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Exploring the Modes of Internationalisation: The Case of UK Business Schools

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Abstract

Recently there has been a large expansion of Higher Education (HE). Master of Business Administration (MBA) degree programmes have seen a large rise in international applications. As a consequence, the UK is gaining more revenue from the Internationalisation of Higher Education than the export of iron and steel. Subsequently, many Higher Education Institutes (HEI's) have over a decade of experience of operating in the international market. In addition other HEI's from Australia, Canada and USA are competing in this new environment. Events may go even further with French Business Schools now starting to deliver MBA degree programmes taught in English at various overseas locations. Consequently, countless lessons are being learnt concerning the best way of entering the international market. Collaborative agreements, setting up subsidiary colleges and delivery directly abroad have all been tried. This paper attempts to apply theories of internationalisation to this service sector in order to help better understand the various choices available for HEI's. A variety of case models will be contrasted. In conclusion it seeks to provide advice also on future internationalisation strategies.

Keywords: Knowledge Transfer, Knowledge Management Internationalisation Strategies, Higher Education,

Introduction

Much has been said about the impact of internationalisation on HE. Correa (2000) argues the internet and the scientific community will level the playing field in the age of knowledge transfer and intellectual capital. Altbach (2004) claims internationalisation means both worldwide inequality and the 'McDonaldisation' of the HEI sector. Whilst De Wit (2002) states that all of the contemporary issues on HE, from the pressures of massification to the growth of the private sector, are the results of internationalisation. A common theme to these various hypotheses is the transfer of knowledge is extremely important element to consider. Accordingly to Lall (1992), superior knowledge is expensive to create but can be given away to others cheaply. It is therefore an intangible asset. As the importance of knowledge, creativity and innovation has increased, there is a growing recognition that neither industry nor government can continue along the path of mutual isolation (Florida, 2002). With this in mind knowledge from HEI's needs to be up to date and is constantly changing in order to provide expertise.

This paper attempts to apply some of the key theories of internationalisation to this service sector in order to help better understand the various choices available for HEI's of how internationalise. In order to facilitate this conception a variety of case models will be contrasted. Providing guidance on future internationalisation strategies within this sector concludes the paper.

Knowledge – The Basic Perception

It is apparent from the literature on Knowledge Management (KM) that there is much debate about what constitutes knowledge, what is data and what is information. Subsequently, with the increased interest in knowledge that cannot be captured, various researchers (Ackoff, 1989; Nonaka and Takeuchi, 1995; Gladstone, 2000;

Na Ubon and Kimble, 2002) have begun to realise that its management of knowledge poses significant challenges. This has led to much debate about how to describe and theorise about such knowledge. Subsequently, different KM researchers and practitioners use different terms to distinguish between the types of knowledge of interest to KM and Knowledge Transfer (KT). Almost all these views tend to see knowledge as a dichotomy (Ackoff, 1989; Conkin, 1996; Blackler et al, 1998; Nonanka et al, 2000; Na Ubon and Kimble, 2002).

Knowledge Management

Knowledge Management (KM) is used to describe everything from the application of new technology to the harnessing of the intellectual capital of an organisation (Sallis and Jones, 2002). Rasmussen (2000) claims that KM originates from the recognition that the dimensions of competition have noticeably changed from the dependence on natural resources to the competition for intellectual resources. McElvily et al (2000) attempts to define KM as the systematic management of the knowledge process by which knowledge is identified, gathered, shared and applied. An earlier study by Argyris (1993) claims it to be the systematic and organised attempt to use knowledge within an organisation to improve performance.

In summary, KM can be considered as the management of processes that govern the creation, dissemination, and utilisation of knowledge by merging technologies, organisational structures and people to create the most effective learning, problem solving and decision making within an organisation.

Knowledge Transfer

Various researchers (Stewart, 1977; Ratcliffe, 1997; Hall and Bannatyne, 1999; Jackson; 2002) over the years have the common view that KM is often used to describe the management of knowledge within the organisation and this includes Knowledge Transfer (KT) within the organisation.

