# International Branch Campus: Sequential Market Commitment

Eglė Girdzijauskaitė[1*], Asta Radzevičienė[2], Artūras Jakubavičius[3]

[1,3]Department of Business Technologies and Entrepreneurship, Faculty of Business Management,

Vilnius Gediminas Technical University, Saulėtekio al. 11, LT-10223, Vilnius, Lithuania

[2]Department of Management, Faculty of Business Management, Vilnius Gediminas Technical

University, Saulėtekio al. 11, LT-10223, Vilnius, Lithuania

egle.girdzijauskaite@vgtu.lt

**Abstract.** Offshoring education services in a form of a branch campus is analysed in this paper as an international market entry in higher education. It is discussed in this paper that the latter activity is not only feasible for the mature universities with long standing international experience, but also for the latecomer HEIs. The extensive literature review has been executed in order to compare the motives of foreign market and market entry mode related decisions in business and higher education. A comparative analysis showed that the determining factors are very coherent in business and higher education. The model of foreign market entry is suggested which combines two internationalisation modes: networking and branch campus. The model enables universities to pursue proactive initiatives step by step towards the direct export of educational services gradually decreasing risk levels. 8 phases are suggested containing relationship development, resource management, risk reduction strategies, feedback, etc. The insights of this study shed light on the international branch campus as the riskiest international market entry mode in higher education and provide recommendations for the managers of HEIs.

**Keywords:** International branch campus, market entry, latecomer university, internationalisation, higher education, risk management

## 1. Introduction

Universities are becoming entrepreneurial and are being faced with the challenges of unexplored and risky modes of internationalisation. The emergence of entrepreneurial university phenomena as well as a shift in movement from students to the movement of programmes and universities lead to the emergence of one of the most risky and unexplored entry modes to international markets in higher education – international branch campus. Offshoring education services in a form of a branch campus is analysed in this paper as an international market entry in higher education. However, branch campus establishment is an extreme measure especially for the latecomer universities. Therefore networking is suggested and analysed as a way to create embeddedness in a foreign market pre IBC establishment.

0In order to explore international branch campus as a foreign market entry for latecomer universities in the context of internationalisation, the typology of HEIs is analysed and presented, and the Uppsala internationalisation model is analysed followed by the networking theory. Finally, the 8 phase model of foreign market entry is suggested for latecomer universities.

## 2. Typology of HEIs in Europe

There are around 28 thousand registered institutions, that are operating in HE services sector worldwide, and around 4 thousand in Europe, according to the "Webometrics Ranking of World Universities". Although it's difficult to list and compare the numbers due to the differences of education systems around the world.

In light of this particular paper the factors of size (in terms of student enrolment and staff numbers), mode of delivery of educational programmes, public/private status (reflecting public/private funding base) which are the factors to be considered in institutional typologies are as important as they are determinant variables for the international engagement of the institution. If the capacities of certain type institutions to act as international research player might be limited by the type of the institution, the type of the HEI (e.g. Comprehensive university or Study-oriented university) plays less significant role in the educational services than the availability of the resources for internationalisation, internal internationalisation capacity, managerial decisions, etc. The International education market is open for

different type of institutions if there is the service tailored to the demand in certain market segment area.

Therefore, for the purpose of this particular research an attempt to classify HEIs according to the criteria describing the maturity of HEI as international market player has been done (Table 1).

According to the historical, political and other factors, higher education institutions in the market can be described as mature HEIs and latecomer HEIs. Higher education institutions that have entered international education market within the last 50 years because of historical or political reasons are defined as latecomer universities in this paper. Similar to business firms latecomer universities have to position themselves in already settled higher education scene and compete against the players with long standing international reputation (e.g. so called red-brick universities in UK, Humboldt type research universities in Germany, universities founded before 1900 in Italy, France, Austria, Belgium, the Netherlands, Sweden; the US universities who were founded in 18th century as Harvard, Princeton, University of Cambridge).

The universities established in the end of 19th and the first half of 20th century as engineering schools (later transformed into universities and institutes of technology) have entered the education arena later than the previous group but with clear institutional profile and therefore relatively soon gained an international reputation.

The third group is majority of higher education institutions established mainly after second World War in former EU transition and NIS countries (Eastern and Central Europe, Central Asia), emerging economies and expanding education markets in Latin American countries, China, Southeast Asia) (Girdzijauskaite, Radzeviciene, 2013). In this context we are focusing on the majority of the institutions established in the country, despite the fact that in every country of this latter group there is at least one national comprehensive university established before 1900 (e.g. BME in Hungary, VU in Lithuania, University Sao Paulo in Brazil etc.) some of them even in Medieval times, but the major distinction between the mature institutions is not established/unclear international reputation both of these institutions and the country.

Table 1. Classification of HE market players in Europe (compiled by the authors)

| Criteria | Mature HEIs | | | Latecomer HEIs | |
|---|---|---|---|---|---|
| | Golden Triangle | Reborn | Local traditiona lists | Latecomer s | Absolute latecomer s |
| | Great Britain France Germany | The Netherlands Sweden Finland Norway Denmark | Italy Spain Belgium | Eastern and Central Europe: Lithuania Hungary Czech Republic | Pre-accession and candidate countries |
| Long standing reputation | + | - | + | - | - |
| Internationally active | + | + | - | - | - |
| Renown educational country brand | + | + | + | - | - |
| Stable reputation over the time | + | - | - | - | - |
| No language barriers | + | + | - | - | - |
| Local orientation | - | - | + | + | + |
| Principals of multinational companies (new managerialism) | + | + | - | - | - |

Higher education institutions that have a long-standing international reputation, and usually are based in a country with a strong educational brand falls under the mature HEIs category in this typology (e.g. USA, Australia, UK, Western Europe, Scandinavia). The latter HEIs are usually pioneering with international activities and are sought out as partners by latecomer institutions.

