

Transnational Education

Issues and trends in offshore higher
education

**Grant McBurnie and
Christopher Ziguras**

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Introduction

Transnational providers and the creation of a global higher education market

In the past decade many universities have extended their education and research activities across national boundaries. The “offshoring” of higher education is most commonly achieved by outsourcing some aspects of education provision to a foreign partner, but increasingly universities themselves are investing in their own foreign campuses. In the education sector this phenomenon is usually referred to as “transnational” education, a term which encompasses any education delivered by an institution based in one country to students located in another. Thanks to cheap international transportation and communications, institutions with excess capacity in one country can relocate some of their operation abroad to serve students in another country in which that form of education is in short supply. On one level, transnational education is evidence of the invisible hand of the market at work, efficiently allocating educational resources across borders. Those who are wary of the commercialization of higher education tend to see the development of offshore education as a threat to the very existence of public education systems that find themselves in competition with foreign intruders. Sometimes transnational education is seen as a means for developing countries rapidly to boost the capacity of their education systems by accessing the world’s most advanced education systems, thereby accelerating the process of human capital building and therefore economic development.

What fascinates us about transnational education is both its (sometimes grubby) commercial reality, and the emotional richness of the rhetoric that has surrounded its rapid development over the past two decades. The reason for the considerable amount of heat, or at least adrenaline, in much of the commentary is that transnational education is at the leading edge of the most fundamental changes taking place in higher education today.

First, the vast majority of transnational programs are funded wholly by students’ tuition fees, which places them alongside nationally based for-profit higher education as the most consumer-driven form of education delivery in the world today. Transnational programs are therefore highly dynamic in response to unmet demand among the global middle classes, springing up where and when student demand and capacity to pay exists and, once profitability subsides, moving on to the next location or next high-demand program. They are also,

consequently, especially vulnerable to the perils that consumerism creates in higher education – such as grade inflation, lowering of entry standards, and superficially attractive but ephemeral vocational qualifications.

Second, offshoring is only possible because higher education is now able to traverse time and space to an extent never before achievable. For two decades now, transnational programs have been at the experimental leading edge of efforts to store and standardize curricula to allow for the delivery of a replicated curriculum to multiple student groups at different times in different places by different teaching staff.

Third, transnational programs rely on the disaggregation of various aspects of education delivery to an extent rarely seen elsewhere. Offshored operations often involve several organizations in a complex web of contractual relationships, one perhaps responsible for marketing and student recruitment, another providing the campus, library and teaching staff, and another providing curriculum materials and assessing students' work. While common in international business in most other sectors, such arrangements are often confusing to students, faculty and governments, who expect that the people they ask for advice about programs, those that they see in the classroom and those that set their examination scripts all work closely together in the same collegial institution. The most extensive form of international outsourcing in higher education involves the franchising of degree programs by universities that retain only a minimal role in curriculum oversight, moderation of assessment and quality assurance. While this may be a successful business strategy in the sports shoe business, it remains to be seen whether the licensing of a university's brand to overseas institutions is sustainable.

Fourth, at a time when governments and education authorities are becoming more concerned with quality assurance, the cross-jurisdictional nature of transnational education raises questions about who has the capacity and the responsibility to regulate it. We argue that by skirting around nationally focused regulatory regimes, offshored programs have been able to exploit commercial opportunities that are not available to local universities or colleges.

This book aims to examine many of these issues dispassionately, without wanting to take the heat out of what are routinely very heated debates. The types of developments charted in this book are not unique to education of course; the relocation of manufacturing from the early-industrialized countries to low-cost countries has a long history and, more recently, service industries have been relocating aspects of their operations offshore. When educational institutions establish operations overseas, they become multinational corporations, at least in the eyes of host governments, since regardless of their legal status in their home country they are foreign private providers when they operate abroad. In this book we do not deal with multinational corporations that own higher education institutions in multiple countries. While these may be considered transnational higher education providers in terms of their ownership, they predominantly consist of a series of self-contained campuses which are accredited locally, and

whose academic affairs are relatively independent from one another. The growth of these global for-profit education corporations and the corresponding consolidation of ownership of for-profit institutions in many countries do have significant implications both for traditional universities and for the delivery of programs across borders, which is the focus of this book.

