

Competing in the Global Higher Education Marketplace

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Globalization in its many forms has had an enormous impact over the past few decades on most major components of the world's economy. New markets have been opened, ownership of domestic corporations has been dispersed globally, and the ways in which most businesses are structured have changed in radical ways. Higher education, however, has thus far remained comparatively untouched by the powerful forces of globalization. As one looks to the future, there are many indications that it is unlikely that this sheltered position will continue to hold. But should globalization enter into higher education in a major way, how would it be manifested? What would be the academic and financial impact on institutions of higher learning?

The future is, of course, notoriously difficult to predict. Given the relatively small impact of globalization on higher education thus far, it is impossible to predict with any certainty the kinds of financial and reputational challenges that increased globalization might bring. However, we can hope to get some outlines of how events might occur by looking at the forces at play, and the obstacles to, and enablers of, globalization in higher education.

Globalization and Internationalization

Globalization, as used in the corporate world, most often describes a process in which modularization of production (from conception through sales) is joined with state of the art information technology and decreasing national trade boundaries to enable a global optimization of production and distribution. This powerful approach, in which different parts of the product cycle can be carried out in different locations using the best providers to be found globally, has changed fundamentally much of industry around the world. (Palmisano, 2006)

Most of what is happening today in cross-border or transnational higher education does not fit this globalization model, although a relatively few increasingly common activities do. Most of the traditional cross-border activities actually fit into an older, hub-and-spoke model of industrial internationalization. This industrial model focused on home country manufacture with international distribution, and in many cases international supply of raw materials brought back home for manufacture. Similarly, most of the traditional cross-border activities involve a home institution that sits at the center of activities in which students and faculty are sent out along spokes to foreign partner organizations to briefly study or do research, and then return to enrich the home institution with what has been learned. Foreign students are also recruited to study at the home institution, which provides different opportunities for enrichment. Although higher education institutions (and the US overall) have benefited greatly from this type of hub-

and-spoke international activity, it does little to change basic, historically place-dominated identity.

A relatively small number of higher education institutions worldwide have moved beyond this hub-and-spoke model into what might be called the multi-national mode by setting up offshore degree-granting branches and programs, often in partnership with some local entity. As contrasted with the hub-and-spoke model, this mode focuses on providing degrees to foreign students at offshore sites. This obviously moves the potential student pool into a very different demographic from that which can be accessed at the home institution itself. Although these offshore activities generally are relatively limited in scope compared to the activities of the home campus, this approach does potentially signal the beginning of a fundamental reconceptualization of the traditional place-based concept of the university.

Globalization, as used in most business literature, builds on process modularization, and the ability to find partners somewhere in the world who can provide needed modules with the desired price and quality. Although we typically do not think of outsourced modularization in higher education, there are examples. One such area is much of university research. At the more familiar end of the spectrum, many researchers seek to optimize problem solving by outsourcing -some component of a problem to a colleague with complementary expertise. At the other end of the spectrum is large research, such as high energy physics, that may involve thousands of researchers working in many relatively

small groups on precisely defined modules that will ultimately be brought together, typically at one site, to perform an exceedingly complex experiment. At this end of the spectrum, governments are often involved, faculty are absent from campus for long periods, and graduate students and postdocs may almost never be on their home campus. This latter kind of research globalization has already made some rather dramatic changes in certain important aspects of the research university, but those changes have been limited thus far to rather narrow areas of investigation.

There are increasingly examples of globalization (in the modularization sense) of the educational function of universities. For example, a type of institutional partnership called "twinning" leads to institutions offshoring the module of the first two years of undergraduate education to a foreign partner offering prenegotiated and preapproved curriculum, with students then moving onshore to the source institution to complete study and pick up a degree awarded in the name of the source institution. Franchising goes a significant step further. Here, the source institution franchises a foreign institution or provider to deliver its programs, with the source institution retaining control of modules of course and program content, quality control, and assessment, and ultimately, the awarding of the degree. In this modularized degree process, the module of program delivery has been offshored to a partner, with other modules of the process typically being retained in-house (although many of these could also be outsourced, and likely will be in the future).

