



Universidad de Especialidades Espíritu Santo

FACULTAD DE ECONOMÍA Y CIENCIAS EMPRESARIALES

**THE UPPSALA MODEL IN THE
INTERNATIONALIZATION OF HIGHER EDUCATION**

**Trabajo de titulación que presenta como requisito previo para
optar el grado de licenciado en Ciencias Empresariales**

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Resumen

En la última década, la vocación de servicio de la universidad (devolver a la sociedad parte de lo que ella recibe) ha evolucionado a pasos agigantados, hasta el extremo de configurarse como un negocio rentable, gracias, sobre todo, al fenómeno de la globalización. Dentro de la nueva economía del conocimiento, el importantísimo papel que desempeña la educación superior —formar a personas en competencias que les permitan no solo procesar datos sino también, una vez convertidos en información, saber qué hacer con ellos a partir del principio *saber qué, saber cómo y saber por qué*— constituye el fundamento primero del progreso de los países o territorios que, dentro o fuera de sus fronteras, la fomentan. Para poder ampliar tanto sus actividades transfronterizas como sus beneficios, muchas instituciones universitarias han adoptado, a modo de mecanismo de internacionalización de su negocio, el llamado *modelo de Uppsala*, el cual opera a través de los pasos escalonados siguientes, representativos del riesgo que uno esté dispuesto a asumir: 1) exportación; 2) permiso de explotación del negocio; 3) sociedad conjunta; y 4) sociedad unipersonal. Este modelo, que ha demostrado solentemente su validez en el ámbito empresarial, constituye hoy en día una fórmula muy utilizada como puerta de entrada de las universidades en los mercados internacionales.

Palabras clave: universidad, educación superior, internacionalización, globalización, modelo de Uppsala, economía del conocimiento.

Abstract

In the last decade, the university's service vocation (giving back to society what it has received) has evolved in giant steps to the extreme point of establishing itself as a profitable business, primarily due to the phenomenon of globalization. In the new knowledge-based economy, the important role played by higher education – forming professionals with competencies that allow them not only to process data but also, once it is converted into information, knowing what to do with it under the *know-what*, *know-how*, and *know-why* principles – constitutes the primary basis for a country's or territory's progress, whether in- or outside its borders. In order to expand its cross-border activities as well as its benefits, many tertiary institutions have adopted, as an internationalization strategy for their business, the so-called *Uppsala model*, which operates through the following successive steps that represent the amount of risk taken: 1) exporting; 2) licensing production; 3) joint ventures; and 4) sole ventures. This model, which has proved its validity in the business sector, has become the most widely used formula among universities as an entry method into international markets, today.

Key words: University, higher education, internationalization, globalization, Uppsala model, knowledge-based economy.

Introduction

In recent decades, higher education has been influenced by the knowledge-based economy to adopt a more commercial orientation (Healey, 2008). For many countries, especially in the North, this orientation has led higher education to become a billion dollar industry with universities attracting large numbers of foreign students and international cooperation in research and teaching. The internationalization of higher education has been assisted by globalizing factors such as the advancement of information and communication technologies, air travel and the hegemony of English as the world's common language (Huang, 2007). It is through these factors that higher education has taken an entrepreneurial approach towards globalization, placing tertiary education at the center of the knowledge-based economy. Thus, following an internationalization process has become of the utmost importance for higher education institutions to compete globally.

As the Anglo-Saxon university model becomes the global standard (Bernasconi, 2013), higher education institutions in North America, Western Europe and Oceania are benefiting from the surge of international student enrollments. All of these countries have followed heavy internationalization strategies, reforms on national policies and international collaboration in order to increase the inflow of foreign students. As the international education sector is becoming more and more profitable, the so-called *Uppsala internationalization model* is being increasingly adopted by the higher education industry as an incremental internationalizing process

consisting of four steps: (1) exporting, (2) licensing production, (3) joint ventures, and (4) sole ventures. Throughout this model, postsecondary institutions have been able to expand their international activities so as to reach more foreign students.

In the context of higher education, the internationalization process is mainly directed towards the exportation of education — with the majority of international students studying in developed countries. According to the Organization for Economic and Commercial Development (OECD), Europe and North America are the main destinations for foreign students, while Latin America is the least popular destination with only 78,760 foreign students (2013). Among the main sources of foreign students for universities in the North, Asia is the most important with over 60% of the world's population (Healey, 2006). This *export* of higher education services offered to foreign students is the most popular, and most lucrative, among the major destination countries within the First World.

International partnerships in the form of dual/joint degrees and off-shore branches are also becoming very popular in Asia and the Middle East. In this *franchise* model, “a university (normally based in a MESDC) ¹ sub-contracts a local provider in another country to offer part or all of its degree programme” (Healey, 2006, 5). In other words, the local partner provides the first years of a degree locally, with students completing their degrees, be they undergraduate, postgraduate, or doctoral, at the university's home campus (Healey, 2008). The off-shore branches were the natural next step towards internationalization of tertiary education

¹ Main English-Speaking Destination Countries (i.e. Australia, Canada, New Zealand, the United Kingdom, and the United States).

institutions. Due to its risky nature, offshore activities have been heavily criticized for their volatility (Fielden, 2013) and their ‘McDonaldization’ of higher education (Healey, 2006). Nonetheless, some countries have been able to find success within this industry (Fielden, 2013).

Even though the economic and human benefits from international education are mostly enjoyed by developed countries, emerging nations like China, Dubai and Singapore are adopting internationalization strategies such as western branch campuses. Other developing and middle-income countries have focused on liberalizing higher education, building international partnerships in research, student and faculty mobility in order to jumpstart the internationalization of their higher education institutions.