Here, we draw on numerous research projects we have conducted individually and jointly over the past six years that focused on various dimensions of the offshoring of higher education. While much of the discussion draws on existing literature, our writing is heavily informed by our travels, which have allowed us to drop into wonderfully diverse gatherings to observe the ways in which the phenomenon is being understood, undertaken and regulated in different parts of the world. We also draw on interviews we have conducted in Australia, Canada, Greece, Malaysia, Singapore and Vietnam, and innumerable less formal discussions with students, faculty, government officials, university and college administrators, activists and unionists from many more countries. We are keenly aware of the passion with which people hold their views, but also the confusion and ambiguity that seem to pervade the issue. For such a seemingly important topic, there is surprisingly little hard data. Nobody knows, for example, how many students are enrolled in transnational programs around the world or how many transnational branch campuses there are.

Key themes

Interwoven throughout the book are four key themes through which we integrate what we see as the most significant features in the contemporary development of transnational higher education. It is difficult to discern trends when trying to make sense of the international operations of hundreds of institutions in dozens of countries, with widely varying pedagogical models. Within the apparent diversity and unevenness of developments, we draw attention to four trends that help to make sense of global developments in cross-border higher education – the growing importance of government policies to manage the supply of higher education by regulating foreign provision, the widespread use of quality assurance regimes as the primary means of regulating market access, the replacement of income-generation with prestige as the primary determinant of institutional behaviour, and the re-emergence of the importance of the physical campus as a key factor in institutional competitiveness. These arguments are woven through the chapters of this book but it is worth setting them out in brief early on.

Until recently the notion of a balance of trade in higher education would have made little sense. By the 1990s Britain, Australia and New Zealand had conceived of higher education as an export industry, but very few other countries thought of the flows of students across their borders as resulting in the net import or export of educational services. In many Asian countries, economic growth and population growth have expanded more rapidly than higher education systems, leading to a massive flow of students to the West. One by one,

governments in the region put in place policies to increase the capacity of their own higher education systems, in many cases seeking to import foreign programs and institutions as well as increasing funding to their own public institutions and allowing the establishment of private universities and colleges. The one common element in all of these policies is that all governments have endeavored to increase supply so that they no longer need to rely on foreign universities to educate their citizens. In some countries, rapid growth in transnational provision was encouraged by governments as a key means to build capacity. But in the age of the knowledge economy, many education-importing countries aspire to decrease the number of their students enrolling in foreign programs and instead to become a net exporter of education, in the form of a regional education hub, or a niche education exporter. We argue that, while the number of students in emerging transnational education markets (such as Vietnam, the Middle East and parts of Eastern Europe) will continue to grow, the number of students in the mature markets (Singapore, Malaysia and Hong Kong, for example) will decline as a result of dramatic improvements in the scale and quality of local supply. Instead of building capacity through cheap but low-status foreign programs, governments in mature markets are squeezing out many transnational programs and encouraging smaller-scale but higher-status campuses of prestigious foreign universities. We therefore disagree with predictions of continued dramatic growth in the scale of transnational provision. Rather we believe that student numbers will increase more slowly in the future but that the number of foreign branch campuses of the world's leading research universities will grow substantially over the next decade as a result of governments' efforts to attract such investments.

The second key theme in this book concerns the growth of quality assurance as the prime regulatory lever for transnational education. There is a generalised trend away from the use of protectionist barriers to market entry of foreign providers and discriminatory policies that favor domestic institutions. Such liberalization of regulatory frameworks has been widespread both in order to increase the presence of foreign providers where there is a shortage of supply locally, as argued above, and also to be seen to be treating foreign and local private institutions in a non-discriminatory manner, as is required by various free trade agreements. At the same time, quality assurance regimes are instead being used to regulate the number and type of foreign programs operating in various countries. As capacity shortages are overcome, reliance on low-status transnational programs is being reduced by raising the quality bar both for local private colleges and foreign programs. Simultaneously, the best local institutions are offered the opportunity to award their own higher level qualification, the best foreign programs are invited to establish branch campuses, and the others will find the market conditions more and more competitive without either their own local accreditation or a fully fledged campus. We observe that, despite widespread trade liberalization, quality assurance requirements are becoming more stringent as capacity is built up, allowing governments to manage markets in

order to avoid oversupply and reduce the proportion of students enrolled in foreign education by gradually raising the bar and eliminating the bottom end of the market. Further, despite the minutiae of national differences, we suggest that shared interests will drive an increasing regional and global trend towards convergence of the criteria and mechanisms for assuring quality.