## 3. Foreign Market Entry in Business and Higher Education

It is suggested in the literature that internationalisation consists of the following steps (Gould 2002):
- making a positive or negative decision whether to internationalise or

not;
- a decision to explore internationalisation;
- performing the market screening to shorten the list;
- undertaking in-depth research on the short-listed markets;
- selecting the market or markets to enter;
- selecting the mode of entry;
- making a decision to proceed with the chosen market entry;
- preparing for and entering the chosen market;
- consolidation in the new market;
- repeating the process;
- expansion in the already entered markets;
- global rationalisation.

Classic theories analyse two fundamental determinants of internationalisation: market selection and market entry mode. Therefore, both, a business firm or a university that is seeking to enter a foreign market must make two important decisions: select the market and select the market entry mode (Gallego et al 2009). In this paper market the latter are analysed in a respective order.

Market selection is described as "… the decision-making activities that are employed in the selection of one or more suitable foreign markets, from at least two potential ones. The salient elements of the decision are the criteria on which the decision is based, the sources from which the information is gathered, and the methods of analysis used." (Sheridan 1988, p. 15)

According to the Nordic School (Andersson et al., 1977; Kogut, Singh, 1988), market selection is constrained by two key concepts: psychic distance and experiential learning or the acquired knowledge in a foreign market. However, the born global firms suggest alternative ways to traditional internationalisation theories (Knight, Cavusgil, 2004). The power of psychic distance decreases due to recent developments in information technology and human resources with international experience.

Robertson & Wood (2001) in their empirical study on export decision making identify that the two most important criteria are information related to market potential (i.e. foreign buyers' ability to pay and the competition environment) and legal environment (i.e. non-tariff and tariff barriers). Interestingly, according to their empirical findings, the cultural environment was rated as least important, while in literature this criterion is given a lot of attention.

Various approaches to foreign market selection view the process as composed of the following stages: preliminary screening, identification/in-depth screening and final selection (Andersson et al., 1997; Kumar et al., 1994; Root, 1994). Robertson & Wood (2001) refer to it as primary environmental dimensions, subsidiary export dimensions and specific decision variables. Preliminary assessment or screening (the first stage) identifies potential markets as candidates for subsequent in-depth analysis (Root, 1994). Macro-level indicators are used to eliminate countries that do not meet the firm's objectives (Kumar et al., 1994). Market size, growth rate, fit between customer preferences and the product and competitive rivalry constitute proposed screening criteria. Identification stage involves assessment of industry attractiveness and forecasts of costs and revenues for the short-listed countries. The final selection stage determines the country market which best matches the company's objectives and available resource leverages (Andersson et al., 1997).

Foreign market entry mode (MEM) is an institutional arrangement that makes possible the entry of a company's products and services, technology, knowledge, human capital, management, or other resources into a foreign country (Root, 1994). Service firms may enter foreign markets using a variety of entry modes: export, licensing, joint ventures, or establishing a subsidiary abroad (Blomstermo et al., 2006). World Trade Organisation (WTO) distincts the following market entry modes for business firms: consumption abroad (international consumers), cross-border supply, delivery abroad, commercial presence.

Recently there has been an increase in literature of comparisons between the internationalisation of business firms and higher education institutions (Ennew, 2012; Naidoo 2009). In this paper business theory is applied to HE context and WTO classification has been adapted for HE international activities. The earlier mentioned market entry modes by WTO could be associated with recruitment of international students, joint programmes, international programmes and international branch campus respectively. Branch campus being the most intensive, complex and risky form of export.

After the market and market entry mode selection process analysis, the hypothesis has been drawn, that the factors determining market and market entry mode selection in business and in higher education are coherent. The applicability of factors from business to higher education is illustrated in Table 2.

Table 2. Factors in market and market entry mode selection process in business and its application in HE (+ if applicable, - if not applicable) (Source: Compiled by authors)

| Factors of market selection | Applied in HE | Factors of entry mode selection | Applied in HE |
|---|---|---|---|
| **Internal** | | **Internal** | |
| Company strategic orientation and objectives (Hamel, Prahalad, 1994; Andersson et al., 1997) | + | Company size/resources (Benito and Welch, 1994; De Villa et al., 2015; Lin, Ho, 2018) | + |
| Stage of internationalisation (Cavusgil, 1980; Johanson, 1997; (Hamill et al., 1997) | + | Experience in using MEMs (Erramilli, 1991; Paliwoda, Thomas, 1998; Root, 1994; De Villa et al., 2015; Lin, Ho, 2018) | + |
| Company international competitiveness (Lin, Ho, 2018) | + | Management risk attitudes (Johansson, 1997, p. 124; Anderson, Gatignon, 1986) | + |
| Overseas market selection experience (Erramilli, 1991; De Villa et al., 2015; Lin, Ho, 2018) | + | Profit targets (Johansson, 1997; De Villa et al., 2015; Lin, Ho, 2018) | + / - |
| Calculation methods applied (Porter, 1980; Root, 1994) | + | Calculation methods applied (Erramilli and Rao, 1993; Goodnow, 1985; Klein, 1989; Root, 1994) | + / - |
| **External/internal category** | | **External/internal category** | |
| Networking (Johanson and Mattson, 1988; Ch'ng, 1993; Nouwens and Bouwman, 1996; Johanson and Vahlne, 2009; De Villa et al., 2015) | + | Competencies, capabilities and skills required/available for each MEM (Jagodka, 1997; Koch, 1997) | + |
| Similarity/proximity of overseas market (Vahlne and Wiedersheim-Paul, 1977; Root, 1994) | + | Varying levels of control, resource commitment, and risk of the MEM (Anderson & Gatignon, 1986; Lin, Ho, 2018) | + |
| **External factors** | | **External facts** | |
| Country market potential (Hodgson and Uyterhoeven, 1962; Adersson et al., 1997; Moyer, 1968; Root, 1994; Samli, 1977; Cavusgil, 1985; Van Wood and Goolsby, 1987; Robertson, Wood, 2001; Lin, Ho, 2018) | + | Characteristics of the overseas country business environment (Lin, Ho, 2018) | + |
| Competitive significance of the market (Elliott and Cameron, 1994) | + | Industry feasibility/viability of MEM | + |