According to Van Ginkel (2011, 10), “never before have the expectations of their [universities’] potential contributions been so high, and never before have doubts about their quality and performance been so serious and widespread.” No longer can higher education institutions continue to strive without being globally competitive. Though internationalization in itself can enhance the competitiveness, prestige, and strategic alliances of any given higher education institution, earning money is a key motivation for all internationalization projects. Higher education institutions have adopted the Uppsala model to attract foreign students and international ventures as well as to improve the quality and cultural diversity of their services. Therefore, as the internationalization of higher education becomes a necessity in a competitive global knowledge-based economy, the importance of an internationalization model becomes crucial towards achieving this goal.

Globalization and Internationalization in Higher Education

The distinction between *globalization* and *internationalization* is a continuous debate in the field of higher education since most of the time these two terms are used interchangeably. However, none of the two presents a clear definition. Some perceive the relationship between globalization and internationalization as dialectical (Scott, 1998) and others as reactive (Van der Wende & Kalvermark, 1997). Scott holds that “globalization cannot be regarded simply as a higher form of internationalization. Instead of their relationship being seen as linear or cumulative, it may actually be dialectical. In a sense the new globalization may be the rival of the old internationalization” (1998, 124). On the other hand, Van der Wende (1997, 19) argues that internationalization can be seen as a response to globalization as higher education institutions are becoming “[more] responsive to the requirements and challenges related to the globalization of societies, economy and labor markets.” Therefore, influenced by globalization, and vice-versa, the internationalization of higher education has adopted a vast array of operations such as trans-national mobility of students and staff, international curricula, quality assurance by global standards, and international inter-institutional cooperation in research and teaching. In the following paragraphs, the definition of globalization and internationalization in the field of higher education will be discussed.

Globalization has been a buzzword for the past century (Held, McGrew, Goldblatt, & Perraton, 1999), but even with more than 10,200,000² results in Google.com it still lacks a proper definition. The issue is its modernity. While, some believe that globalization is a modern social phenomenon (Giddens, 1990), others believe that it is a long-term historical process that dates back to the original migration of early humans out of East Africa (Clark, 1997). For the latter, it is this instinctive human need to spread that began the globalization process. Thus, our nature is to be *global creatures*.

According to Yang (2003), *globalization* is a multidimensional phenomenon that is involved in a large spectrum of domains including, but not limited to, politics, economics, education, culture, migration and environment. As the rapid technological advancement speeds up the diffusion of the globalization process, it encompasses more domains and world regions. Therefore, in this paper, *globalization* will be defined as “the widening, deepening and speeding up of worldwide interconnectedness” (Held, McGrew, Goldblatt, & Perraton, 1999, 2).

Globalization, within tertiary education, cannot be considered a universal phenomenon, since it adapts according to “locality (local area, nation, world region), language(s) of use, and academic cultures, and it plays out very differently according to type of institution” (Marginson & Van der Wende, 2007, 5). Therefore, international contexts have to be taken into account when discussing the globalization and internationalization of higher education in this global community.

² Information retrieved on March 28, 2014 from google.com.

For Yang (2003), the concept of globalization has become of the utmost importance in the discussion of the future of higher education as the *globalization* process is transforming the *internationalization* of this field throughout the world. This is particularly evidenced “when higher education in developing countries has begun to integrate into the world community to meet with the global demands and even conform in the international practice” (Yang, 2003, 270). In other words, as the globalization process deepens, the internationalization of higher education expands throughout the developing world. Thus, an analysis of the globalization process and its effects on higher education is necessary in order to understand its internationalization.

On the other hand, what is meant by *internationalization*? As Altbach & Knight state (2007, 291) “globalization may be unalterable, but internationalization involves many choices.” If globalization is an ever-changing, all-pervading process, internationalization is a predetermined, deliberate process of international integration. For Knight (2004, 11), *internationalization* is “the process of integrating an international, intercultural or global dimension into the purpose, functions or delivery of post-secondary education.” Even though this idea is not new to the education sector, it has been the internationalization of the student body in the last decade that has begun the perception of universities as corporations.

According to Bhandari & Blumenthal (2009), even though the acceleration of student mobility is relatively new, the desire to get an education abroad has been around since the XV and XVI centuries. The role of universities has been and will always be to create and disseminate knowledge. As Sadlak states (1998, 101), “all

societies, whether modern or modernizing, post-industrial or developing, are experiencing increasing demand for access to higher education, foremost in order to respond to an increasing requirement for trained citizens for an economy which more and more depends upon knowledge-related skills and the ability to handle information.” The internationalization of higher education is an outstanding development that has permitted the mass production of such citizens.

In this paper, the term *internationalization* will be defined as “any relationship across borders between nations, or between single [higher education] institutions situated within different national systems” (Marginson & Van der Wende, 2007, 11). That is, while *globalization* is the process of world-wide engagement, *internationalization* is a direct process that involves as few as two units. Internationalization is still defined by national boundaries with restricted social and cultural systems even when they are interconnected.

The globalization process can deepen the effect of internationalization, and challenge national autarky. In other words, a relationship exists where globalization further integrates national systems, while internationalization intensifies their interconnection. According to Knight (2003, as cited in Huang, 2007, 45), there is a dynamic relationship between the two processes:

Globalization is a phenomenon of a process which is affective many sectors and disciplines and education is no exception. Internationalization of higher education is both a response to globalization as well as an agent of globalization. Internationalization is changing the world of higher education and globalization is changing the process of internationalization.

As the following section will show, the link between *globalization* and *internationalization* has refashioned the international operations within the higher education system, rapidly becoming more commercial in orientation.

Higher education in the knowledge-based economy

“It is a widely accepted maxim that, like business generally, higher education is internationalizing” (Healey, 2008, 1). Nowadays, higher education is thought to be following the classic internationalization approach common in business (Scott, 1998; Altbach, 2002; Hira, 2003). This internationalization process is fueled by advances in technology and the increasing hegemony of English as the common language of science, politics and business. Thus, in this next segment, the commercialization and internationalization of private higher education in a knowledge-based economy will be explored.

