? Even if there's no restrictions around that right. You still have to get your product registered. You still have to know how to tender. So there is actually quite a process. So if you are selling a more commoditized product and you're not yet in China, then probably it is not the right decision to do. You still have to make your choices. Right. So then we talk about a company that has a more innovative product that's not yet highly commoditized with a lot of competition. Then most likely that product will not be on the list. Right? So the products that are not on the list, these could be more advanced technologies that are not yet pervasive, right? They could be generally newer technologies. So for the newer technologies, then it is China is, I believe it is now the second-largest medtech market in the world. Right. So you have to make a decision around. And very often the prices in China are higher. So as a result, you have to think about is this worthwhile to do then? And then there is a risk in the future, right? If they expand the list, then you'll have to

consider other options. If the product is already commercialized elsewhere, start with the importing into China and then in parallel, plan your future scenarios. Or if you're still developing the product and are using CDMO or needing to set up sites, you may consider just setting them up directly in China or have a second source in China to start. Some of a lot of that depends on your product. So the whole tender process, bidding, if I understand correctly, is first to see if the product is already in the market. If it's already listed in China then we would need to take into consideration the competitive landscape and everything. If the product is much more innovative and is not on the list, they have to see if within a time frame, the product cycle would fit in the regulations. Right? And then entering the market would be just a matter of the risk of the cost. And then comparing other markets. You would need to see if the regulations are a much bigger of an issue. If I understand correctly, entering China.

5. **Interviewee:** It, I think then you have to because you don't know when if at all, or when the government will put you on the list. Right. So there is an uncertainty around that because they never put it on the list. Right, okay. Yes. You clearly yeah. Okay, great. Then I have a further question in your expertise. Of course, there are still companies that are entering the market, the Chinese market, and they're usually big names. What is the maybe strategic point and the main advantages they use while entering the market? So do they assess that the product is ready or the company is ready to enter the Chinese market? And how are they strategically putting themselves in front of other companies to know that this is a risk worth taking?
6. **Interviewee:** The companies that's already in China are still continuing to bring their new products into China, right? So all the companies do go through these decisions. For the companies that is. So you're specifically talking about a company with no product at all in China? So it's not just a product decision, but it's also a company decision. So whether it's a risk worth taking clearly a lot of it depends on a company's objectives. Right. You can certainly do a market assessment. Understand the landscape for your products, for your instruments and so on. What is the current for the disease? Standard of care and payments and so on in an equipment? What is the hospital procurement process? Can you find good local employees or partners in China? So some of the companies choose to

enter China, not necessarily by themselves. They could also license their product to someone already here. So then you have local operation support for that. So that's also a possibility. And then it depends on your risk appetite. Okay. Some companies are a lot more conservative. So they focus on the western markets only. Others are more expansionary. Again, China is the second-largest medical device market in the world. If you choose not to come in, then that part of the opportunity is not available to I understand. Okay.

7. **Interviewer:** Then it means that they're much more ready to continue the journey within the Chinese market. However, would you consider then big capital as the main driver for companies entering a Chinese market? Or for example, if there is a smaller company that doesn't have this big of a capital as Siemens, Helphinius, for example, or similar companies, is it maybe a lost game from the beginning without huge capital?
8. **Interviewee:** No, I mean, I don't think capital has as much to do with it. Right. The investment upfront is really around product registration. Unless your decision upfront is, I'm going to build a plant. Right. That's usually not the first decision companies make. Can so the question is whether you invest in understanding the market, whether you invest in product registration, whether you invest in finding a partner or finding distributors. Would you consider then the companies who are taking this risk that maybe the knowledge that they receive from entering the market, the knowledge from understanding the market and just the transfer from the explicit to the tacit knowledge and so on, do you think it's also a value added for trying for the company for the future? Could it be even if it's a risk and for example, because I'm assuming that well, some companies might try and then they fail. So do you think that the whole process of trying could be beneficial for the future, for them to try again and fail?
9. **Interviewee:** As in fail doesn't get really good sales. Right. That's what you mean by failing. Hopefully, right. Then that was whether they made the wrong analysis, whether the execution wasn't strong as they planned, maybe the competition was faster than they expected. Right. So you learn the reasons for your failure, and if you feel that next time you can do better, you can certainly come in. Or if you realize, wow, the Chinese competitors, they just move so much faster than we ever expect. Right. That's a good

learning, too because if you know you're a slower company, if your decision-making is slow, for example, and you know the Chinese companies will be fast. So unless you change yourself to be a faster decision company, you will always be at a disadvantage. So that is something, you know, okay, I understand. And you could decide that I am just not competitive. Right, so you don't have to I'm just not as fast. I mean, of course, it brings light to the company of knowing their limits, right, and their abilities. And for sure, this could be one of the topics hence man in my interest because there's a lot of studying in Copenhagen and in London, there's a lot of innovative and startups and domestic companies really growing with the technology and knowing that the Chinese market. But I also would like to know, from the Chinese perspective, do you think that their policy of being by China and so on might be detrimental at some point to their healthcare system? Could we see a decline because of their let's say, a bit nationalistic or domestic preference clearly? I mean, there's a balance. Right. I think, in general, I think all companies, when they leave their home market, always have to adapt to a different system. European companies going to the US. US. Companies going to Europe. Right. Both western cultures. But they have very different regulatory regimes. So I think you have to keep an open attitude around any market that is not yours. Always has complexities that perhaps you're not aware of, that you have to sort of be open to understand, to do. We have a lot of clients in medical devices who will not go to Europe because they say the European prices are too low. Around that. So I think, structurally, any international market, let alone something that's, for example, halfway around the world entirely, a different language and has perhaps regulatory aspects that you're not familiar with. So I think that's generally a bit of a context. But for within China, right? I think think structurally, one has to understand. So China even though it's the second-largest market, right? Second-largest economy, second-largest products market for a lot of these. It also has 1.3 billion people. Right. So if you sort of divide anything by 1.3 on a per capita basis, it's actually quite low. So the government's interest is really around making sure as many people as possible have access to care, have some treatments. So from a government standpoint, as the payer, they don't feel that strongly. They must have the most innovative item. Right. What they want is things that can cover the public. Right. So as many people as possible

