WHAT DOES IT TAKE TO BECOME TRANSNATIONAL?  
PUBLIC AND PRIVATE ALLIANCES IN TRANSNATIONAL EDUCATION

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INTRODUCTION

What does it take for a public sector higher education provider to become transnational? The challenges and complexities are certainly many and varied (Knight 2005, p. 2). In this paper I will argue that acquiring transnational assets requires the development of multinational entrepreneurial skills and transnational expertise across four major areas (Connelly et al, 2006):

- Developing a strong strategic focus
- Managing intellectual capital on a global basis
- Organising the necessary logistics across borders
- Taking knowledge to clients regardless of their geographical location

These four areas raise significant challenges even for those universities with expertise in transnational education (TNE), and they will be discussed in the context of the advantages and disadvantages of strategic alliances with multinational private third parties and education providers.

This paper will argue that on the whole there are real advantages in outsourcing non-core aspects of the logistical and customer service areas to private third parties with acknowledged best practice in these areas.

DEVELOPING A STRONG STRATEGIC FOCUS

Strategic alliances between private and public providers to deliver transnational education are mutually advantageous in situations where neither party has full capacity to meet market needs or to expand their operations as they would wish. They enable both parties to develop a strategic focus on their core business, and to outsource or buy in the non-core elements.

Ideally strategic alliances will have the capacity to deliver coherence, scale and critical mass to the alliance partners. This is based on the assumption that a transnational education (TNE) strategy should include a coherent profile of TNE provision (around such variables as program delivery models and target countries and regions), delivery by expert departments and faculties of the provider, a focus on reputation and quality, rich and dense partnerships across a range of options for collaboration, and a long term vision and planning time frame, including exit arrangements.

Strategic focus should deliver a manageable portfolio of TNE initiatives in terms of type of provision, and good management of capacity issues and opportunity cost, with profitable results for whatever effort is involved.
Historically, TNE initiatives in universities usually started from academic programs managed by individual academics or departments, likened to a cottage industry approach by McLean (2007):

“The early transnational programs were in effect, cottage industries, which often operated outside of regular university procedures, sometimes uncontracted and unregulated. Those days should be long gone. Transnational education is now high stakes, high risk core business for most Australian universities and it is appropriate that this activity be placed under rigorous scrutiny.” (McLean 2007, page 57)

Traditional cottage industry approaches on the part of universities reflect a default attitude to non-core business. While some of these partnerships have been successful on a smaller scale, particularly in the quality of programs and in developing staff expertise, they have inherent limitations. For example, if a university has a portfolio of one-to-one partnerships in different countries, or covering a range of courses and program delivery models, or at different stages of development (or all of the above), then the challenges are enormous, across all the major issues of strategy, intellectual capital, logistics, and customer service. Some of the advantages and disadvantages of one-to-one or provider-to-provider models, for example a direct relationship between two universities, are shown in Table 1 below.

Table 1: TNE Provider-to-Provider Models

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<tr>
<th>Plus</th>
<th>Minus</th>
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<tbody>
<tr>
<td>1. Strong provider control of courses and brand at department level</td>
<td>Labour intensive, complex issues in course delivery, variety of courses and countries, small scale</td>
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<tr>
<td>2. Strong ownership - project champions at department level</td>
<td>Relies on individuals who may move on – this raises succession issues</td>
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<tr>
<td>3. Depth of expertise at department level</td>
<td>Difficult to propagate expertise across the university from department level silos</td>
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<tr>
<td>4. Personal focus on relationship management and program administration</td>
<td>Lack of strategic focus - confusing variety of relationships and contractual and administration arrangements across the university</td>
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As shown in Table 1, the main disadvantages of the provider-to-provider model are the small scale of the operation, and the ad hoc nature of a collection of bottom-up, unrelated programs in the university TNE profile.

Cottage industry provider-to-provider models can be likened to a small family business. Ownership is personalized, and any success it enjoys tends to depend on the commitment and expertise of a small group of closely interacting individuals. So there is a strong sense of ownership, with committed project champions, localized expertise (often very extensive across a limited range of relationships), and ad hoc administration arrangements.