With regard to the international commercialization of higher education, Teichler (2004, 23) states that “it is surprising to note how much the debate on global phenomena in higher education suddenly focuses on marketization, competition and management in higher education.” It is surprising because while higher education has been a sub-player in the economic world, it is vital for the world’s research, knowledge, and information. The increasing success that higher education is having within the knowledge-based economy is due to the fact that “information and knowledge are highly mobile, readily slipping across borders, so that the cultural sphere of higher education, in which research and information are produced, is actually more globalized than the economic sphere” (Marginson & Van der Wende, 2007, 8).

During the early 1990s, after the Cold War and the fall of the Berlin Wall, the rise of market privatization and liberalism caused the decline of public subsidies

towards universities, increasing the pressure to adopt a corporate orientation (Healey, 2008). This orientation has been associated with the increasing numbers of foreign students, mostly from developing countries, enrolling in western universities. After the 1990s, various factors, especially economic globalization, the advancement of information and communication technologies, and the introduction of market-oriented mechanisms, have steered the internationalization of higher education towards a more competitive economic environment at a global level (Huang, 2007). Therefore, with the globalization of the economy the paradigms of local higher education are being refashioned in order to adapt to the growing global challenges.

The international context in developed countries differs greatly from that in developing countries. In many developed nations, particularly in the Anglophone territories, the internationalization of higher education has an entrepreneurial nature (Healey, 2008; Huang, 2007). In 2003, the International Development Program of Australia carried out a study to predict the demand for international students among 144 countries based on economic/income trends, demographic trends, and trends in higher education participation (IDP, 2003). The final prediction was an increase of 150% in the demand for higher education by 2025. Nowadays, universities within the OECD have more than 90% of all international students, with four English-speaking countries (Australia, New Zealand, United Kingdom, United States) maintaining almost 50% of this market share. According to the IDP, these countries will have an annual growth rate of 6%, remaining as the main destination countries for foreign students, with 71% coming from Asia (2003). Open markets and free trade have become the pillars of globalization, and in the process, have changed the higher

education industry into a business. Deepak Nayyar, a former Vice-Chancellor of Delhi University, states (as cited in Balaram, 2008, 1229):

The spread of markets and the momentum of globalization, during the past two decades, have transformed the world of higher education almost beyond recognition. Market forces, driven by the threat of competition or the lure of profit have led to the emergence of higher education as business.

Knowledge has always been central for global economic and social development. By the 18th century, Adam Smith had already referred to specialists of speculation who gave an innovative economic use to knowledge. This usage is reflected in the change of the global economy towards technology industries and highly-skilled labor. According to the OECD (1996, 7), knowledge-based economies are defined as “economies which are directly based on the production, distribution and use of knowledge and information.” Thus, investments in research and development (R&D), education and training will define the future of national economies within the knowledge-driven economy (OECD, 1996). In this new economy, the role of knowledge and technology in driving economic growth are crucial.

Nowadays, the global economy is evolving into a post-industrial, knowledge-based economy, in which the key strategic resource necessary for growth has become knowledge itself (Drucker, 1994). The unique quality about knowledge is that unlike natural resources, the more it is used, the more it expands and grows. In Brinkley’s words (2006, 5), “the most important property is that knowledge is the ultimate economic renewable — the stock of knowledge is not depleted by use.” As a result, universities are playing an increasingly important role in the production, transmission and transfer of knowledge in this new economy.

As a large and growing proportion of the labor force is engaged in handling information as opposed to more tangible factors of production, educated and skilled labor is becoming more valuable in the knowledge-based economy (OECD, 1996). As mentioned above, due to the highly mobile nature of knowledge it can spill over from one economic sector to another, with innovative ideas used repeatedly with very little additional cost. Therefore, innovation in this economy requires cooperation among a vast array of stakeholders such as firms, governments, laboratories, academic institutions and consumers.

Institutions of higher education are at the core of the science system, which contributes to the key functions of : “i) knowledge production – developing and providing new knowledge; ii) knowledge transmission – educating and developing human resources; and iii) knowledge transfer –disseminating knowledge and providing inputs to problem solving” (OECD, 1996, 21). In recent years, the proportion of total investment in R&D has increased significantly around the world; nonetheless, low research budgets is one of the many difficulties universities are facing in fulfilling their roles. “Universities confront the need to continue high-quality research and research training in the context of diminishing resources and more overall student demands” (OECD, 1996, 24). In practice, the educational mission of higher education influences their approach to conducting research by assigning research roles to their students, thus ensuring their participation in practical activities.

In the knowledge-based economy, universities must find a balance not only between research and education, but also transferring knowledge to economic and

social actors in order for them to exploit such knowledge (Duderstadt, 2002). In the case of higher education, university/industry collaboration stimulates new research as it reaffirms the university's educational mission. In other words, it increases the efficient allocation of economically useful knowledge as it develops the competencies needed by the labor market. Today's priorities revolve around education and the skills of the workforce. The National Governors' Association of the United States notes that "the driving force behind the 21st century economy is knowledge and developing human capital is the best way to ensure prosperity" (National Governors Association, 2001). As a result, society tends to increasingly regard the university as an engine for economic growth through the production and diffusion of knowledge.

The market forces that motivate higher education to focus on building core competencies also provide encouragement to build research alliances. According to Duderstadt (2002, 25), "international alliances will become increasingly important, whether through student/faculty exchanges programs such as the Erasmus-Socrates programs and agreements such as the Bologna Declaration or virtual constructs such as the collaborations made possible by advances in information technology." In other words, in order to excel in the knowledge-based economy higher education institutions must focus on international and local alliances that will increase the production, transmission, and transfer of economically useful knowledge.

Methodology

Through secondary research review this paper will attempt to demonstrate the commercialization and internationalization of higher education through the implementation of the Uppsala model in the knowledge-based economy. Due to its meta-analytic nature, this paper will make use of this information in order to analyze the current modes of international ventures that post-secondary institutions use in the educational trade industry.