As time goes on, we will certainly see variations of all of these categories of cross-border education. As this brief description indicates, however, both the multi-national and globalization processes have enormous potential to change the face of higher education in ways that the more traditional hub-and-spoke processes do not.

The Rather Small Impact of Globalization on Higher Education

Why has globalization's impact on higher education been so small thus far compared to its impact on most other components of the economy? The answer to this lies, I believe, in the place-based history of most institutions of higher learning. Most higher education institutions were created in response to local needs, typically with funding either from individuals of the area or local (or state) government. They initially served primarily students from their surrounding regions. Supportive local and national governmental policies (direct funding, tax benefits) were critical to the survival of the institutions, with the result that the interests of the institutions ultimately aligned to a significant degree with that of their government. Consequently, higher education came to be held responsible for contributing in many ways to improvements in the life of its region and nation—educating the young for citizenship and economic productivity, producing new knowledge and inventions that lead to new wealth creation within the nation, providing service to local and national organizations and governments, and so forth. In return, higher education has been well supported and sheltered from most

serious competition in order to facilitate its meeting these responsibilities.

Corporations, not having such close cultural and economic ties to their states, have been able to dramatically redefine their strategies and structures to benefit from globalization. The university, however, is still trapped in its traditional place-based identity, with a focus on its roles involving obligations to its own region and nation, and its own traditional constituencies.

Several constraints have kept our universities from following industry in actively creating a new identity appropriate to this changed world. Perhaps most important, higher education in the US traditionally has been so dominant in the international competition for students and faculty that there is little internal appetite for creating radically different strategies. Second, the way that higher education is financed provides powerful constituencies that generally have not been supportive of changing roles for higher education. Public institutions find that legislatures are usually unhappy when state resources are directed towards activities that do not directly and immediately benefit the state, and both public and private institutions find that most alumni and donors tend to “like it the way it was”. And third, government in the US, both national and local, has not yet defined—or seemingly even thought about—what it expects the new roles and obligations of higher education to be in the increasingly globalized economy. U.S. higher education therefore has little state guidance or encouragement in creating strategies for globalization. To the contrary, U.S. higher education encounters many obstacles in its

globalization efforts created by lack of any coherent state viewpoint.

Why It Will All Change

Higher education in the U.S. is rapidly losing its global luster. There are many reasons why that is the case. Actively unfriendly immigration rules are discouraging both students and academics from abroad in their efforts to come to learn and teach here. At the same time there is an explosion of higher education alternatives in countries around the world, and they generally are much more welcoming.

This explosion in alternatives is driven by the conclusion of governments around the world that higher education plays a key role in their efforts to meet the challenges of globalization. Consequently, they have begun to clarify state expectations for higher education in the new global climate. Australia, for example, has clearly stated that its universities increasingly must serve international students, both for the revenues they provide, and for the international visibility it brings to Australia. Europe as a whole views higher education both as a glue to bring together the EU, and a critical signaling device to the world of the cultural and intellectual strengths of Europe. To this end, Europe has undertaken a massive reform of higher education under the rubric of the Bologna process.

A number of other governments, for example, Singapore, Malaysia, Saudi Arabia, and Dubai, have announced goals of becoming global education centers, and have

elaborated strategies to do so. The rationale is generally both to bring in foreign revenues through students and industries that tend to seek centers of higher education, and to raise national visibility and prestige.

The inclusion of higher education in the current Doha round of the General Agreement on Tariffs and Trade (GATT) reflects this global awakening to the importance of higher education politically and economically. This inclusion provides a clear sign that the traditional nation-state protection of higher education from external competition is eroding.