| Anticipated overseas market risks (Lin, Ho, 2018) | + | Market barriers (Cavusgil, 1985; Johansson, 1997; Van Wood and Goolsby, 1987; Karakaya, Stahl, 1992; Paliwoda and Thomas, 1998; Lin, Ho, 2018) | + |
|---|---|---|---|
| Legal environment (Robertson, Wood, 2001; Laufs, Schwens, 2014) | + | Legal environment (Laufs, Schwens, 2014; De Villa et al., 2015) | + |

An interesting finding has been made, that very little is researched on how the host country political, legal and economic environment affects the company's foreign market entry mode decision. This observation is supported by an extensive research on foreign market entry mode choicemade by Laufs and Schwens (2014).

All in all, a comparative analysis shows that the determining factors for market and market entry mode selection are very coherent in business and higher education. This strengthens the thesis that business models (market entry modes) are transferable to higher education management.

## 2.1. Networking Theory and the Industrial Network Approach

Networking phenomenon has been widely discussed by international business researchers for the past two decades (Hakansson, Ford, 2002; Nugaras, Radzeviciene, 2011; Nugaras, 2013). No less significantly is networking emerging in higher education practices (Beerkins, 2004; Girdzijauskaite, Radzeviciene, 2012, 2013, 2014).

Network could be defined as a number of nodes related to each other by ties. In business theory and practise network is a set of business units and the relationships between them are the ties (Hakansson, Ford, 2002). However, it is not necessarily business units. Especially in the case of clusters, public and private institutions and individuals are acting towards a common goal, and it is not necessarily cooperation, the new phenomenon – co-opetition consisting of two diametrically different logics of interaction is on the rise, where entities are cooperating with their competitors in order to reach the common goals having conflicting interests (Luo, et al., 2006; Gnyawali, Madhavan, 2001; Nugaras, Radzeviciene, 2011).

While networking is rather complex in partnerships and range of activities compared to the bilateral cooperation modes, it is far less complicated, risky

and resource consuming than the other forms of internationalisation – wholly owned subsidiary or joint venture.

Networking is highly relevant as management tool to higher education institutions actively developing international activities in a limited resource situation (which stands for many European HEIs), facing the need to expand geographical presence, balance the risks, share the resources, and transfer the competences.

According to the industrial network approach (Håakansson, Johanson, 2002; Johanson, Mattsson, 2015) business company's network relationships (e.g., with customers, suppliers, competitors) have an impact on the foreign market and market entry mode choice, rather than solely on firm-specific advantages (Laufs, Schwens, 2014).

The industrial network is described as a network of firms engaged in production, distribution, and use of goods and services, through which lasting business relationships are established, developed, maintained and affected by all the members of such network (Turnbull and Ellwood, 1986). According to the latter definition, four groups of factors influencing both the foreign market and market entry mode choise have been identified: the interaction elements and processes, the characteristics of the parties involved (buyers, suppliers, etc.), the atmosphere of the interaction, and the environment within which the interaction takes place. (De Villa, 2015).

## 2.2. Uppsala Internationalisation Approach

The Uppsala approach is the earliest school of thought on the internationalization in business. It explains that internationalising companies follow an incremental approach towards their efforts to enter the foreign markets. (Johanson & Vahlne, 1977; De Villa et al., 2015).

According to traditional Uppsala model, business companies expand their operations in a foreign market gradually, beginning with entry into foreign markets that were close to the domestic market in terms of psychic distance, defined as factors that make it difficult to understand foreign environments, and similar institutional conditions before moving on to host countries that are more different. Overall, this approach is thought to protect TNCs from the downside risk of failure by increasing their overseas resource commitment over a certain time period (Johanson & Vahlne, 1977; Rhee & Cheng, 2002).

Following the latter logic in higher educaton context, a university seeking to establish a branch campus abroad would choose a country with a smaller

psychic distance. In practice, a part of IBCs are being opened in the previous colonies (i.e. Dutch universities establishing IBCs in Indonesia and South Africa). So the Uppsala model applies in some, but definately not all cases.

However, the economic and regulatory environments have changed dramatically since the Uppsala model of the internationalization was published in 1977 by Johanson & Vahlne. The latter approach based solely on the experiential knowledge has been criticized due to its reliance on just one variable. Moreover, the possibility of working the internationalization process backwards or decreasing the international commitment is not discussed in the original Uppsala model. (De Villa et al., 2015)

In 2009 Johanson and Vahlne presented the extended Uppsala model by publishing their work "The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership" in the Journal of International Business Studies. The main factors in the new revisited model were trust-building and knowledge creation in local networks. In other words, it is not the liability of foreignness that matters, but rather being an outsider to relevant business networks in a new market. According to Johanson and Vahlne (2009), the most important challenge in the internationalisation is not the psychic distance between the home market and the foreign market, but rather the difficulty to become an insider in local networks.