First, in order to fully understand the implementation of this model within the higher education industry the *Uppsala internationalization model* will be explained. Thus, explaining the relationship between market knowledge and market commitment with experiential knowledge and perceived risk is of the utmost importance in order to fully demonstrate the dynamic nature of the Uppsala model.

Second, the four successive stages of internationalization 1) exporting, 2) licensing production, 3) joint ventures, and 4) sole ventures will be explored in the context of higher education. For this research, a significant amount of publicly published data pertaining to the OECD and other international organizations with regard to the internationalization of higher education will be used in order to explain each internationalization stage. The phases in which this research was carried out were the following:

Phase 1

1. Establishing the depth and length of the research to be carried out.

2. Examining and analyzing the internationalization trend of higher education.
3. Identifying and analyzing the main researches concerning the internationalization of higher education in a knowledge-based economy.
4. Identifying and analyzing the main researches concerning the Uppsala internationalization model.
5. Identifying and analyzing the main researches concerning exporting, licensing production, joint ventures and sole ventures in the context of higher education.
6. Filling in and filing all electronic cue cards pertaining to the examined sources.

Phase 2

7. Developing a tentative paper outline to be carried out.
8. Starting to describe in writing the main internationalization and globalization theories related to higher education in the knowledge-based economy.

Phase 3

9. Describing and explaining in writing the main results of the research.
10. Reviewing, correcting and presenting the finished research paper.

The Uppsala Model and Higher Education

The *Uppsala internationalization model* was built on the basic assumption that the lack of experiential knowledge in a new market is an important obstacle to the development of international operations and that this knowledge can only be gained through incremental commitments abroad (Johanson & Vahlne, 1977). Therefore, the Uppsala model deals fundamentally with knowledge acquisition. Based on empirical observations on Swedish firms from the authors' studies in international business at the University of Uppsala, the study observed that these firms developed their international operations in small steps, undertaking incremental commitment decisions as they gained market knowledge and reduced uncertainty (Johanson & Vahlne, 1977).

Then, internationalization, in the business sector, can be described as “the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments” (Calof & Beamish, 1995, 116). However, it must be specified that this adaptation is done through a series of incremental decisions and commitment. In other words, internationalization is based on conscious decisions. At this point, it is noteworthy to mention that one of the main reasons for firms to internationalize is that their competitors or customers have gone global (Ohmae, 1990). Therefore, as a firm becomes more internationalized its profitability increases accordingly (Gerlinger, Beamish, & da Costa, 1989).

Johanson & Vahlne (1977) describe internationalization from learning and evolving perspectives. Thus, the Uppsala model is primarily portrayed as a dynamic schema. As a result, the model's main purpose has been to explain how firms gain knowledge and use this knowledge throughout their international activities. According to Johanson & Vahlne (1977), even though the necessary knowledge can be acquired, it is the experiential knowledge gained through the firm's own operations that furthers its market commitment.

Penrose (1959) has identified the two most important types of knowledge: objective or general knowledge and experiential or market-specific knowledge. Although the former can be easily taught through standardized methods, the latter can only be learnt through personal experience and cannot be easily transferred or separated from the source. Even though, international initiatives require both kinds of knowledge, the Uppsala model stresses on the importance of tacit knowledge on the firm's incremental commitment abroad. Market-specific knowledge generated through international experiences is the main driving force in the internationalization process (Johanson & Vahlne, 1990).

In the Uppsala model, "it is assumed that the firm strives to increase its long-term profit, which is assumed to be equivalent to growth" (Johanson & Vahlne, 1977, 27). It also assumes that market knowledge and market commitment affect perceived opportunities and risks which in turn influence commitment decisions and current activities (Johanson & Vahlne, 1977). Thus, the basic mechanism of internationalization developed by Johanson & Vahlne (see figure 1) shows how the

firm acquires experiential knowledge and consequently lowering its risks abroad and increasing its market commitment:

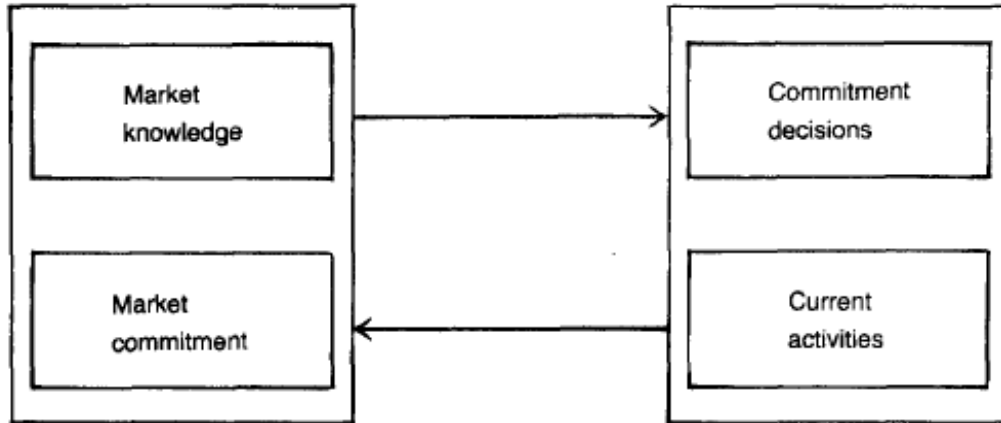


Figure #1: The Basic Mechanism of Internationalization – State and Change Aspects (Johanson & Vahlne, 1977).

Therefore, when firms must decide whether and how to enter a foreign market, they must consider local regulations; legal requirements; local tastes; and culture. This uncertainty can lead firms to follow a gradual internationalization process, serving foreign markets via exports before engaging in foreign direct investment (FDI).

Traditionally education has been seen as a non-tradable service but as any other business, in the last two decades, higher education has also been globalized and commercialized. As Healey states (2008, 1), “higher education is now an important export sector, with many university campuses attracting international students from around the world.” In the tertiary education industry, entry choices may be driven by market situations, demand of higher education, and comparative advantages.