The U.S. —almost alone among the first world nations—has shown little interest in developing a strategy that would clarify what it expects of its higher education in a globalizing world. In the meantime, however, the traditional relationships between US higher education and its government have already changed considerably as a result of the shifting focus of the modern state. For example, state support—both national and local—per student has been dropping for a number of years, and most public universities have become increasingly dependent on philanthropy and other private sources of funding. At the same time, numerous legislatures have introduced bills that would limit in some way net tuition increases at both public and private institutions. Higher education, depending on its sector, already is caught in an increasingly serious cost/price squeeze by this changing relationship, or is likely to be so in the fairly near future. Thus a new higher education cost/price structure will have to evolve to recognize new realities. Globalization

with its new markets and modes of production has offered corporations the opportunity to rethink radically their cost/price structures. Similarly, higher education may well find that the opportunity to reconceptualize offered by globalization is critical in finding a sustainable fiscal pathway.

Perhaps the most important driver of globalization in U.S. higher education will be an evolution that is likely to have a very significant influence on the desirability of American higher education. Most estimates are that Asia, particularly China and India, is likely to have replaced the U.S. as the driver of the world's economy in little more than a decade from now (Mapping the Global Future, 2004). Similarly, many estimates show that leadership in science and technology will shift from the U.S. to Asia over that same time period. National leadership in business and in science and technology are two of the strongest attractors for international students and faculty, and many of the best international students and faculty will likely follow leadership in those areas as it shifts across the Pacific.

The Underlying Challenge of Creating a Viable Action Plan for Globalization

The greatest difficulty individual institutions face in creating a strategy for globalization is in clearly understanding why they want to globalize. A key component of this process is developing a sharper understanding of the institution's own mission, especially in relation to the characteristics of the students that it seeks to educate. For

most institutions, understanding of its mission is generally based primarily on its history—characteristics of its location, traditional funders, and available pools of students who could be convinced to come to the institution's location to study. The mission generally has grown over time by evolution, not direction. Successful globalization will require a quantum leap in understanding of mission, however, because it demands that the institution look beyond the limitations of space and geography and history that have formed and "boxed in" the mission of today.

Many critical questions regarding institutional globalization of higher education can only be answered in the context of a well-defined mission. For example, institutions must be able to balance their budgets, but that does not mean that every one of their operations must be fiscally balanced on its own. Universities vie ferociously for external research funding, even though research operations lose money overall—but for the university, research is an important part of its mission and of the way it is judged. Thus, additional sources of income are found to enable universities to carry out that research. Similarly, it is not a foregone conclusion for every higher education institution that some or all components of its global efforts should be revenue positive or even revenue neutral; there may be some mission-driven strategic reason to do them even if a loss is incurred.

In the same way, questions regarding whether the transnational educational opportunities should be at the same quality level as found on the home campus can only be addressed in the context of the ultimate strategic goal of those opportunities. In

reality, offshore programs essentially can never be literally at the same quality level, since the resources built up on the home campus over decades or centuries cannot (and probably should not) be reproduced elsewhere. Looking at new markets challenges us to evaluate in a fresh way the dimensions of quality that are important in order to achieve a mission-driven strategic goal, and to analyze the resources that are necessary to create desired quality in those dimensions.

Why Do It and How?

Let me now consider some different reasons commonly advanced for cross-border activities, and describe some common approaches for responding to those reasons. In all cases, however, we must keep in mind that an underlying strategic "why?" should be critical in determining whether any of these reasons and any of these approaches is appropriate for an individual institution.

One oft cited reason is to increase the skills students at the home institution will need to cope with increasing globalization. The most obvious response to this is increasing the traditional international activities of the institution: sending students abroad to study for a period at some foreign institution, recruiting international students to come study at the home campus, and encouraging international faculty exchanges. In addition, the global twinning arrangements can be effective in significantly increasing the number of international students coming to the home campus. I have concerns regarding

the use of branch campuses or programs in fulfilling this goal. A branch generally tries to recreate the home program in some way, thus limiting the international nature of the experience.

Generating and diversifying new income is another reason for many globalization efforts. This has involved the traditional path of greatly increased recruitment of international students to home campuses (when excess capacity exists), and the newer approaches of partnership relationships with institutions in other countries (including franchising) and establishment of overseas branch campuses and programs (all of which create new capacity in alternative sites). These partnerships and branch campuses and programs also address another often cited goal for globalization: recruiting international students who cannot or will not come to the home campus to study.