Following this line of thought, networks as an important moderator of entry mode choice was included into the revisited Uppsala internationalisation model. The latter extension relates to the industrial network approach that also addresses the impact of networks in the process of foreign market entry (Turnbull and Ellwood, 1986; Turn-bull, 1987; Cunningham, 1986; Håakansson, 2002; Johanson and Vahlne, 2009; De Villa et al., 2015).

Johanson and Vahlne (2009) added two important factors in the revisited Upsala model, which they called a Business network model of the internationalisation process: knowledge and learning and trust and commitment building.

The original model was based on the assumption that knowledge is accumulated through the experience, while the revisited version adds that exchange within a network allows a firm to acquire knowledge about its relationship partners, including their resources, needs, capabilities, strategies, and other relationships. Network partners are also a source of relevant

business information about their own partners and more distant actors in the network.

The revisited Upsala model builds on the traditional definition describing network as a set of business units and relationhips, emphasizing trust and commitment building within the network. It concluds that trust is not only an important ingredient for successful learning, but also for the development of new knowledge. Trust can also substitute for knowledge, for instance when a firm lacks the necessary market knowledge and so lets a trusted middleman run its foreign business (Arenius, 2005; Johanson and Vahlne, 2009).

## 4. Establishing Direct Presence in a Foreign Market: the 8 Phase Model of IBC Establishment

Based on the comparison and analysis of the equivalents and differentiation of market entry modes in business and higher education the model of foreign market entry is suggested (Figure 2) which encompass the networking as integrated element of establishing international presence through an international branch campus. The model enables universities to pursue proactive initiatives step by step towards the direct export of educational services gradually increasing embededness in a foreign market and decreasing risk levels associated with direct foreign operations - in this case an IBC. 8 phases are suggested in the following model containing product identification, networking as testing, foreign market selection, entry strategy decision, networking as immersion, BC establishment, post establishment, and expansion (reduction).

The main principles of the latter model implementation are the following:
- The incremental approach. The sequence of the phases is recommended, however some steps can be excluded by mature experienced institutions;
- The interrelatedness of the phases. In every phase preconditions for the further process are made;
- The experiential learning approach. Institution is gaining knowledge of foreign markets by engaging into networks (exploring indirect export possibilities) and moving gradually towards more direct export approach. Transfer of good practices back to parenting institution (or to another BC initiative) is another learning source for a HEI.
- Business approach. The model suggests business-like organisational behaviour for HEIs entering foreign markets as it was proved to be

increasingly and successfully applied by mature and experienced HEIs.

| Phase | Aims | Solutions / Measures |
|---|---|---|
| **1st phase Product identification** | • Identifying potential product (service) for the exporting to foreign markets. | • Service (or product) portfolio analysis.<br>• Selecting, testing the service (or product) in bilateral cooperation framework; creating the new product if relevant. |
| **2nd phase Networking as testing** | • Exploring the markets of network members.<br>• Testing the product in members markets.<br>• Foreign market pre-selection. | • Gathering the foreign market knowledge and international activities execution experience in partners' markets.<br>• Examining the demand in multiple markets and the coherence of the demand with the available services.<br>• Engaging into multiple networking activities in different markets.<br>• Participate in partner's supply chain and "value creation" chain.<br>• Testing the product for demand in different markets (using the partners as pilot customers and evaluators). |
| **3rd phase Foreign market selection** | • Select the market for educational services export. | • Gathering foreign market knowledge.<br>• Market demand detalisation.<br>• Adjustment to market behaviour. |
| **4th phase Entry strategy decision** | • Determine the entry mode and strategy. | • Evaluate the institutional difference and institutional uncertainty (e.g. using the matrix of risk reduction strategies). |
| **5th phase Networking as immersion** | • Establishing relations with the chosen market.<br>• Positioning in the market. | • Partnering with the key players in the host country to gather market knowledge and make linkages.<br>• Co-creation (horizontal networking for service (product) development and improvement if needed)<br>• Forming the institutional image by highlighting features important in the specific context.<br>• Investing in HEI image in a host country. |

