



*Citation for published version:*

Wilkins, S 2016, 'Establishing international branch campuses: a framework for assessing opportunities and risks', *Journal of Higher Education Policy and Management*, vol. 38, no. 2, pp. 167-182.  
<https://doi.org/10.1080/1360080X.2016.1150547>

*DOI:*

[10.1080/1360080X.2016.1150547](https://doi.org/10.1080/1360080X.2016.1150547)

*Publication date:*

2016

*Document Version*

Peer reviewed version

[Link to publication](#)

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# Establishing international branch campuses: A framework for assessing opportunities and risks

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## Abstract

At the start of 2016, there were 230 international branch campuses operating worldwide, but of the campuses that were established since the mid-1990s, around 10 per cent have failed. The purpose of this article is to propose a framework that the strategic decision makers in higher education institutions can refer to when evaluating opportunities to develop branch campuses in foreign countries. The framework derives from empirical evidence that was the product of a rigorous search of the literature and other secondary sources, and it has drawn upon business management theories such as institutional theory, Porter's industry-based view, and Barney's resource-based view. Thematic analysis was used to identify the following themes, or influencing factors, in the data: environmental, industry, and organisational. The framework provides higher education managers with an analytical tool to guide a process of systematic data collection and analysis, which includes reflection on institutional objectives, resources, and competencies. It is likely that the systematic, data-driven approach promoted by the framework will in future reduce the number of international branch campus failures.

**Keywords:** transnational higher education; international branch campuses; higher education strategy; international expansion; risk assessment

## Introduction

Although it is true that international branch campuses account for only a small proportion of the transnational higher education delivered worldwide, international branch campuses are the most visible form of transnational education and the riskiest for higher education institutions in terms of reputational damage and potential financial loss (Healey, 2015a). For example, in 2007, the University of New South Wales withdrew from Singapore after only two months of opening, losing US\$38 million in the process (Becker, 2009).

An international branch campus may be defined as 'an educational facility owned, at least in part, by a foreign institution, which operates under the name of the foreign institution, where students receive face-to-face instruction to achieve a qualification bearing the name of the foreign institution' (Wilkins & Huisman, 2012a, p. 628). This is the definition used in this contribution. However, Healey (2015b) observed that an international branch campus can be defined and classified in a number of different ways.

At the start of 2016, there were 230 international branch campuses operating worldwide (C-BERT, 2016). The vast majority of these were established since the turn of the century. It might at first appear that the international branch campus has become

a universally popular and successful form of transnational higher education until one considers that 27 of these campuses have also closed (C-BERT, 2016), which Lane and Kinser (2014) state as a 10 per cent failure rate since the mid-1990s.

This failure rate is not particularly high in the context of international business start-ups. However, no organisation wants to see new operations fail, and universities do have certain advantages over other types of organisation. First, one would expect most universities to have expertise in research, planning and strategy; it is, after all, what they teach in their business schools. Second, a high proportion of international branch campuses receive some form of financial support, such as the provision of campus infrastructure from private companies, or subsidies from host country governments. One would expect such support to reduce the financial risks of failure.

The consideration and management of risk are among the key activities of organisations that operate internationally (Ghoshal, 1987). Risks result from uncertainties relating to external or internal factors that have the potential to reduce an institution's performance. Traditionally, higher education institutions with little or no international experience have tended to be risk-averse (Tayar & Jack, 2013). However, in the marketised higher education systems that now exist globally, universities are increasingly behaving like business organisations and expanding their physical operations abroad. Often, these universities do not appear to act like business organisations when making decisions about international expansion (Matthews, 2014). Rather than adopting a systematic, data-driven approach, it seems that many institutions have taken a rushed, opportunistic approach to international expansion.

The purpose of this article is to propose a framework that the strategic decision makers of higher education institutions can refer to when evaluating opportunities to develop branch campuses in foreign countries. The framework derives from empirical evidence that was the product of a rigorous search of the literature and other secondary sources, which include trade journals, institutional publications, and the published data of government and specialist research organisations. In particular, the literature search attempted to ascertain the reasons for the failure of individual campuses, as perceived by the institutions concerned, host country media, professional analysts, and researchers.

Wherever possible, the triangulation of data between multiple sources ensured the accuracy of the data collected, for example, by comparing the data published by individual institutions and host country governments. However, it should be noted that the specific reasons for any particular branch campus closure are often difficult to ascertain because universities are generally reluctant to state the reasons publicly. Literature searches were limited to the last 15 years (i.e. after 2000), as there was minimal branch campus activity before this date (Wilkins & Huisman, 2012a).