get it from that perspective. That's the government's payer orientation. Now. Is that detrimental at some point, right? There's a debate, right? That means you may potentially reduce innovation in China. You may reduce that's. Often one of the concerns. Does that mean? The Chinese companies over rely on the China market and therefore they're not as competitive when they go out internationally. So there are also questions around that. So from a payer perspective, really covering the total population as much as possible from the investment perspective, ensure that there are good manufacturing jobs in China. Right. So those are sort of equally important social components within the overall framework.

10. **Interviewer:** Okay, yes. I mean, of course it's a multifaceted and multi-layered complexity and it just depends on the end goal right. Of a certain company that is managing expectations with the government as well. Because as you said, I completely understand that companies need to fulfill also the void of actually doing what they have to do, which is domestic companies is helping people in the healthcare system. And going forward, it's. So can you discuss the role of local partnerships as joint ventures or contract manufacturing as a viable approach for the medtech companies to achieve the localization in China? So once they decide, of course, there are many options to achieve the localization, and one option is picked more prominently than the other option. Could you describe the challenges that are facing there and why?
11. **Interviewee:** For localization, you can certainly build your own Greenfield operation. You could find a contract manufacturer, there's also, or you could partner, have some sort of equity investment with another party for that. They're very different operations. All right. There's actually a fair amount of, there's a lot of articles written around the trade-offs around that. Right. So it depends on sort of your capital, husband appetite, depends on whether there are suitable manufacturers and partners around that for any of those.
12. **Interviewer:** Okay. I'm pretty sure we have some written materials around the pros and cons of each. And one thing and two last questions. Thank you for your time. Two last questions. Since you already mentioned this, we're just getting closer to the end. From your long experience within the medtech industry, I would like to ask you what role do you think is Western companies currently playing within the Chinese market? And what

role do you think the Chinese companies are currently playing within the Chinese market? And how do you think the balance would, of course, this is hypothetical, but how would you think the balance would play out in the future and not play out as in winning or losing, but playing out as in a collaboration, maybe more. How would you how would you see this?

13. **Interviewee:** I mean, I think in terms of the current position, right, there are the multinationals are already in China, right? They've been in China for years, if not decades. There are a lot of Chinese medical device companies and some of them have gotten big. Some of them are starting to be very successful and competitive internationally. In the short term, I don't see that dynamic changing dramatically. The multinationals have well-established products. They have a large number of products. They're also entering the higher end of the market and have some very high-end equipment. So that sort of keeps a position there. Chinese companies, you know, I think it's a little bit like any country, right? It's a bit diverse. Right. So you have a range of companies. You have some companies that are fast-growing and very innovative and actually fairly capable. They're as good as Western companies in a number of areas. Right. And you have other companies that are more focused on local markets or are more opportunistic. So there's actually a lot of diversity there. It's not one-size-fits-all for the Chinese. And they're certainly not one-size-fits-all for the Western companies, either.
14. **Interviewer:** Okay. Yeah. I mean, it's a fascinating discussion to understand how the dynamic of an Asian market, such as China, is also integrated into the global market and how it can be a fair and balanced and competitive market, which is really good to know. And to conclude this interview, what would you suggest to smaller companies or innovative startups? What would be your advice for a company with new product innovations or R&D? What would be your advice for them? Of course, you've already given some advice, but something to conclude.
15. **Interviewee:** So I think for a startup, obviously, you want to have your data around your products, your validation, the clinical data, the real world data. You know, you want to go through the regulatory processes. There's some sort of checklist around that. But in addition to that, I think for China, you also want to consider what is the priority or the

timing for China? Okay. If you think that your product is relatively mature or maybe is a unique and fits into China's health policy needs, then you may be more interested to see if there is a good way to enter China, to get the data that you need and to get the registrations that you need to enter China sooner. Okay. If the regulatory or other requirements for getting that data and getting the product registered, you know, that takes time. That's time-consuming. It's costly. If that time is very long, you want to think about whether you should start right now. Okay. Or you want to think about waiting because maybe three years from now the technology is there. The market is there. Maybe the market gets bigger. Maybe the local competitors are getting stronger. So it's easier for you to get on to a distributor. So the timing may change and improve. Right. It might make more sense to wait for some people rather than to spend all that money right now. Right. It is case by case. You have to evaluate the specific products, the specific diseases, the specific technologies and what the timing might be. And if you think that maybe the timing is more right three years from now, then just make sure you track all of the developments around that and then make a decision three years from now. Okay. But don't forget because in the meantime, China will move on. Right? The technology in China is advancing very quickly. The hospitals are changing. All right. All of that infrastructure, the payment system, the evaluation, all of that changes. So you want to be ready and updated so that you can make a very quick decision, when you make that decision, you can move right. So you want to continue to track that, but don't just stop and assume that it will be that same environment five years from now. I hope that makes sense.

16. **Interviewer:** It makes perfect sense. Thank you so much. I think it was really valuable information and we also hope that it helps companies and smaller companies to know better how to enter the market and how to just look at it from a different perspective, maybe not to lose hope, but also to see all the potential that's within the Chinese market. So I just wanted to take a moment to thank you so much for the interview and for your valuable time. Thank you so much.
17. **Interviewee:** You're welcome. Happy to talk to you