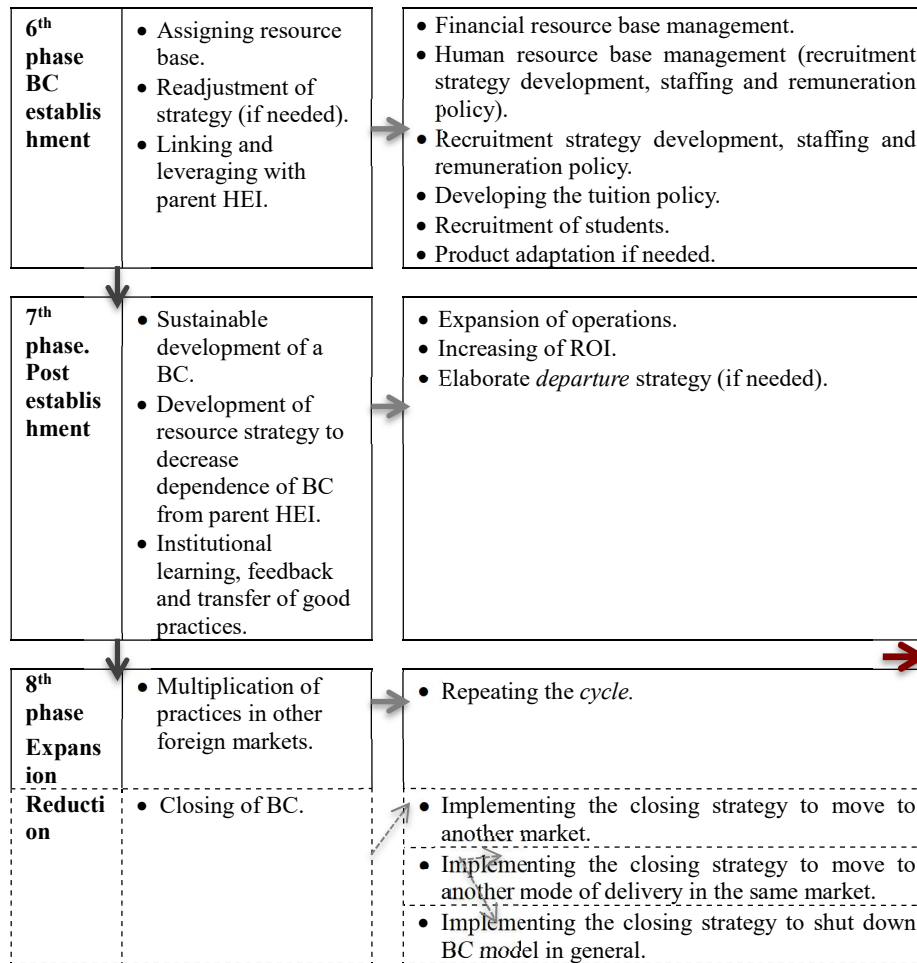| | | |
|---|---|---|
| **6th phase BC establishment** | • Assigning resource base. <br> • Readjustment of strategy (if needed). <br> • Linking and leveraging with parent HEI. | • Financial resource base management. <br> • Human resource base management (recruitment strategy development, staffing and remuneration policy). <br> • Recruitment strategy development, staffing and remuneration policy. <br> • Developing the tuition policy. <br> • Recruitment of students. <br> • Product adaptation if needed. |
| **7th phase. Post establishment** | • Sustainable development of a BC. <br> • Development of resource strategy to decrease dependence of BC from parent HEI. <br> • Institutional learning, feedback and transfer of good practices. | • Expansion of operations. <br> • Increasing of ROI. <br> • Elaborate *departure* strategy (if needed). |
| **8th phase Expansion** | • Multiplication of practices in other foreign markets. | • Repeating the *cycle*. |
| **Reduction** | • Closing of BC. | • Implementing the closing strategy to move to another market. <br> • Implementing the closing strategy to move to another mode of delivery in the same market. <br> • Implementing the closing strategy to shut down BC model in general. |

Fig.2. The model of foreign market entry of HEIs. (Source: compiled by authors)

Product identification is the 1st phase, which is a key pre-entry decision. In order to identify the service or product (e.g. programme to be franchised), institutional self-analysis of the product portfolio must be made. After the few potential products identified as potentially demanded in foreign market, the products should be tested in bilateral cooperation framework. Bilateral cooperation allows more close interaction and direct feedback on the quality of the whole service (or product). It might as well turn out that absence of the service (product) is identified and it must be developed. Examples of the products suitable for exporting are the following: undergraduate/graduate study programmes, joint or double degree programmes, online courses, single modules, professional training courses, non-degree courses, etc.

Networking as testing (2nd phase). The aims of the second phase of international market entry in this model is exploring the markets, testing the service (product) and execute the foreign market pre-selection. At this stage institution is gathering market knowledge through partners who are local in potential foreign market or in a similar one. Networking is the main instrument in this phase: institution should examine the demands in multiple markets and the coherence of those demands with the previously identified services (products) by engaging into networking activities. It is an opportunity for product testing using network partners as pilot customers and evaluators. Horizontal (joint service development) and vertical (participating in a partner's supply chain and value creation chain, e.g. providing single courses to the partner's program) network can be used.

Based on empirical research results, potential networking partners can be distributed as follows:

- HEIs as potential partners for service (product) testing and evaluation (preferably from countries traditional TNE providers: UK, Western and Northern Europe, USA, Australia) - if partners from these countries accept the product well, it is ready to be transferred to other, developing markets.
- HEIs from developing countries (Malaysia, Russia, India, China, Central Asia) as potential partners to test the market.

**3rd phase.** Foreign market selection. During this phase institution should select the market for educational service export. Once market is selected, the knowledge of specific market is gathered (market demand specification). The knowledge of any incoherence is acquired and the needed adjustments should be made at this phase.

According to the survey experts political environment is highly determining when establishing a BC in a foreign market, therefore should be well considered. Favorable political environment and local government support serves as a risk minimising factor. Local governments sometimes tend to provide foreign HE providers with certain protectionism and as risk minimisation factor could be an alternative to local agent during the initial phase of market entry. Negative attitude towards foreign HE providers might be key factor to retreat from the market.

**4th phase**. Entry strategy decision. The aim of this phase is to determine the risk reduction strategy of entering a foreign market in a form of branch campus. As discussed in the x chapter, important factors in determining the

strategy are institutional difference and institutional uncertainty in a host country. See Fig. 3 for the matrix of risk reduction strategies.