Thematic analysis was used to identify the following themes, or influencing factors, in the data: environmental, industry, and organisational. Thus, the article is structured to discuss and analyse in turn each of these three categories of factors that contribute to determining the balance of risks against rewards associated with establishing a new foreign branch. The article concludes with suggestions on how the proposed framework might help higher education institutions to achieve positive rather than negative outcomes when expanding physical operations abroad.

### **Environmental factors**

Higher education institutions must conform to the rules and belief systems existing in both external and internal environments in order to achieve organisational legitimacy

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(Scott, 1995; Wilkins, 2015). Suchman (1995, p. 574) defines legitimacy as 'a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.' Achieving organisational legitimacy – which is the organisation's goal in institutional theory – is important for higher education institutions because it is necessary to attract resources (such as teaching staff) and customers (such as students and funders of research). Farrugia and Lane (2013) claim that international branch campuses legitimize themselves by promoting a global identity, in addition to showing commitment to both home and host country environments. However, there exist many barriers to gaining legitimacy.

The UK's Quality Assurance Agency (QAA) declared in 2014 that only two of the eleven British universities that were operating in the United Arab Emirates (UAE) could be recognised as 'campuses' because the others lacked scale, and often consisted of little more than a few offices and teaching rooms (QAA, 2014). The University of Central Lancashire's campus in Cyprus lacks legitimacy because it is built in the disputed buffer zone that separates the Greek Cypriot and Turkish Cypriot sides of the island, and has been described as 'unauthorised' and 'a security worry' by the United Nations secretary general Ban Ki-moon (Morgan, 2014).

Government policies and regulations greatly impact on the market dynamics of any industry, including higher education. At the one extreme, the Abu Dhabi government has invited and fully funded the establishment of campuses by New York University and Paris-Sorbonne, and at the other extreme India makes the establishment of international branch campuses unattractive due to the fact that the degrees awarded solely by foreign universities are not legally recognised (Wilkins & Huisman, 2012a). This prevents foreign universities from achieving legitimacy in the eyes of students and employers. Indian institutions of higher education have also been prevented or discouraged from expanding overseas because of their individual charters or through restrictions at both national and state levels.

Between these two extremes is China. In China, the demand for higher education exceeds supply and China has also emerged as a destination of choice for international students (Pan, 2013). Although an Act passed in 2003 encourages Chinese institutions of higher education to cooperate and form partnerships with high quality foreign universities, the establishment of branch campuses by foreign institutions is not allowed unless undertaken with a local institution (Huang, 2007). However, once an international branch campus is established in China, the Chinese government is keen to promote the institution as an independent university and not as the branch of a foreign university. This suggests that the foreign universities may not have full autonomy over key decisions such as curriculum, staffing, and issues such as academic freedom. Such constraints may be unacceptable to a range of stakeholders at the home campus.

Since the turn of the century, a number of countries worldwide have sought to establish themselves as higher education hubs, examples being Malaysia, Singapore, and the UAE. Establishing branch campuses in education hubs is often an attractive proposition for foreign universities given that host country governments are likely to support such initiatives (Knight, 2011). Some host country governments believe that foreign branch campuses can help achieve objectives such as increasing higher education capacity, addressing skills shortages in the labour force, and developing sustainable, knowledge-based economies (Lane, 2011a; QAA, 2014; Welch, 2011). In some countries, there are designated zones established specifically for clusters of higher education institutions to set up operations. In Malaysia and South Korea, institutions

may enjoy cheap land, ready-built infrastructure, and financial incentives. At Dubai International Academic City (DIAC) in the UAE, foreign institutions enjoy 100 per cent foreign ownership, no taxes, and 100 per cent repatriation of profits. However, if one institution in a hub fails or has some sort of scandal, that can easily tarnish the reputations of other institutions at the hub.

Even in countries that are keen to attract foreign universities, the levels of bureaucracy in some of these countries can disrupt routine activities and prevent institutions from starting operations within a reasonable timescale (Tayar & Jack, 2013). For example, in Malaysia, entry qualifications and tuition fee levels must be approved by the Ministry of Higher Education, and programmes must be approved by the Malaysian Qualifications Agency, a rigorous process that took Newcastle University seven months for its Bachelor of Science programme (Dyson, 2013). Attitudes to profit vary in different countries and in different designated higher education zones. At DIAC, institutions can make and repatriate profits, but at South Korea's Incheon Free Economic Zone, foreign institutions are not permitted to make profits. An institution's financial objectives will therefore have a big influence on where it decides to establish its foreign branches.