Nevertheless, higher education institutions gain market knowledge differently from firms; for example, cooperation in research, international students, and study abroad programs offer universities an inside look into foreign markets (Childress, 2010).

Even though every firm's internationalization process has its unique rationale, they may have some common ground. Knight (2003) suggested that the rationale behind importing educational services included, but were not limited to satisfying increasing demand for higher education, improving local educational quality, and forming international political alliances. On the other hand, the author also proposed that the main reasons for exporting educational services were market-share expansion, excess supply, branding and cultural diversity. These rationales clarify the increasing importance of trade in educational services in the General Agreement on Trade in Services (GATS). Consequently, the trade industry has developed four modes to describe these services, which are given below (Knight, 2003, 4):

- **Mode 1: Cross-border supply** refers to a service that does not require the user to physically move across borders in order to receive it. Examples in higher education include distance education and e-learning.
- **Mode 2: Consumption abroad** refers to the consumer moving where the supplier is located in order to consume the service. Examples in higher education include students studying abroad.
- **Mode 3: Commercial presence** refers to the supplier establishing a facility abroad in order to provide the service. Examples in higher education include branch campuses or franchising arrangements.

— **Mode 4: Presence of natural persons** refers to staff members being sent abroad temporarily in order to provide a service. Examples in higher education include professors or researchers working abroad.

Due to its mission to create and transfer borderless knowledge and information, higher education has always been more internationally oriented when compared with other sectors. As Marginson & Van der Wende state (2007, 5), “in global knowledge economies, higher education institutions are more important than ever as mediums for a wide range of cross-border relationships and continuous global flows of people, information, knowledge, technologies, products and financial capital.” Nowadays, international operations have become the primary source of development among higher education institutions, especially in the Anglophone world (Marginson & Van der Wende, 2007).

When analyzed within the Uppsala internationalization model, many universities’ international operations include exporting education by attracting international students in their home campuses, licensing production by franchising degree programs, opening joint venture campuses, and even setting up sole venture campuses abroad (Healey, 2008). This reflects the four different modes of entering a foreign market proposed by Johanson & Vahlne (1977), where the successive stages require a higher market knowledge and market commitment. Those four steps are (1) exporting, (2) licensing production, (3) joint venture, and (4) sole venture (Healey, 2008).

According to the Uppsala model, the entry choice of the firm is influenced by the psychic distance perceived between the home and the foreign market. The psychic

distance is defined as “the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and industrial development” (Johanson & Vahlne, 1977, 24). A country may be geographically close, for example Australia and Japan but have a large psychic distance. On the other, Australia, United Kingdom, and the U.S. are situated in different corners of the world but have less psychic distance between each other. Therefore, firms, including post-secondary institutions, start at a psychic nearby market and as they gain more experience move farther away.

As mentioned above, for a profit making firm the main drive for internationalization is profit maximization in the long term by accessing market expansion. Therefore, universities first export educational services to foreign students enrolled in their home campuses, and as experiential knowledge is acquired they invest into degree franchising and offshore campuses. Paradoxically, most international students are from distant psychic countries, for example, among the top ten sending places of origin 92.02% are from Asia and the Middle East (see table 1). This allows higher education institutions to research among their pool of inbound students for market expansion opportunities abroad. Hence, for an American university such as Hult International Business School it was an easier decision to open a sole venture campus in Shanghai in 2007 (Hult International Business School, 2014) since 25.4% of all international students in the U.S. are from China (Institute of International Education, 2012):

Place of Origin	Number of Students	Percentage among Top Ten
China	194,029	37.88%
India	100,270	19.58%
South Korea	72,295	14.11%
Saudi Arabia	34,139	6.67%
Canada	26,821	5.24%
Taiwan	23,250	4.54%
Japan	19,966	3.90%
Vietnam	15,572	3.04%
Mexico	13,893	2.71%
Turkey	11,973	2.34%
TOTAL	512,208	100.00%

Table #1: Top Ten Nationalities among International Students in the U.S. in 2012 (Institute of International Education, 2012).

As a first step towards commercial internationalization exporting education focuses on the international students enrolling in the on-shore campus of universities. Unlike other industries, education export occurs when international customers go to the service provider abroad. International student enrollment has increased 78% between 2000 and 2010 (UIS, 2012), making it a rapidly growing phenomenon with more than three million students seeking an education outside their home country. And with at least 3.6 million students enrolled in tertiary education in 2010, up from 2 million in 2000 (UIS, 2012), higher education is proving to be a lucrative industry. Some countries undertake major marketing efforts to attract students from outside their borders, such as Australia. The Australian government has even invested in their own official web site for attracting international students to study in Australia: www.studyinaustralia.gov.au. The Study-In-Australia campaign has opened student recruiting centers in more than 30 countries and territories such as Chile, Ecuador,

China, and Thailand. (Australian Government, 2014). As a result, the Australian Education International (AIE) reported, in 2012, that the number of international students in this country surpassed the 500,000 (Australian Education International, 2013), thus making the Australian education industry the fourth largest export sector in 2012/2013 (see figure 2):

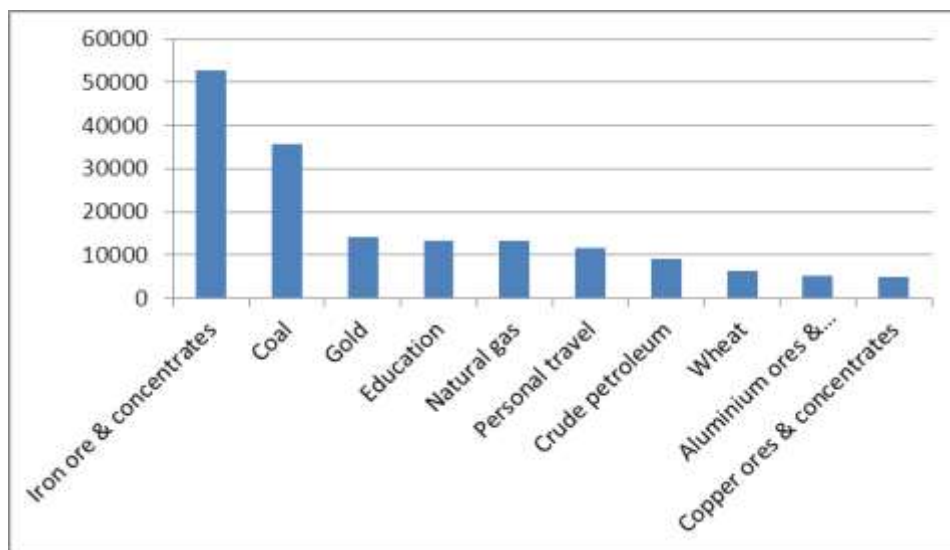


Figure #2: Australia’s Top Exports 2012/13 USD\$ millions (DFAT, 2013).