Institutional uncertainty in a host country

| | Low | High |
|---|---|---|
| **High** | **Adapt**<br><br>Moderate risk, complexity, effort<br>- - - - - - - - - - - - - - - - - - -<br>Establish international branch campus, but adapt structures and processes to suit institutional context in host country | **Avoid**<br><br>High risk, complexity, effort<br>- - - - - - - - - - - - - - - - - - -<br>Do not establish international branch campus in this host country – the risks are too high |
| **Low** | **Transfer**<br><br>Low risk, complexity, effort<br>- - - - - - - - - - - - - - - - - - -<br>Establish international branch campus using the same structures and processes used at the home campus | **Hedge**<br><br>Moderate risk, complexity, effort<br>- - - - - - - - - - - - - - - - - - -<br>Establish international branch campus but as a joint venture with a local partner or obtain funding and assurances from host country government |

(Left axis label: Institutional difference in a host country)

Fig. 3. Transnational strategies for a university based on institutional difference and

institutional uncertainty (compiled by author)

If the institutional difference between a home and a host country's institutions is low, and the institutional uncertainty in the host country is low, then a university can transfer the operations to a branch without major changes; same processes can be adapted and the same programmes can be delivered with little to no adaptation. This mode for instance is applicable for American HEIs having or about to have branch campuses in Western Europe, Australia, New Zeeland.

If institutional differences are high, but the uncertainty in a host country - rather low, then the branch campus can be established, however it is recommended to execute a careful revision and adapt structures and processes to the institutional context of the receiving country.

The situation of low institutional differences, but respectively high uncertainty is likely in developing countries (e.g. institutions in a host country are in different marketing stage, have different study model and organisation structure). In such setting risk reduction is possible through a local partnership (with HEIs, non-university educational institutions, business companies, etc.) – then, a university is able to convey an image of

legitimacy, and when the strategy is seen to be successful, it is likely to be imitated by other universities. An example of a respective strategy is well applied in branch campuses established in Malaysia between 1996 and 2007 between foreign universities and local colleges, where the colleges provided foreign HEIs with market intelligence, capital and physical infrastructure, while HEIs took the lead in educational components.

Both the institutional differences and uncertainty between home and host countries result in vast risks and the effort required might not be worth the possible benefits. In India, for instance, there is a huge undersupply of higher education, yet the complex regulatory frame decreases the country attractiveness to foreign universities seeking overseas expansion.

Analysis of the risk reduction strategies shows that when the uncertainty is high, joint venture with a local institution is recommended. For the universities that entered the education market later then their rivals, joint venture might be considered as less risky entry mode for HEI.

**5th phase.** Networking as immersion. The main aims of this phase are: establishing relations with the chosen market and positioning in the market. Networking serves as learning by doing and market pre-integration measure. Even though, traditionally networking in higher education is seen more as a framework for partnership development, in business it is more benefit oriented and co-opetition based. At this phase HEIs should apply business-like networking behaviour - a business strategy based on a combination of cooperation and competition, in different areas of activities benefiting from the fact that competition inside the network is less tough than outside.

Engaging with the local players (HEIs, government agencies, business companies, local networks, etc.) recognized in the host country is the key to relations, recognition and market knowledge. The activities resulting from these partnerships might be:

- Establishing joint and double degree programmes with the local university, with exchange opportunities for students and academics.
- Research collaborations, facilitating exchange opportunities for academic staff, research projects with a keen focus on the host country's problems.
- Developing internship opportunities for undergraduate and postgraduate students in either country.
- Joint social campaigns, etc.

An institution should emphasize its unique specific feature from the institutional image, in order to intrigue and attract the partners. It is

important to position the institution on the context of the new realities and trends in the sector, as well as adapt to the demand, stressing the uniqueness of the HEI in this context.

Virtual image of an institution has a big importance in pre-entry and first interaction phase: website design, information searching simplicity, interactive content, reflection of the university's activities in its virtual environment, etc. Therefore, it is suggested to invest respectively in the virtual image.

**6th phase**. BC establishment. The main aims of this phase are generating and assigning resource base and forming the BC policy. The resource and BC policy related measures are finance resource base management and human resource base management, staff recruitment strategy formation, staffing and remuneration policy, developing the tuition policy and product adaptation.

BC establishment requires certain financial resource base. BC activities in most countries are funded mainly from university generated revenue. Some BC related initiatives might be supported financially by the host country government (e.g. to support educational services which are oriented to solving the country specific problems, etc.). A branch campus is a rather resource consuming initiative requiring substantial initial investment which usually buys off in 2-3 years. Usually BC funding is formally and strictly limited to own generated income, clear validation of specific resource base prevents from possible misunderstanding related to incorrect use of budgetary funds and income from the taxpayers.

Human resources, is an extremely important institutional factor in HEIs. Evidently from the BC research it is possible to start running a BC with 4-10 permanent academic staff and 20-50 students. However, the BC establishment and pre-establishment phase is likely to lead to additional workload and/or unusual tasks for faculty and administration. It is important, therefore, to develop the recruitment strategy of local staff members as well as proper remuneration policy introducing new forms and rules of work organization. Moreover, it is recommended that motivation would play an equal role in faculty and administration preparation process: professional placements, work task diversification, to mention a few means.

During the primary phase of BC establishment HEI is likely to face a shortage of human resource, especially the administrative kind, because of unusual and rare in the market activity. In order to meet the shortages and/or set the example for current staff, it is recommended to consider hiring local professionals. If relevant, a person responsible for coordinating the BC

activities in subordinating university could be appointed and working groups formed. Rank of a coordinating person (vice-rector, head IRO, etc.) depends on the size of an institution, internationalisation scale and usual management.

Lastly, tuition policy and curricula adaptation are to be considered. These two factors were evaluated as not raising major issues of adaptation by BC experts. Tuition policy - mainly because it is a flexible factor and is easily adjustable in case of BC. Curricula – because original curricula, foreign teachers and teaching methods are the main value for the customers, seeking authentic experience in a BC of a foreign university.