Macroeconomic uncertainties have the potential to greatly hurt organisational performance. There are many variables that managers should consider, and most are difficult to predict. These variables include interest rates, rates of inflation, and foreign exchange rates. For example, the Indian rupee, which was on par with the US dollar in 1947 – when India gained independence from the UK – had in 2007 depreciated by more than 39 times, and since the global financial crisis of 2008, the rupee has continued to depreciate, and by 2013, one US dollar bought 65 rupees (The Economic Times, 2013). Thus, the price of an American degree delivered in India would have greatly increased in price over the last few decades.

Higher education institutions must consider the norms and values that exist in a potential host country and the normative distance that exists between this country and the home country. Normative distance exerts constraints and barriers to the effective replication of an institution's routine activities in a foreign country (Xu & Shenkar, 2002). Lane (2011b) argues that institutions must find ways to adapt existing policies and practices to meet the different demands in host countries, while still respecting the standards and ethos of the home campus.

Networking is essential for success in many emerging markets. For example, *guanxi* in China, and *wasta* in Arab countries, is essential to bypass the barriers caused by complex regulations and market structures, and high levels of bureaucracy and corruption. Some institutions, such as the University of Reading in Malaysia, have found it effective to adopt a two-step approach when entering a new foreign market: first, to set up in partnership with a local institution that knows the local market, regulations, and business practices, and then later to establish a campus independently.

Institutions should evaluate not only the normative structures and processes in potential host countries, but they need to also consider the normative structures and processes that exist in their home countries. For example, they need to identify the level of support or opposition from the government and other stakeholders, such as faculty and students, for international expansion in general and in specific countries. Cultural values in the home country might encourage opposition to plans for establishing a campus in a country regarded as authoritarian or as having a poor record on human rights (Wilkins, 2015). The University of Warwick cited concerns over civil liberties and

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academic freedom as contributory factors that led to their decision to not establish a campus in Singapore (Hodges, 2005).

As well as normative distance, institutions should consider the cultural distance that exists between home and potential host countries. For example, the UK's Quality Assurance Agency (QAA, 2014) notes that the Chinese government tries to retain essential characteristics of its own educational culture and system in transnational education, whereas the UAE places few cultural demands on higher education curricula, staffing, or students.

Institutions should attempt to identify the social and political uncertainties that might present problems in any particular country, as well as the possible impacts. The level of social uncertainty in a country may depend to an extent on the current levels of education and economic prosperity, but religion and politics are frequently at the root of social unrest. If a country's government changes, then the country's policies and regulations relating to transnational education might change too. For example, University College London (UCL) was motivated to open a campus in Adelaide in 2010 when the South Australian government provided US\$3.5 million support as part of its strategy to establish Adelaide as a higher education hub. However, the successor state government proved less committed to the higher education hub idea and UCL announced in early 2015 that it would close its campus in Adelaide as the financial and academic risks had become too great (Maslen, 2015).

In 2011, there was a sustained period of protests and rioting in Bahrain, which has recurred sporadically since on a smaller scale, and in 2014, there were large demonstrations and sit-in-the-road protests lasting several weeks in Hong Kong. Several institutions in Hong Kong cancelled classes during this period, either because of blocked access to campuses or because thousands of students boycotted lectures. Academic staff and international students are less likely to want to go to countries that are considered unsafe or where the threat of social unrest is high; the same is true if the threat of war or military conflict with neighbouring countries is high.

The physical and natural environments can also have significant effects on an institution's operations and attractiveness to potential students. International students might not want to go to the UAE because of the extremely high temperatures experienced during the summer months, which typically exceed 45°C. However, even within the UAE, the emirate of Ras Al Khaimah struggles to compete with Abu Dhabi, Dubai, and Sharjah because it is has a remote location and a less developed infrastructure. Ras Al Khaimah hosts mainly local and South Asian institutions, which are perceived by domestic students as being the low-cost, low-quality options (see Wilkins, 2013).

In some countries, natural disasters occur frequently or regularly, such as typhoons in China and Hong Kong; monsoon floods in India; earthquakes in Indonesia and Japan; and droughts in parts of Africa. The potential for such disasters might make the financial risks in some countries too high for institutions; also, academic staff and international students are less likely to want to go to countries where natural disasters are common. Natural disasters have the potential to disrupt routine operations and to damage physical assets, such as campus infrastructure.

This section has shown that the external environment is filled with a great variety of uncertainties. The major environmental factors that might impact upon the performance of an international branch campus include: government policies and regulations; the business environment, e.g. levels of bureaucracy and the need for social networking; changes in the macroeconomic environment; social norms, values, and

cultures; the attitudes of key stakeholders in home countries to specific foreign countries; and social, political, and natural uncertainties. Therefore, when evaluating countries or specific locations within countries for a possible new branch campus, managers should estimate and analyse the balance of risks versus rewards in relation to each of these environmental uncertainties.