Due to these marketing efforts in recruiting international students, “Australia, Canada, France, Germany, the United Kingdom and the United States together receive more than 50% of all foreign students worldwide” (OECD, 2013, 307). During the period 2000-11, the number of foreign students enrolled in tertiary institutions more than doubled, with an average annual growth rate of almost 7% (OECD, 2013). In 2011, the United States hosted most of foreign students with

16.50%, followed by the UK (13%), Australia (6%), Germany (6%), France (6%), and Canada (5%) (See figure 3). International students enrolled in the U.S. contributed more than US\$22 billion per year, while in the UK and Australia they contributed US\$21 billion and US\$17 billion, respectively (Altbach, 2013):

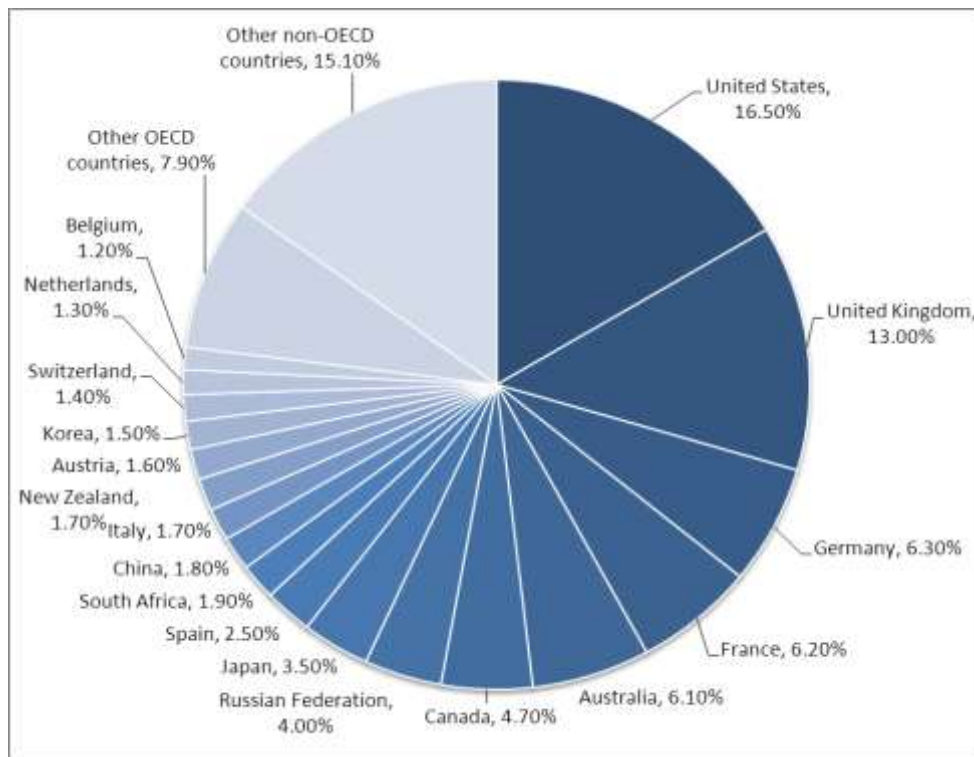


Figure #3: Distribution of foreign students in tertiary education, by country of destination in 2011 (OECD, 2013).

Among the international student population worldwide, Asian students form the largest group enrolled in tertiary institutions abroad with a 52.7% (see figure 4). In 2011, students from China and India accounted for 21% and 6.5%, respectively, of all international students enrolled in higher education in the OECD area (OECD, 2013):

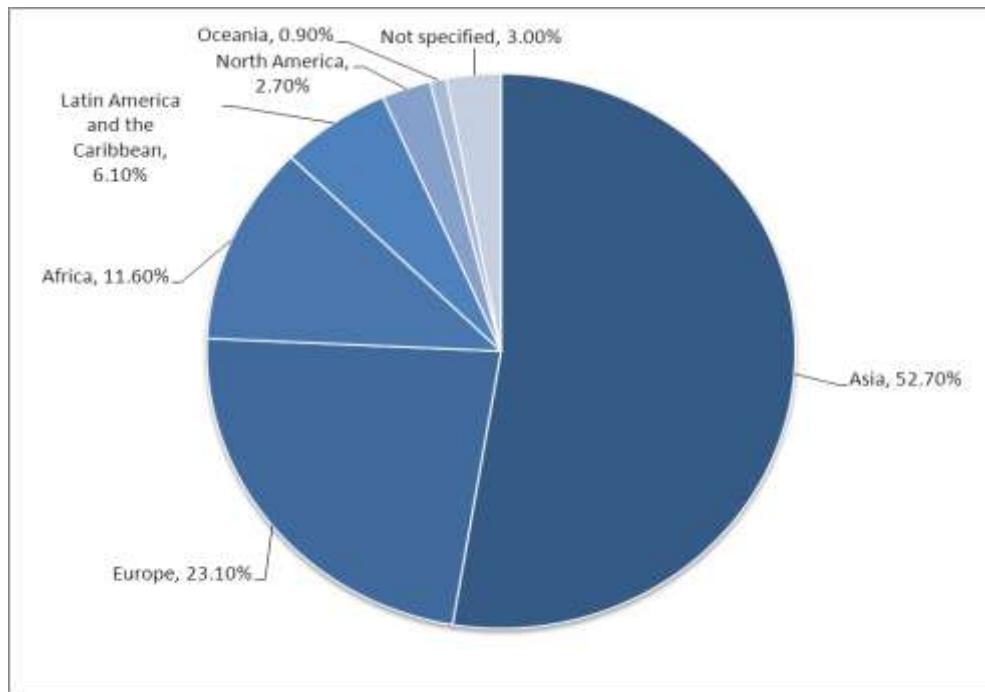


Figure #4: Distribution of foreign students in tertiary education, by region of origin in 2011 (OECD, 2013).