The third theme relates to the importance of prestige, both in government policy development and commercial viability. For students and host governments, the appeal of a transnational education program is in large part dependent on the prestige of the foreign university issuing the degree, or in more commercial terms, the “brand status” of the institution providing the credentials is vitally important in the marketplace. While the relative prestige of universities within national systems has developed over long periods and is generally quite entrenched, once universities enter other countries, they position themselves against a new set of institutions, some of whom are local and some foreign but from a range of countries. While notoriously difficult to assess, institutional prestige is often based on the history of an institution, its country of origin, its position within its domestic hierarchy, its research output and how difficult it is to gain entry to the course. It is also associated with the location, architecture and aesthetic appeal of the campus environment. This is a major impediment to local private providers, who are better placed to deliver forms of training and education which rely on the credentials of others, and to commercial providers that deliver education programs but do not carry out research or have impressive home base infrastructure. Further, even prestigious research-oriented public universities secure in their home base pecking order, can find their reputation undermined and their energies attenuated by their transnational teaching activities. This is particularly so if there are significant financial losses, or if the standards of admission and assessment are called into question. Even the perception that the institution is paying too much attention to commercial teaching activities is enough to chip away at institutional prestige. In short, we argue that, too often, most elements of an institution’s prestige are generated at its core (the home campus) and diminished at its peripheries (offshore operations). To maintain institutional status, increased transnational teaching must be counterbalanced by increased prestige generation at the home campus. This is resource-intensive and cannot be achieved simply by producing glossy publications propounding the quality of the institution. The growth in cross-border education has in recent years been paralleled by an increasing number of national, regional and global rankings of higher education institutions. Several host countries are considering using these rankings as part of the criteria for allowing or encouraging transnational providers to enter their borders. As quality (and perceived quality) becomes more of a regulatory mechanism for governments and a market mechanism for students, we expect this trend to increase.

The fourth theme is the increased importance to governments and students of the quality of local teaching staff and the physical campus experience as competition increases. Over the past two decades many models of delivery have

been developed, from purely online delivery at one extreme to the comprehensive branch campus at the other, but, most commonly, programs are delivered through collaborative arrangements with local private colleges or universities. We argue that the market is becoming rationalised – shaken out – both by government regulation and by the choices of students. Distance education without local support (purely online or correspondence) has proved less attractive than competing models both to students, who prefer also to have face-to-face interaction with teachers and fellow students, and to governments, who see that it does not contribute to building the capacity of the local system. Distance education without a local presence will wither to a small niche market for specialised fields, or to cheap, low-status provision that is unappealing to the fee-paying middle classes. At the top end of the scale is the branch campus, involving a bricks-and-mortar presence in the host country, and the number and size of such campuses is growing steadily. This can range from the “campus lite” model (with minimal facilities) to the full-service model, seeking to replicate the facilities found in the home campus. Prestigious providers will find their choice to be between eschewing transnational provision altogether (because of its potential for reputational and financial risk) or, if they are strongly committed to foreign expansion, establishing the full-service campus model. Institutional choice will be driven by concerns for maintaining prestige, and complemented by government moves to encourage full service provision (for local capacity building and to attract international students) and by student choice. Partner-supported delivery will continue to be a major form of delivery, especially in emerging markets and, over time, governments and students clearly show a preference for high-status local partners once local competition and a hierarchy emerges. In the mature markets, many partner-supported programs are being squeezed out by competition from higher-status branch campuses, local partners upgrading their accreditation status to be able to deliver their own awards, and rising quality assurance standards designed to squeeze out small providers at the bottom end of the market.

Framing transnational education in the context of globalization

Lucy was a student from Latin America, working in New Zealand and completing part-time an Australian degree which was being offered via Singapore. . . . We asked her what she wanted to do when she finished her qualification. She said her aim was to gain a position in the United States office of the European company she worked for.

