The American Threat in the Asian Century

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The R/evolution of international higher ed - three distinct business models

Figure 1. The evolution of international higher education
The traditional “national” model

- Humboldt model linking research and teaching via disciplines
- Students drawn from local area or region
- Internationalization via PhDs & academics

➡️ Study abroad
  Overseas experiences for national students

The “export” model

- Export degrees to foreign students
- Revenue generation
- Australia world leader – 20% of all students
- Major demand in Asia, led by China

➡️ Branch Campuses
- Institutions moving across borders
- Financial motivation
- Australia has largest IBCs
Australian Undergraduate Exports, 1988-2010
International Student Enrolments % total enrolments

Australian Postgraduate Exports, 1988-2010
International Enrolments % total enrolments
Australian export model

- Disrupted the previous domestic-student business model
- Export model is now the dominant business model at Aust unis
- 19 unis in ARWU 500
- Subsidising domestic students
- Classic S-curve of lifecycle of business model innovations – almost complete

Australia’s “perfect storm” challenge

- **Australian factors**
  - High AUD, student safety, visa restrictions
  - Australian campuses at capacity
- **External factors**
  - Lower USD vs RMB
  - More western competition post GFC
  - High quality Asian unis
  - Brand conscious Asian consumers
University of California
foreign UG % total enrolments

University of Washington
foreign UG enrolments
Chinese Undergraduate Student Enrolments Australia vs US
2002–2011 with 2012 projection*

Towards 2020

– UNESCO predicts trebling to 7m international students
– Australian campuses are already full at 25% int’l students
– US campuses have <5%
– US HE is 15x size of Australian HE
Regaining Competitive Advantage

- To maintain revenue levels
- Compete on quality, not on price
- Knight Review is only the beginning
- Improve on-campus, in-class experience
- Better residential options
- More experiential learning
- Use MOOCs to improve face-to-face learning

Asian Century

- More jobs in Asia – less effective residency policies
- Ever increasing quality Asian universities
- Chinese export model – 500,000 int’l students by 2020
- **Fundamental problem with the higher education as export model** – as global supply increases, prices will go down
Multinational University “MNU”

- Major US universities with JVs in developing countries – Yale, Duke, MIT, NYU
- Issue degrees with JV partners, access to US home campus
- Start up costs borne by JV partner
- New research infrastructure
- New student market and new academic talent

➤ global brand projection, value creation
Multinational University “MNU”

- Educate quality students in the markets that are important to Australia
- Experiment with new models of research and education in a developing country
- Not franchise education
- Distribute research activity based on comparative advantage across the MNU

slice up the global value chain

MNU

- Yale-NUS Liberal Arts College
  - 21st century Liberal Arts
- Singapore University of Technology & Design
  - How MIT would be designed if built today
- Duke Kunshan University
  - Leading American university JV in China
- NYU Shanghai
  - Portal Campus in “Global network university”
- Monash Bombay/Suzhou
3 Threats to Australian export model

- **Lateral** – US, Canada, UK taking export market share, at high quality
- **Above** – MNUs may push exporters down market
- **Below** – MOOCs may commoditize basic higher education

How to Compete:

**Our turn follow the US**

- On quality
- In Asia

**OR**

- Move downmarket and compete on price