As Healey (2008, 5) states, “the figures shown confirm that the export of higher education services through the conventional route of enrolling international students on home campuses is a major sector.” On the other hand, the succeeding steps up the internationalization ladder would be licensing production, joint ventures and sole ventures abroad. These steps are also known in the higher education industry as *transnational* or *offshore* education. According to Healey (2008, 334), in the context of higher education, “internationalization is most closely associated with the teaching function of universities and the move from local production to satisfy local consumers to distributed multinational production to satisfy global consumer base.” This process of internationalization termed *transnational education* includes “all

types of higher education programs and educational services (including distance-learning) in which learners are located in a country different from the one where the awarding body is based” (Council of Europe/UNESCO, 2000). This model is increasingly growing due to technical advancements, market liberalization and privatization, as well as air travel. The British Council’s description of the main transnational education delivery modes is shown below:

Type of delivery mode	Definition
International branch campus	The sending higher education institution establishes a stand-alone satellite operation in the host country and is responsible for all aspects of recruiting, admission, programme delivery and awarding of the qualification.
Franchise/ twinning programmes	A sending higher education institution authorizes a host institution to deliver its programme, with no curricular input by the latter. The qualification is awarded and quality assured by the sending institution. The host institution has responsibility for delivery of the programme but the sending institution may assist with flying teaching faculty. Franchise programmes are typically 3+0 or 4+0 with all study taking place in the host country, Where the student completes the study in the sending country, e.g. 2+1, this is commonly known as a twinning programme.
Articulation agreements	Allow host country students who have completed a specified curriculum to apply to a sending country programme and enroll with advanced standing.
Double/dual degree programmes	Two or more partner institutions in different countries collaborate to design and deliver a common programme. The student receives a qualification ion from each partner institution.
Joint degree programmes	The joint degree programme is similar to the double/dual programme in that two or more institutions collaborate to design and deliver a new programme. The sole difference is that students receive one qualification which includes the badges of each partner institution on the award.
Validation programmes	The process by which a sending institution judges that a programme developed and delivered by a host institution is of an appropriate quality and standard to lead to a degree from the sending institution.
Other	Access programmes, credit transfer/study abroad programmes, distance learning programmes, virtual universities, bi-national campuses, etc.

Table #2: Description of main transnational education delivery modes (British Council, 2013, 15).

Mostly private colleges and universities in developing countries make franchise and joint venture agreement with universities from OECD countries. In these agreements, foreign students are able to study at their home campus for a period of time and then enrolling into the campus abroad or study for a foreign degree at their home campus. These ventures may represent a great risk for a sending higher education institution; therefore two of the bigger investors in the field — the United Kingdom and Australia — have designated the British Council and Australian Education International for the quality assurance of their transnational education ventures. According to data released in 2012 by Britain’s Higher Education Statistics Agency (HESA), the number of students studying for a UK award outside the United Kingdom were 571,000 (Fielden, 2013). Of those students, 291, 745 were enrolled in programs ran in collaboration with a UK institution (Clark, 2012). Through extensive research and market assessment, in 2013, the British Council reported that Hong Kong, Malaysia, Singapore and the United Arab Emirates (UAE) were the UK’s top opportunity destinations for transnational education activities (British Council, 2013).

Although transnational education is a rising field, it has encountered many difficulties. In April 2013, the University of East London announced it would close its new campus in Cyprus, after only six months of operation with an enrollment of less than 20 students. In doing so, it joined the eleven closures of offshore campus ventures in the period 2010-12 (Fielden, 2013). The problem with these ventures have been the fact that most international branch campuses are “owned by a local joint company with a board that takes the essential decisions, and that most transnational education operations have no local legal entity behind them and are managed by the

home institution's academic structures" (Fielden, 2013, 11). In other words, a lack of legal presence by the sending institution and a conflict of interest between partners may result in the failure of joint ventures abroad. within Nonetheless, although still risky within the higher education sector, China, UAE, Qatar, Singapore and Malaysia have been in the frontline of educational joint ventures (see table 3), by encouraging western universities to invest in the development of local branch campuses in order to more quickly grow their higher education industry.

For example, in 1985, post-secondary education in Dubai was nonexistent. Less than a decade later, Dubai established free zones, such as the Dubai Knowledge Village (DKV) and the Dubai International Academic City (DIAC), to attract more foreign business to their land. Now, the emirate has fifty post-secondary institutions of which more than half are Western branches that include the University of Wollongong, the Hult International Business School, the INSEAD,³ the British University and the London Business School (Lane, et al., 2010). Moreover, it is not surprising to find the U.S., the UK, and Australia (see table 3) among the top five investors for branch campuses abroad with 105, 29 and 22 branches, respectively. In other words, even though the risk of investing in joint ventures and sole ventures abroad may be particularly high for post-secondary institutions, through personal experience in the foreign market they gain market-specific knowledge that lowers the risk for future endeavors.

³ Institut Europeen d'Administration des Affaires.