**7th phase**. Post establishment. The biggest challenges when running a branch campus according to the experts are student recruitment, academic staff management, funding of venture and coping with local political environment. The main aims of the 7th phase are: sustainable development of a BC, circulation and transfer of good practices.

Due to the executed research student/academic staff ratio in BCs is around 7/1, which is typically in a range from 15 to 25 students for 1 staff member. This proves BC to be a costly initiative. Combination of various measures can help meeting the shortage of academic staff: online courses, video lectures, temporary staff, fly-in staff, host country staff.

In order to assure feedback, activity monitoring of a BC should be included into overall monitoring of university's activities. Transfer of good practices should be monitored as well: in most analysed cases the good practices were transferred to a very little extent.

**8th phase**. Expansion. The aim of this phase is multiplication of practices to other foreign markets once the BC is established and running. The cycle is repeated – only with more experience and knowledge, therefore some phases might be skipped.

If relevant the closing strategy should be applied for the following purposes: to move to another market, to move to another mode of delivery in the same market, to shut down BC model in general.

## 5. Conclusions

The hypothesis of possible coherence of the IBC establishment practices with the revisited Uppsala internationalisation model used in international business practices has been checked and approved in this research.

Based on the comparison and analysis of the equivalents and differentiation of market entry modes in business and higher education the 8 phase model of foreign market entry was suggested. Networking was

included in the model as a mean for foreign market testing, immersion and risk reduction for the latecomer universities in this research.

Comparative analysis of the foreign market and market entry mode selection in business and higher education demonstrates strong coherence between the determining factors in the latter sectors. This strengthens the thesis that business models (market entry modes) are transferable to higher education management. This opens up opportunities for further research in higher education internationalisation.

# References

Altunbas, Y., Manganelli, S., & Marques-Ibanez, D. (2011). Bank risk during the financial crisis. Do business models matter? (ECB Working Paper Series 1394). Frankfurt am Main, Germany: European Central Bank.

Anderson, E. & Gatignon, H. 1986. Modes of foreign entry: A transaction cost analysis and propositions, Journal of International Business Studies, 17 (1986), pp. 1–26

Andersson, U., Johanson, J., & Vahlne, J. E. (1997). Organic acquisitions in the internationalization process of the business firm. MIR: Management International Review, 67-84.

Arenius, P. (2005). The psychic distance postulate revised: from market selection to speed of market penetration. Journal of International Entrepreneurship, 3(2), 115-131.

Bartelse, J. & Vught van, F. 2007. *Institutional Profiles: Towards a Typology of Higher Education Institutions in Europe.* IAU Horizons, 13 (2-3). pp. 9-11

Benito, G. R., & Welch, L. S. (1994). Foreign market servicing: beyond choice of entry mode. Journal of international Marketing, 7-27.

Beerkins, E. 2004. Global opportunities and Institutional Embeddedness: higher education consortia in Europe and Southeast Asia. Center for Higher Education Policy Studies (CHEPS)

Blomstermo, A., Deo Sharma, D., & Sallis, J. (2006). Choice of foreign market entry mode in service firms. International Marketing Review, 23(2), 211-229.

Cavusgil, S.T. (1980), "On the internationalization process of the firms", European Research, Vol. 8, pp. 273-81.

Ch'ng, D. (1993), The Overseas Chinese Entrepreneurs in East Asia: Background, Business Practices and International Networks, CEDA, Sydney.

De Villa, M. A., Rajwani, T., & Lawton, T. (2015). Market entry modes in a multipolar world: Untangling the moderating effect of the political environment. International Business Review, 24(3), 419-429.

Elliott, G. R., & Cameron, R. C. (1994). Consumer perception of product quality and the country-of-origin effect. Journal of international Marketing, 49-62.

Ennew, C. T. (2012). Around the world in 80 ways: routes to internationalization in higher education. In The Globalization of Higher Education (pp. 70-90). Palgrave Macmillan, London.

Erramilli, M. K. (1991). The experience factor in foreign market entry behavior of service firms. Journal of international business studies, 22(3), 479-501.

Erramilli, M. K. & Rao, C.P. (1993), "Service firms' international entry mode choice: a modified transaction-cost analysis approach", Journal of Marketing, Vol. 57, July, pp. 19-38

Gallego, M. A., Hidalgo, E. R., Acedo, F. J., Casillas, J. C. & Moreno, A. M. 2009. The relationship between timing of entry into a foreign market, entry mode decision and market selection, Time & Society. vol. 18, 2-3: pp. 306-331

Girdzijauskaite, E. & Radzeviciene, A. (2013). Opportunities of Competitiveness of Latecomer University. Proceedings of the 16th Conference for Junior Researchers „Science – Future of Lithuania"

Gnyawali, D. R., & Madhavan, R. (2001). Cooperative networks and competitive dynamics: A structural embeddedness perspective. Academy of Management review, 26(3), 431-445.

Goodnow, J.D. (1985), ``Developments in international mode of entry analysis'', International Marketing Review, Vol. 2 No. 3, pp. 17-30

Gould, R. (2002). International market selection-screening technique: replacing intuition with a multidimensional framework to select a short-list of countries.

Håakansson, H., & Johanson, J. (2002). 3.2 A model of industrial networks. Understanding Business Marketing and Purchasing: An Interaction Approach, 145.

Håakansson, H.; Ford, D. 2002. How companies interact in business networks, Journal of Business Research 55(2):133-139

Hamel, G. & Prahalad, C.K. (1994), Competing for the Future, Harvard Business School Press, Boston, MA.