Bates (2001) claims that the value of KM relates directly to the effectiveness with which the transferred knowledge enables educators within the establishment to deal with the current situations and effectively envision and create their future. People are the most critical factor in KM. People create knowledge, share knowledge, learn, and use knowledge to complete tasks. KT increases the ability of individuals to deal with new situations, events, information, and context. Many barriers to effective KT emerge because the process relies heavily on human interactions and relationships that are not designed into the establishment's culture

Knowledge Transfer using e-Learning

E-Learning can be perceived as a key enabler to Knowledge Management (KM) and Knowledge Transfer (KT) within HE sector (Owens, 2002).

The successful introduction and implementation of e-Learning into existing and new units at Higher Education Institutes (HEI's) can be heavily influenced by the institution's ability and effectiveness, in delivering knowledge based products and

managing any number of strategic issues that may need to be addressed as part of the successful development of KT through e-Learning products.

The Strategic issues of significance when considering e-Learning as a tool for KT through traditional and independent study within the HE sector are:

- Identifying the customer service imperative for each stakeholder or institute involved in an e-Learning initiative.
- Appreciating the advantages and disadvantages of incremental KT through e-Learning in HE.
- Understanding the value of national, integrated approaches to e-Learning and KT in HE.
- Understanding the need to develop user support systems, to underpin e-Learning and KT developments.
- Working within technological and financial limitations associated with HEI's
- Successful internationalisation of University Education.

The Role of English within the Internationalisation of Higher Education

The use of English is central for communicating knowledge worldwide, for instruction even in countries where English is not the language of HE. The dominance of English is not surprising, and it is a factor in internationalisation that deserves analysis if only because HE worldwide must fully comprehend the holistic role of the English language (Crystal, 1997).

The most widely studied foreign language in the world, English is also the most widely used second language (Altbach, 2002). In numerous countries, it is the required second language, and it is the second language of choice almost without exception (Altbach, 2004). English is the medium of almost all of the internationally circulated scientific journals, and it also dominates other academic fields as well. HEI's in many countries stress the importance of their academics and researchers published in internationally circulated academic and research orientated journals, almost by definition in English.

The largest numbers of international students go to HEI's in English speaking countries. As such, English is the main medium of instruction in many of the most prominent academic systems that enrol large numbers of overseas students. Non-English speaking countries are increasingly offering HE programmes in English, this is done to attract international students unwilling to learn the local language and to improve the English language skills of domestic students and thus enable them to work in an international arena. Subsequently, English medium HEI's exist in many countries. English is clearly a ubiquitous language in HE worldwide.

Countries that use "small languages" may be tempted to change the medium of instruction at their HEI entirely to English. This topic was discussed (Crystal, 1997) at length in the Netherlands, and it was decided to keep Dutch as the main language of instruction predominantly out of concern for the long-term survival of the Dutch language. However, where offered, HE degree programmes in English are thriving and recruit equally to those offered in Dutch only (Crystal, 1997). Where collaborative HE degree programmes are offered, such as in Malaysia, the language of instruction is almost always English and not the language of the country in which the joint degree is being offered.

English is supplanting such languages as French, German and Spanish as the international medium of HE scholarship. These languages however, are in no immediate danger of disappearing altogether in HE, but their world role in HE has decreased. The use of English tends to orient those using it to the main English speaking academic systems, and this further increases the influence of these countries. Regardless of the consequences, however, English is the predominant academic language of the current period and the foreseeable future.

Internationalisation of Higher Education

Internationalisation includes specific policies and programmes undertaken by governments, academic systems and institutions, and even individual departments or institutions to cope with or exploit globalisations (Altbach, 2004). Thus, internationalisation expresses the voluntary and at times creative ways of managing with external demand factors. With much room for initiative, HEI's can choose the ways in which they deal with the new environment. While the forces of globalisation cannot be held completely at bay, it is not inevitable that HEI's will necessarily be overwhelmed by them or that the terms of the encounter must be dictated from afar (Kerr, 2001). Internationalisation accommodates a significant degree of autonomy and initiative (Scott, 1998; De Witt, 2002).