(McBurnie 1997: 1, 4)

Lucy's experience illustrates how interconnected contemporary cross-border flows – and in particular, flows of labor, education, investment – have become. While much has been written on the impacts of economic globalization on

higher education institutions and national systems (Currie 2003: 531–94), there has been far less written about the strategies adopted by universities to become the protagonists of globalization rather than its victims. This is partly because most higher education research remains nationally bound, even that which is conducted within the sub-field of comparative and international education (Marginson and Rhoades 2002). We focus instead on the activities of institutions which traverse national boundaries and the ways in which they are driven by global markets and regulated by governmental agencies who are influenced by international agencies and who respond to local as well as national and regional imperatives. In this section we do not set out to review the theoretical literature on globalization but instead we seek to contextualize the study of transnational education by briefly outlining the global conditions that frame the international mobility of institutions. Too often the processes of globalization are presented as posing new constraints on higher education institutions but without considering the opportunities such processes make available to those entrepreneurial institutions that have managed to step outside national systems to become themselves agents of heightened global interconnectedness.

The term “globalization” is widely used as something of a catchword, supposedly able to describe and explain a plethora of conditions and trends in the modern world. In this context, Bauman notes that

All vogue words tend to share a similar fate: the more experiences they pretend to make transparent, the more they themselves become opaque. The more numerous are the orthodox truths they elbow out and supplant, the faster they turn into no-questions-asked canons. Such human practices as the concept tried originally to grasp recede from view, and it is now the “facts of the matter”, the quality of “the world out there” which the term seems to “get straight” and which it evokes to claim its own immunity to questioning. “Globalization” is no exception to that rule.

(Bauman 1998: 1)

These critical cautions notwithstanding, there is no doubt that globalization is an important issue for higher education. Around it are clustered many key matters: internationalization strategies, transnational education, international quality assurance, entrepreneurial approaches, regional and interregional cooperation, information and communication technologies and virtual universities, the rise of new providers, issues of equity and access, to name but a few. Some critics conceive of globalization as a threat, a juggernaut rolling inexorably over traditional or local ways. Because of the widespread interest – on the part of governments, businesses, institutions and communities – and concern regarding globalization, one can also conceive of it as an opportunity to take stock, and take action to shape the future in ways of our choosing.

Here we briefly consider various interrelated strands of globalization – economic, political, cultural, technological – and discuss how each frames the

growth of transnational higher education. There is a vast and growing literature in the field of globalization studies: a quick Internet search on the word yielded more than 650 books at Borders.com, and more than 360,000 web pages according to Google.com. There are a large number of contested issues in the literature, the detailed exploration of which is beyond the scope of this chapter. These include definitional debates, identifying the “prime cause” (whether economic, technological or other factors), and appropriate periodization (do the roots of globalization lie in the Roman Empire, the Renaissance, the Industrial Revolution, the imperial era, post Second World War, following the oil crisis of the 1970s, post Cold War or some other time?). Readers are referred to the many useful interdisciplinary introductions to the field (e.g. Axford 1995, Friedman 1999, Lechner and Boli 2000, Martin and Schumann 1997, Olds *et al.* 1999, Scholte 2000, Thompson 2000, Tomlinson 1999, Waters 1995, Zachary 2000). In relation to studies of education, much has been written about definitional distinctions between globalization and internationalization. For the purposes of the present discussion, we will rehearse briefly the key dimensions of globalization – economic, political, cultural and technological – and how these may relate to transnational education.

Economic

The economic dimension is often held to be the key driver of globalization. It is readily visible in the continued rapid growth of global flows of trade and investment, and the multinational location of manufacturing, distribution and marketing. In addition to the long-established mobility of goods, there has been in recent decades a faster rate of growth in international trade in services, including education. The WTO estimates that by 1995 the worldwide market for education represented US\$27 billion (WTO 1998: 6). It has been estimated that there will be a global total of 4.9 million international students in the year 2025 (Blight 1995: 43). As discussed in the previous chapters, the size and value of the transnational education market is very difficult to assess, at least until patterns of data collection catch up with the patterns of cross-border education provision.

Since the late 1960s, there has been much discussion of the central role played by higher education in ushering in a new stage of social development, which has been variously referred to as the knowledge economy (Drucker 1969), post-industrial society (Bell 1973), the third wave (Toffler 1980), postmodern society (Lyotard 1984), the information age (Castells 1996) and more recently as the knowledge society. Simply put, the knowledge that higher education institutions generate and disseminate is becoming ever more integral to economic development, government and cultural production. There is consequently considerable competition between individuals, organizations and countries to create, access and exploit particularly valuable forms of knowledge, which Duderstadt (2002) has referred to as a “skills race”. The importance of higher education has

come to form the basis of science and education policies in most countries, in terms neatly encapsulated by former Director of the US National Science Foundation, Erich Bloch:

The solution to virtually all the problems with which government is concerned: health, education, environment, energy, urban development, international relationships, economic competitiveness, and defence and national security, all depend on creating new knowledge and hence upon the health of our universities.