	United States	Italy	Russia	France	India	UK	Ireland	Philippines	Malaysia	Australia	South Korea	Germany	The Netherlands	Canada	Chile	Estonia	Portugal	China	Egypt	Singapore	Mexico	Sweden	Belgium	Iran	Lebanon	Pakistan	Sri Lanka	Switzerland	Venezuela	Total
Albania	1																												1	
Argentina		1																												1
Armenia			2																											2
Indonesia				1																										1
Australia	2				1	1																								4
Austria	1																													1
Azerbaijan			1																											1
Bahrain	1						1	1																						3
Bangladesh						1																								1
Belgium	1																													1
Botswana									1																					1
Brazil						1																								1
Bulgaria	1																													1
Cambodia									1																					1
Canada	9								1																					10
China	12				3	1		1	2	2	3	1																		25
Hong Kong	1					1								1																3
Czech Republic	1																													1
Dominican Republic	2																													2
Ecuador	1														1															2
Egypt											1																			1
Fiji									1																					1
Finland																1														1
France	4				1												1													6
Germany	2		1																											3
Ghana	2																													2
Greece	6																													6
Hungary	1																													1
India	1																													1
Israel	1																													1
Italy	2																	1												3
Jamaica	1																													1
Japan	2												1																	3
Jordan	1																													1
Kazakhstan			1																											1
Kuwait									1																					1
Laos																		1												1
Lebanon	1																													1
Malaysia						2	2		4									1	1	1										11
Mauritius					3																									3
Mexico	4																													4
New Zealand									1																					1
Nicaragua	1																													1
Norway				1																										1
Oman											1																			1
Pakistan							1																							1
Panama	2																					1								3
Russia																							1							1
Poland	1																													1
Qatar	6					1						1	2																	10
Rwanda	1																													1
Saint Lucia	2																													2
Saudi Arabia														1																1
Singapore	6		2	1	2				4									1												16
Slovakia	1																													1
South Africa				1	1				2			1																		5
South Korea	4										1	1																		6
Spain	3																													3
Sri Lanka						1																								1
Switzerland	2																													2
Taiwan	1																													1
Tajikistan			1																											1
Thailand	1												1						1											3
The Netherlands	2																													2
Tunisia				2																										2
Turkey	1			1																										2
Ukraine			1																											1
UAE	7	1	2	8	9	1			4				1										1	1	1	1	1	1	1	39
UK	3								2																			1		6
United States						2													1										1	4
Uzbekistan			2			1																1								4
Vietnam									2																					2
Yemen									1																					1
Total	105	1	9	10	12	29	6	1	6	22	2	6	5	6	1	1	1	1	6	1	2	1	1	1	1	1	1	2	1	242

Table #3: Branch campuses worldwide, by sending and host countries up to March 17, 2014 (Source Global Higher Education, 2014).

As the demand for higher education increases, students are searching for the best bidder whether it is local or outside their geographical borders. As a result, the competition among higher education institutions from all corners of the world has made a non-tradable service into a highly commercialized one overseen by GATS. The comparative advantage that many English speaking OECD countries have in this industry may be disproportionate to its native-speaking population; however, many developing countries are now becoming producers of high quality education due to Western investment in transnational education. As in any other business, the trade of educational services not only involves the transfer of academic knowledge but also technology, expertise, and human capital.

Conclusions

In recent decades, due to its central role in the knowledge-based economy, higher education has taken an entrepreneurial approach towards globalization in the same way as multinational corporations do. Through internationalization post-secondary institutions have not only enhanced their competitiveness, prestige, and strategic alliances but also their international revenues and branding. In other words, higher education institutions have adopted the *Uppsala internationalization model* in order to attract foreign students and international ventures as well as to improve the

quality and cultural diversity of their services. Thus, as this paper has shown, the internationalization of higher education has become a pre-requisite for gaining competitiveness in the global knowledge-based economy, influencing tertiary education institutions to become active players in the trade industry.

Moreover, as knowledge becomes the ultimate economic renewable, the internationalization of higher education is influenced towards this resource's mass production. Through the Uppsala model, postsecondary institutions' foreign ventures are taken in small steps, where commitment decisions increase as they gain market knowledge and decrease uncertainty. This incremental internationalizing process consists of four steps: (1) exporting, (2) licensing production, (3) joint ventures, and (4) sole ventures.

As shown in this paper, the export of education by attracting foreign students to universities' home campuses is the most popular, and most lucrative international activity with an average growth rate of 7% per annum. As a result, OECD countries such as the US, the UK, and Australia have invested in marketing efforts in recruiting international students; making them the top receiving destinations with over 50% of all foreign students worldwide. Hence, with relatively low risk, higher education has become an important export sector within the knowledge-based economy.

Although there is a lack of quantitative research on licensing production in higher education, it is relatively known that most private universities and colleges have some sort of inter-institution agreement whether it is a study abroad programme, an articulation programme, a twinning programme, or a dual degree programme.

However, these are heavily criticized for their perceived hidden agenda to recruit foreign students for Western institutions.

On the other hand, joint ventures and sole ventures in the form of off-shore branches are slowly becoming the ultimate step towards the internationalization of higher education. Due to its risky nature, offshore activities have been criticized for their volatility and their 'McDonaldization.' However, there is still insufficient data on this type of venture in order to do a proper analysis. As a result, governments have created quality assurance authorities and international education organizations, such as the British Council and Australian Education International, in order to research and oversee franchises and off-shore campuses. As of March 2014, there are almost 250 branch campuses around the world, with over 50% of these in Asian and Middle Eastern countries. In other words, as demand for higher education continues to outstrip supply in developing and middle-income countries more Western postsecondary institutions are investing in joint and wholly owned productions abroad.

In short, as globalization forces increase the world's interconnectedness and knowledge-related skills become essential in the global labor force, the internationalization and commercialization of higher education will continue to increase. It is necessary that international education organizations research and oversee all international activities by postsecondary institutions and their governments in order to better analyze the profitability and growth of this industry. Although it is a widely accepted maxim that the internationalization of higher education has become a necessity in the knowledge-based economy, it is still

unknown to what extent will market liberalization, national autarky, and technological advancements benefit the future growth of this industry.

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