HEI's may therefore wish to provide courses by either sending staff to teach abroad [exporting the service], or alternatively setting up their own centres abroad using their own staff. Dunning's (2005) theory of internationalisation suggests that exporting may be risky and have high transaction costs. Indeed in the case of HE transaction costs it can be very high with accommodation needed to be provided for staff to deliver courses as well as possible overtime costs for working extra hours. In addition, there can be supplementary travel costs. Furthermore, there maybe uncertainty in getting staff available who are flexible and used to the work. Numerous HEI's have tried this approach and found it too costly as shown in the later case studies. Many HEI's are moving to a model where they deliver courses at home for the most part and also where full control of the delivery and quality process can be maintained. There is at the same time an expansion of international programmes taught abroad where part of the study may involve some time spent in the HEI's home country. There are also a variety of delivery methods including distance learning.

There are also fully owned and controlled satellite colleges. In principle setting up colleges may be seen as viable in reducing transaction costs (Williamson, 1985). The cost of sending staff and the uncertainties of getting effective staff can be reduced with this method. However his model may still have its limitations. There may be problems of local recruitment and ensuring that quality processes are followed in the host country. Furthermore the knowledge provided by host tutors is very asset specific. This problem has encouraged HEI's to look at yet another model.

Of late many HEI's have moved towards a policy of having more activity done at home though investing more efforts in attracting students from the international market. This latest approach may be related to Dunning's (2005) theory of internalisation, doing business in house may prove to be the most viable option. However, doing things in house in an overseas subsidiary is proving to be less viable due to the quality and recruitment issues that may occur, and in this respect the

market in education may be a special case that is done in house and at home in many cases. There are some examples of success in establishing Universities abroad as shown in the later cases, though there is a trend to having less of these operations.

In terms of other theories of internationalisation Valhne (1992) suggests that companies and services often start the internationalisation process with a low risk option, in this case sending staff abroad where initial set up costs are low, they then move on to high risk for example collaborations and later to a full subsidiary. There is again evidence of this happening with many HEI's first sending staff over to teach abroad then moving into collaborative venture with some staff and some local teaching by the partner college, for example the majority of UK Universities in the north East of England send staff abroad to teach on programmes according to British Council records. Again, the final stage towards establishing an overseas subsidiary is not undertaken in many cases partly due to the problems of local recruitment and quality constraints from the home country. In house delivery and home delivery is very much the preferred option and direct recruitment from the international market. There is a third approach advocated by Root (1987) whereby the choice of operation depends on the resources of the firm. As shown in the cases this does influence the decision. Finally Flowers (1976) suggests that sometimes companies may enter new markets in order to keep up with rival firms and therefore the competition can sometimes influence the internationalisation process.

Differentiation

HEI's have gone for a variety of approaches, sometimes internalisation has included franchise colleges, however, this has often led to high costs in terms of quality assurance procedures. There have also been cases of the moral hazard problem whereby colleges have learnt from universities and later set up rival operations on their own after having learnt the basics. This problem is illustrated in the work of Thoburn (1984) and Read (1984) where the threat of rival competition in both industries and services is apparent. The problems of uncertainty can be particularly great in emerging markets where many universities are starting to have a main presence (Floyd, 2003).

Of late there has been a trend towards recruiting from colleges for the final year to be studied in the HEI's home country. This therefore requires a mixture of accreditation for lower level work while the higher level work is done at home where greater certainty and credibility is given at the HEI's home country. Some HEI's have also been involved in franchising at the higher level including Postgraduate modules, satellite and video conferencing have been used but members of staff have taught a minimum 30% content from the awarding HEI, this has been seen as a minimum requirement by the QAA body.

Consequently, there is a great deal of variation in the model of delivery depending on the HEI's overall situation. In this respect the resource-based approach may seem more appealing in providing an explanation of events. This is of importance particularly when HEI's have limited capital and cannot afford to make losses in the short term even if there may be longer-term gains from setting things up in another way. In a similar way specific countries or business organizations may require degree programmes to be tailor made and specifically flexible. Some clients may require programmes to be delivered by specific members of staff and this will be taken on board at the programme design stage. The successful validation of the

proposed degree programme will be judged on how it meets specific learning outcomes for the chosen level of award.

Methodology

Several source of research data were utilised in this paper , this will include three case higher education institutes that have embarked on programs of internationalisation. Questions focus on what type of internationalisation activity is being used, how well it is being adopted and finally the strengths and drawbacks of each approach.