(Bloch 2002)

Bloch expressed this view to the US Congress when making a case for the importance of international students for US institutions. Many universities in developed countries now rely financially and intellectually on the presence of international students and scholars, and have adapted to an environment in which the international mobility of students, teachers and researchers is taken for granted.

Theorists identify a number of factors distinguishing the economics of knowledge from that of traditional elements of wealth (land, finance, physical labor). Several of these factors are clearly relevant to education, especially in a competitive, international environment blessed with information technology. In the knowledge economy, according to theorists, there is a potential abundance of resources rather than a necessary scarcity, the importance of location and size of an enterprise is reduced and there is a human resource orientation in which the key form of capital is intellectual rather than monetary capital (adapted from David Skyrme Associates 1997). In terms of education, the knowledge economy is characterized by an increasingly global market for certain types of knowledge, with increasing demand for a highly skilled workforce holding internationally portable qualifications. Education is more readily commodified, both as a tradeable service and as valuable intellectual property.

Some universities have firmly embraced the opportunity to establish revenue-generating enterprises in the globalizing higher education market. The corollary of operating in a market situation is, of course, the threat of competition. In addition to other traditional universities operating as enterprises, the competition now includes a variety of non-traditional for-profit providers. A prospectus for a United States venture company states

... we believe education represents the most fertile new market for investors in many years. It has a combination of large size (approximately the same size as health care), disgruntled users, lower utilization of technology, and the highest strategic importance of any activity in which this country engages. ... Finally, existing managements are sleepy after years of monopoly.

(quoted in Duderstadt 1997–8: 1)

It was inevitable that once such for-profit higher education providers had exhausted the immediate opportunities available in the world's largest national higher education market, the United States, they would apply this logic to other national markets where the discrepancy between supply and demand is even greater. Between 1998 and 2006, the largest of these companies – Laureate, Apollo, Kaplan and Career Education – have had a global focus, racing each other to establish a presence in new markets by acquiring the most promising private providers before their competitors do. The competition posed by this global consolidation of ownership of for-profit providers for traditional universities is increasingly exercising the minds of many policy-makers and managers in many countries. In Australia, which has relatively unashamedly embraced the new commercial opportunities available to its universities overseas, a senior government international education official warned the sector that “it is possible that new suppliers with new products are emerging to threaten the present and prospective markets of Australian tertiary institutions both on-shore and off-shore” (Gallagher 2000: 2). In response to such concerns, the government commissioned a study on *The Business of Borderless Education*, a companion to the parallel UK study (Cunningham *et al.* 2000). The Australian study looked at developments in the USA, and the potential impact on Australia. The researchers examined corporate universities (such as McDonald's, Disney, Ford, Motorola and Microsoft), for-profit universities (including Phoenix and DeVry Inc.), virtual universities (Western Governors, Michigan Virtual, Jones International University), public/corporate universities (US army and air force) and corporatised arms of traditional universities (including New York University online, University of Maryland University College). The authors note that most corporate universities concentrate on limited (and non-degree) in-house training, and inculcation of the company's corporate culture, rather than competing with the offerings of traditional universities (Cunningham *et al.* 2000: 79–82). The team found “no robust examples” of fully online universities, although there were several examples of semi-virtual institutions, wherein “various components of the tertiary education value chain ... were available solely or partially online” (Cunningham *et al.* 2000: 82). They concluded that the “threat posed to conventional universities” comes from the for-profits who are “meeting the needs of a niche market of adult students wanting convenient times and places for gaining degrees in vocational programs in minimal time” (Cunningham *et al.* 2000: 83).

Even though the incursion of multinational multimedia corporate education conglomerates may indeed remain more figment than reality, it is notable that the mooted threat (or opportunity) has significantly helped shape discussion about the future of higher education. Gallagher, for example, cites surveys showing dissatisfaction with the current government-supported system on the part of students and employers, and concludes that “[e]lements of the best practice methods identified in respect of US corporates and for-profits ... are arguably relevant to the core business of Australian tertiary education providers”