A strategic alliance with a third party can overcome many of these problems, although of course there will also be a different set of challenges. The pros and cons of Third Party Partner Models, for example with an agent or broker, are summarized in Table 2 below.
Table 2: TNE Third Party Partner Models

<table>
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<th>Plus</th>
<th>Minus</th>
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<tbody>
<tr>
<td>1. High level strategic relationship with overseas institutions via the third party broker or agent</td>
<td>Increased ownership by third party which may develop into a complex and dependent relationship – too many eggs in one basket?</td>
</tr>
<tr>
<td>2. Simplified relationship management and administration arrangements due to outsourcing to third party. Cost savings and improved communications</td>
<td>Less control over relationships with individual overseas institutions. Risk management may need to focus as much on or more on the third party than the individual institutions</td>
</tr>
<tr>
<td>3. Large scale, multi-faceted partnerships more feasible. Economies of scale and efficiencies easier to achieve</td>
<td>Less control over detail of delivery of services</td>
</tr>
<tr>
<td>4. Possible to outsource teaching arrangements</td>
<td>Risk in quality of delivery</td>
</tr>
<tr>
<td>5. Easier to develop broader relationships over wider areas of activity e.g. academic exchange</td>
<td>May be issues of control over the wider range of activity</td>
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</table>

So in the third party partnership model shown in Table 2 the public provider relationship is mostly with the private third party agent, broker or company rather than another public educational institution, with the third party managing the offshore educational institutions for an Australian provider. This arrangement cuts down on administration and communication tasks for the provider, freeing them up for their core business, as argued below, focused on their intellectual capital and strategic concerns.

Outsourcing the things that universities are not good at in international partnerships is a sensible strategy, but only of course if it can be done in partnership with a reputable, experienced third party partner. It does mean, however, that risk management needs to be focused at least as much on the third party partner as on any individual institutions where services are delivered, requiring a separate written agreement with the usual provisions for quality assurance, review, exit and so on.

Strategic alliances to deliver transnational education between public higher education institutions and private partners hold the promise of leveraging both sides of an alliance into global markets. A strategic focus on sustainable growth with the right kind of alliances and transnational assets is the preferred outcome.

MANAGING INTELLECTUAL CAPITAL ON A GLOBAL BASIS

The most obvious forms of intellectual capital in public sector higher education involve teaching and research, especially intellectual property for research outcomes. However, looking more broadly, especially in relation to international education, the intellectual capital required includes various kinds of management and administrative expertise, as well as teaching and leadership skills relevant to multinational activity. These broader kinds of intellectual capital tend to be spread rather thinly in public sector universities.

In terms of marketing intellectual capital, public sector providers of higher education, especially universities, are able to trade off the intellectual capital that comes with the
considerable status and prestige of self accredited degree granting institutions. It is difficult to imagine a more established and complete monopoly in the knowledge industry.

In many countries, of course, private higher education providers are far more common than in Australia. For example, there is more than 50% of private higher education provision in countries such as Indonesia, Japan, Mexico, Chile and the Philippines, with an average private provision of over 30% around the globe (OBHE 2009, page 3). It would appear, though, that in global terms public providers of higher education still have a monopoly on research and curriculum innovation.

This situation puts universities in a strong position for the sale of intellectual capital to private providers, either directly or through third party partnerships, in an environment of seemingly endless demand. However, many Western universities are hobbled by capacity issues, budgetary limitations, and a shortage of entrepreneurial and organizational expertise. Private providers and third party companies, on the other hand, are more likely to possess a complementary knowledge base, including a range of business skills and local market knowledge.

Marketing intellectual capital is an important aspect of knowledge management, but of course this necessitates giving priority to identifying, developing and managing a wide range of skills and experience. Where staff expertise is concerned, Woodhouse and Stella (2007, p.25) note that in universities there is often a failure to manage hard-won intellectual capital in transnational education:

“Some universities have not taken full advantage of the accumulated knowledge and experience of their staff working transnationally, nor of their international partners, to develop an informed view of environmental factors that could affect the sustainability of TNE operations such as changes in foreign government regulation and so on. In fact, many staff members were unclear why their institutions were engaged in offshore activities and precisely how onshore and offshore activities were intended to be mutually reinforcing.”

There is plenty of room here for universities to ramp up their expertise, both internally, and in conjunction with private providers, who can more readily hire and manage local staff in the offshore location.

ORGANISING LOGISTICS ACROSS BORDERS

Organizing logistics to maintain transnational education partnerships requires a range of activities that may include: Shipping staff offshore for short time periods on a regular basis; managing a schedule of management and QA visits, from program level to senior management level; developing and maintaining administration arrangements at the onshore end (involving marketing, admissions, fees etc) and liaison with the offshore end on these matters; high level delegations both ways; managing external audits e.g. by AUQA; accreditation issues both at the home provider and with foreign regulatory authorities; and so on. Communications traffic by email, phone and fax can be very substantial, involving significant staff resources at both ends both in messaging and in meetings and other administrative actions.

There is here what might be called the “infrastructure iceberg” for TNE, because initially it is often commonly believed in universities that TNE simply involves sending a program “over there”, and is usually thought of, at first, as involving mainly teaching-related issues. Teaching, of course, is only the tip of the iceberg.

Obviously there are significant costs associated with all this work in offshore delivery. To add to the challenges, some cost areas are often not fully accounted for in public sector higher
education institutions. Services provided by related units, or visits that are paid from a variety of budgets, may not be factored in. It is often difficult to know if a TNE initiative actually shows a profit.