Hamill, J., Jevons, C. & Poon, S. (1997), "Implications of the Internet for international marketing by small and medium enterprises", Proceedings of the VIth Annual Business Congress of the International Management Development Association, Chonju City, South Korea, July.

Hodgson, R.W. & Uyterhoeven, H.E.R. (1962), "Analyzing foreign opportunities", Harvard Business Review, Vol. 40, March-April, pp. 60-79

Jagodka, R. (1997), "Skills needed for effective international marketing", unpublished doctoral dissertation, University of La Verne, CA

Johanson, J. & Mattson, L.G. (1988), "International marketing and internationalization process ± a network approach", in Paliwoda, S. and Turnbull, P. (Eds), Research in International Marketing, Croom Helm, London.

Johanson, J., & Mattsson, L. G. (2015). Internationalisation in industrial systems—a network approach. In Knowledge, networks and power (pp. 111-132). Palgrave Macmillan, London.

Johanson, J. & Vahlne, J. (1977) The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments, Journal of International Business Studies Spring/Summer pp 23-32

Johanson, J., & Vahlne, J. E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. Journal of international business studies, 40(9), 1411-1431.

Karakaya, F. & Stahl, M.J. (1992), "Underlying dimensions of barriers to market entry in consumer goods markets" (research note), Journal of the Academy of Marketing Science, Vol. 20 No. 3, pp. 275-8

Klein, S. (1989). "A transaction cost explanation of vertical control in international markets", Journal of the Academy of Marketing Science, Vol. 17 No. 3, pp. 253-60

Knight, G. A., & Cavusgil, S. T. (2004). Innovation, organizational capabilities, and the born-global firm. Journal of international business studies, 35(2), 124-141.

Koch, A.J. (1997), "Definition and evaluation of competence, capability and skill gaps in international business", Journal of Marketing Practice: Applied Marketing Science, Vol. 3 No. 2, pp. 119-51

Kogut, B. & Singh, H. (1988) The Effect of National Culture on the Choice of Entry Mode, Journal of International Business Studies 19 (3) pp 411-432

Kumar, V.; Stam, Antonie & Joachimsthaler, Erich A. (1994) An Interactive Multicriteria Approach to Identifying Potential Foreign Markets, Journal of International Marketing 2 (1) pp 29-52

Laufs, K., & Schwens, C. (2014). Foreign market entry mode choice of small and medium-sized enterprises: A systematic review and future research agenda. International Business Review, 23(6), 1109-1126.

Lin, F. J., & Ho, C. W. (2018). The knowledge of entry mode decision for small and medium enterprises. Journal of Innovation & Knowledge.

Luo, X.; Slotegraaf, R. J.; Pan, X. 2006. Cross-functional "coopetition": The simultaneous role of cooperation and competition within firms, Journal of Marketing 70(2): 67–80

Moyer, R. (1968), "International market analysis", Journal of Marketing Research, Vol. 5, November, pp. 353-60

Naidoo, V. 2009. Transnational higher education: A stock take of current activity. Journal of Studies in International Education. Volume 13, Number 3. DOI: 10.1177/1028315308317938

Nouwens, J. & Bouwman, H. (1996), "Living apart together in electronic commerce: the use of information and communication technology to create network organizations", Project 2000, Journal of Computer-Mediated Communication, Vol. 1 No. 3. Available at http://shum.huji.ac.il/jcmc/vol1/issue3/ hoffman.html

Nugaras, J., & Radzevičienė, A. 2011. Networking in the Transport Sector: Inter-Firm vs Intra-Firm Perspective. Business: Theory and Practice. Verslas: Teorija ir Praktika, 11(2), 69-74

Paliwoda, S. & Thomas, M.J. (1998), International Marketing, 3rd ed., Butterworth-Heinemann, Oxford

Porter, M.E. (1980), Competitive Strategy: Techniques for Analyzing Industries and Competitors, Free Press, New York, NY.

Rhee, J. H., & Cheng, J. L. (2002). Foreign market uncertainty and incremental international expansion: The moderating effect of firm, industry, and host country factors. MIR: Management International Review, 419-439.

Robertson, K. R., & Wood, V. R. (2001). The relative importance of types of information in the foreign market selection process. International Business Review, 10(3), 363-379.

Root, F. R. (1987). Foreign Market entry strategies (AMACOM, New York) Google Scholar.

Root, F. R. (1994) Entry Strategies for International Markets, Lexington Books, New York

Russow, L. C. & Solocha, A. (1993) A Review of the Screening Process within the Context of the Global Assessment Process, Journal of Global Marketing 7 (1) pp 65-85

Samli, A.C. (1977), "An approach for estimating market potential in East Europe", Journal of International Business Studies, Fall-Winter, pp. 49-53

Schiffman, L. G. & Kanuk, L. L. (1991) Consumer Behavior, 4th Ed., Prentice Hall, Englewood Cliffs

Sheridan, J. V. (1988). An Examination of international market selection methods in small and medium-sized technology firms(Doctoral dissertation, Carleton University).

Turnbull, P. W., & Ellwood, S. (1986). Internationalisation in the information technology industry. UMIST.

Vahlne, J.E. & Wiedersheim-Paul, F. (1977), "Psychic distance ± an inhibiting factor in international trade'", unpublished paper, Center for International Business Studies, Department of Business Administration, University of Uppsala, Uppsala

Van Wood, R. & Goolsby, J.R. (1987), "Foreign market information preferences of established US exporters", International Marketing Review, Winter, pp. 34-52.