Increased international visibility is also a driver for many of the transnational activities. Although increased home-campus recruitment of international students serves this goal in a relatively minor way, major activities responding to this driver are almost always in the multinational or global category. Partnerships with governments or prestigious foreign institutions are useful in this, and branch campuses and programs can play a major role. High level research often is a key component of the partnership or branch campus that is focused on increased international visibility.

Risks and Costs

Each of these approaches brings potential risks and costs. Reputational risks of the international approaches generally should be the lowest because this is an area where higher education has the most experience. However, if these approaches are to be increased in volume and effectiveness is to be measured against mission, considerable effort will have to be put into refining existing programs. Increased attention will have to be paid to quality control, especially when students are sent offshore. Financial risks of this approach are also relatively low, since these activities can be ratcheted up or down according to demand.

Risks increase greatly as one moves to the multinational and global approaches. Twinning and other partnerships raise significant reputational risks regarding quality control of the international partner, and changing local governmental regulations can cause ongoing concerns. Offshore programs run without partners also involve risks of quality control (for example, who will actually do the teaching) and changing governmental regulation, with the additional problem that local issues may not be so well understood when no local partner is involved. These programs cost more to set up and maintain than do the international programs, so there is increased financial exposure should the program not perform as hoped, for example, in the area of student demand.

The branch campus has the largest set of risks since it involves all of the problems of the other approaches, plus the need to interact effectively with many levels of society and government in order to create and sustain the campus. Start-up costs are very high,

and recouping initial investment if closure occurs is unlikely. Because of the visibility of a campus, reputational damage can be high if closure is required.

Franchising, the ultimate global solution, generally requires little or no upfront investment in terms of facilities. Creating the franchise product (the degree program) can be somewhat costly, but the cost can be spread over multiple franchises. Most of the operational financial risks can be passed to the franchisee, thus limiting financial risks to the franchisor. Without doubt, quality control of the franchisees presents the overriding reputational risk here, and is thus far the major obstacle to this type of approach.

A number of secondary costs are incurred in these globalization activities. For example, there is a loss-of-tuition question if an increasing number of domestic students spend a greater fraction of their degree time at offshore institutions. This can become quite a problem if the dollar continues to weaken relative to other currencies. If international students become part of a strategy of globalization, rather than a part of a strategy of income creation, then financial aid will need to be offered to international students in order to attract the students who most advance that strategy. In addition, having international students on campus does not automatically lead to increased global knowledge on the part of domestic students; programs must be put into place to stimulate effective peer-to-peer knowledge transfer.

Quality control at sites away from the home campus is a significant problem for essentially every component of transnational higher education. It is an area where higher

education has only rather rudimentary experience compared to industry generally. Quality control is clearly vitally important to the modularized globalization of industry, and consequently corporations have had to make appropriate investments to assure their ability to measure and manage the quality of their global partners and suppliers. Higher education will have to make similar investments if it is to succeed in the global marketplace, and time and a number of failed experiments likely will be required to develop effective mechanisms.

Cross border education has had one rather unfortunate point of similarity with the dot-com boom in online education. Institutions are opening offshore programs at a rapid rate without understanding who their students will be. There is a pervasive assumption that students will flock to a global brand. However, numerous experiences involving institutions from many countries have shown that it is very difficult to predict demand in one country for another country's educational product, especially if the price of the foreign product is high by local standards. Difficulty of making reasonable predictions of actual market must be considered as a major risk in planning an offshore operation.

Conclusion

No clear road map exists for the direction or impact of globalization on American higher education. Global opportunities and challenges will be multiplying rapidly in the near future, however, and institutions that have thought seriously about their mission in a

global context will be best prepared to respond effectively. In moving into the global market, institutions will face new reputational challenges and assume financial risks different from those that we are accustomed to dealing with. Some institutions will find their globalization experiences to be transformational, while others will see only incremental change. But for almost all colleges and universities, it will be dangerous to ignore the forces of globalization.

References

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