Findings from the Case Studies

Case One – The “X” Model

This includes a HEI operating in Kuala Lumpur, Malaysia. The delivery is done in the UK for the final stage of the degree. Years one and two are done at another local university college in Kuala Lumpur. The UK recruits for the final stage, year three and assists in the quality process of the earlier stages and is a franchise in this respect. This model has the advantage in that costs are lower for the students due to a limited time required abroad though tutors have expressed a preference for more study in Kuala Lumpur. In addition the franchise arrangement relies on staff to maintain the quality process at all times of the year to accommodate the variations in semesters in different countries. These weaknesses further illustrate why franchise is not the most popular means of entering a foreign market according to Dunning 2005.

Case Two – The “Y” Model

This involves a HEI that has all its operations taught abroad in Greece and the site is owned by a local education establishment. This entails high transaction costs for the HEI sending its staff abroad. Flights , accommodation and finding the staff willing to participate all need extensive consideration. The students also see the benefit of the programme being taught by the foreign HEI tutors. There are further costs involved in making sure the local partner institution complies with the quality process in the UK and this involves a further monitoring cost according to Williamson 1985. The home HEI needs to invest heavily in quality processes in order to work with a different partner institution. There is also a desire for a distant learning component. Often it is better to use not the most up to date technology but technology that most people have access to according to Anderson 2005. The benefits of such a programme provides more flexibility for the student though greater complexity for the University with regards to the assessment procedure.

Case Three - The “Z” Model

This includes a fully internalised operation in Kuala Lumpur. The HEI manages the full process primarily by employing local tutors and sends out tutors from the home HEI on full salaries. There are over three thousand students and expanding. Quality

may be easier to maintain due to full ownership of premises hence the problem of trust is reduced with this method, see Williamson (1985). However set up costs are high and the operation is at risk also if the government creates new good quality local HEI's. In addition such a large operation may pose difficulties for recruiting local staff familiar with the English education system and culture. The students further benefit from not having to wait for assessment results to be coordinated abroad .

In addition a large number of students are required in order to maintain the operation, this is consistent with Vahlnes theory of internationalisation where it is often more preferable to send staff abroad rather than invest in premises at the early stages of development where numbers are low.

Discussion

Recent evidence suggests that quality control processes in the international market may be tested both in the home and host countries. For example, The Times Higher (2004) illustrates host countries are selecting HEI's that meet their own objectives. This may encourage HEI's to use more home based staff or set up overseas subsidiary operations despite potential high costs. However, it has also been shown that setting up an overseas fully owned subsidiary college is not always the best option despite being suggested in Dunning's (2005) theory of internalisation. There is high set up costs associated with this despite it being a favourable long-term option. Furthermore the intangible nature of the product in this case knowledge, makes it difficult to attract local people with the same skills as in the HEI home country. In addition there are cultural barriers.

Other theories of internationalisation were considered. The stages of development approach seems a less viable option in explaining the HEI sector due to the wide range of options found in the cases. With such a wide range of options, franchise colleges, joint partnerships, fully owned subsidiary colleges, exporting staff overseas and distance learning, it seems less likely that companies go through a development approach of trying to export, then opting for franchise and then subsidiary. Indeed some HEI's that have set up franchises have in some cases gone back to sending staff abroad to teach. Some HEI's also have a mixture of many approaches; this was evident in the earlier case examples. For this reason the resource based approach may prove to be the best explanation of the internationalisation strategies of HEI's. Increasingly HEI's are becoming cost driven and will engage in activities that best suit their resources. In addition, HEI's will also be keen to maintain high standards of quality due to the demands of the ever more dynamic international environment.

Closing Remarks

The continuing internationalisation of HE is inevitable. Perhaps, because historically academia has always been international in scope, and it has always been characterised by inequalities. Modern technology, the Internet, the increasing ease of communication and the flow of students across borders facilitate this internationalisation of HE. The current and future challenge is to recognise the complexities and nuances of the modern context and seek to create an international HE academic environment that recognises the need to ensure academic relationships are as equal as possible. The most appropriate method will depend on the specific student circumstances as illustrated in the cases. No academic system can exist by itself in the 21st century of HE.

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