McLean (2007) notes the financial complexities for TNE from the perspective of the Australian Universities Quality Agency:

“It can be difficult for AUQA (and even for institutions) to obtain full clarity about the financial state of transnational higher education operations and the alignment of resources to plans. Reasons include the complex transactional relationships between the institution, its partner and, increasingly frequently, other entities and also, in some cases, accounting systems that are not able to readily identify total costs, including indirect costs, of a specific program. Transnational higher education operations involve complex financial challenges such as determining cost and revenue shares, dealing with dynamic foreign exchange rates and regulations about repatriation of profits to Australia. These challenges may require the development of expertise and processes not typically associated with the resourcing arrangements for domestic higher education activities.” (McLean 2007, page 70)

Certainly the “infrastructure iceberg”, that is, the perennially underestimated cost of the logistics of overseas initiatives, is something that has been better dealt with by private providers with international experience. In universities, on the other hand, administrative arrangements often present significant difficulties and expense.

An OBHE article in 2007, for example, noted a spate of Australian provider withdrawals from TNE programs, saying that:

“One of the main reasons behind the sudden closure of Australia’s off-shore courses is a lack of profitability. As Australian universities have had to become more cost-efficient due to declining public funding, several institutions appear to be belatedly realising that off-shore courses, even when they bring in desirable revenue, are not necessarily profitable.” (OBHE 2007, page 1)

This lack of profitability is at least in part due to inefficiencies in management and administration of transnational initiatives, including the lack of financial systems that accurately measure the true costs associated with them. Put another way, there has been a tendency with TNE to think no further than teaching costs. These costs, however, are simply the tip of the infrastructure iceberg.

**TAKING KNOWLEDGE TO CLIENTS REGARDLESS OF THEIR GEOGRAPHICAL LOCATION**

In the area of transnational education delivered by public providers, Miliszewska & Sztendur (2010, p. 10) note the growing power of consumer choice amongst offshore students, which they argue will require universities to gain a much better understanding of the student perspective. From the point of view of auditing authorities such as the Australian Universities Quality Agency, one of the main issues is that the client/consumer/student receive equivalent or comparable service at all points of their relationship with the provider (Woodhouse & Stella 2008, p. 24).

Marketing is a case in point. Hemsley-Brown & Oplatka (2010, p. 204) note that it is widely assumed that higher education institutions need to market themselves more explicitly, due to increasing competition in the higher education market on a global basis. They go on to say (p. 205) that a crucial element in the marketing of HE institutions is based on a relationship marketing approach, which emphasises a customer (student) driven organizational culture,
with a focus on the quality of service. Nonetheless, their research showed that academics tended to reject market-led curriculum development (p. 217).

Customer service is more obviously a focus for private education higher education providers than public ones. The ongoing debate about the roles of private and public higher education, for example, often hinges on the distinctions based on research capacity or focus on teaching and quality service, with private providers identifying an opportunity:

“More generally, student support does appear to be emerging as a focus of commercial intervention in higher education... The underlying assumption is that the conventional university remains ill-prepared (and perhaps illdisposed) to take on the true student support needs of mass higher education, and thus that there is a major commercial opportunity there for the taking.” (Garrett 2005, p. 13).

Although universities are by definition intellectually innovative, they are also enmeshed in bureaucracy. Their core business, from the point of view of competing for funds and status, and managing staff performance, is on research. The kind of expertise required for transnational education, such as staff intercultural competence and developing and delivering curriculum suited to global and local cultural needs, takes time and resources. Customer service is another area for outsourcing, in the sense of buying in the required knowledge and skills through a third party with resources in the relevant country or region.

CONCLUSION

Strategic alliances between public sector higher education providers and global private partners hold the promise of leverage into global markets, with potentially far reaching consequences, not least the capacity to learn or buy in key skills.

The four areas of expertise in transnational education, as discussed above, show mutual advantages for strategic alliances between public and private higher education providers. Strategic alliances with private partners have the potential to sharpen the public institution's strategic focus, since outsourcing non-core business and partnering with third parties reduces work load and distractions from the core business of teaching and research.

The intellectual capital at the heart of a university's business, including curriculum innovation, self accreditation, academic skills and expertise, can all be traded off against the logistical support and customer service facilitated by outsourcing to private partners.

For many universities, the skills to be learned or acquired in the push to globalizaton can be acquired through partnership with a private partner. These skills include a strong strategic focus, managing intellectual capital on a global basis, organising the necessary logistics across borders, and learning how to take knowledge to clients regardless of their geographical location. These are the skills required by multinational organizations for survival in the twenty first century, and can often be fast-tracked in public-private sector strategic alliances.

REFERENCES