### **Industry factors**

As well as environmental uncertainties, higher education institutions must consider and prepare for industry uncertainties. These may be categorised into three main types: input uncertainties (e.g. the supply of labour), market uncertainties (e.g. student demand), and competitive uncertainties (e.g. new entrants into the market). The industry-based view of strategy holds that the essence of strategy formulation is being able to cope with the competition. Porter (1979) argues that the nature and degree of competition in a market depends upon (i) the bargaining power of suppliers; (ii) the bargaining power of customers; (iii) the level of industry rivalry between existing competitors; (iv) the threat of new entrants; and (v) the threat of substitutes, which are collectively known as the 'five forces' that shape industry competition. The strongest of these five forces determine the levels of profitability in an industry and the attractiveness of the industry to firms as a market to enter.

Institutions must compete with each other for the financial subsidies offered by governments and commercial organisations. It is only prestigious universities – such as New York University and Paris Sorbonne – that have been able to get their entire start-up and operating costs paid by a sponsor, in this case the Abu Dhabi government. Many institutions have been motivated to establish branch campuses in designated zones set aside for foreign institutions, not only for the financial benefits, but because public or private sector organisations have offered ready-built physical infrastructure.

The bargaining power of infrastructure providers depends to a great extent on how many institutions want to establish a branch at the provider's site and how successful existing institutions have been at recruiting students. The rents paid at Knowledge Village in Dubai – which is owned by Tecom Investments, a real estate developer – are relatively high and have risen considerably in recent years, whereas institutions might assume that they have more scope for bargaining at South Korea's Incheon Free Economic Zone, which has been slow to attract foreign institutions. Managers also need to ensure that host country infrastructure providers have the ability and willingness to supply what has been promised. For example, just months before Middlesex University was due to open in India, its local partner, which constructed and owned the premises, pulled out of the project, leaving the university with losses of US\$7.5 (McGettigan, 2011).

Staffing an international branch campus with well-qualified and experienced staff is one of the biggest challenges facing higher education institutions (Shams & Huisman, 2012; Shams & Huisman, 2014). Healey (2015c) found that it is quite common for the managers of international branch campuses to have not previously held a management position at their home university. In the past, universities such as Pennsylvania and Yale refused to establish international branches because of their concerns for academic quality and their ability to recruit suitable academic staff (Olds, 2008). International branch campuses can be staffed in a number of ways. Institutions can recruit full or part time lecturers in the host country; or they can transfer lecturers from the home campus on a permanent or fixed-term basis; or they can fly in lecturers from the home campus for short periods at a time, sometimes as little as one or two weeks (Wilkins, 2010).

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Many institutions use a mix of these methods and none employ only host country nationals.

Where an institution wants to position itself in the market will determine how it recruits its academic staff. For example, Murdoch University Dubai aims to offer students tuition at an affordable price using materials developed at the home campus in Perth (Wilkins, 2011). In this case, it is cost-effective to rely heavily on locally recruited lecturers employed on a part-time basis. At the other extreme, New York University Abu Dhabi is expected to regularly fly in its top professors from New York. Junior academics are often reluctant to work overseas because they fear it will affect their career progression, and mature research active professors typically do not want to leave their research and colleagues. Even when the top professors can be persuaded to undertake an extended secondment abroad, perhaps for one year, the total cost to the university is typically around three times what it would be at the home campus, once travel, accommodation, and expatriate benefits like health insurance are covered for both the professors and their families.

Tisch Asia – New York University’s Tisch School of the Arts – closed its campus in Singapore in 2015. The campus had been losing as much as US\$6 million per year (Sharma, 2012). The business model involved employing professors from New York rather than recruiting locally in Singapore, and this necessitated the need to charge high tuition fees (at the same level charged in New York), which was not accepted in the local market. Given the annual losses and relatively low student numbers (158 in 2012), the business model was proved unsustainable (Sharma, 2012).

In 2013, Yale University had 21 visiting faculty posts at its campus in Singapore, which it runs with the National University of Singapore (Kamenetz, 2013). Academic staff and students often believe that institutions should not expand abroad because doing so diverts time, money and effort from home operations to the detriment of home students (Wilkins & Huisman, 2012a). Students and staff at Yale’s home campus have protested that the institution’s campus in Singapore is depriving the home campus of valuable resources. When they appear in the media, complaints such as these can damage institutional reputations.

It is vital that managers fully understand the markets in which they intend to enter. They need to ensure (i) that there are enough students who would want to take their programmes, (ii) that these students hold the required entry qualifications (usually the same as required at the home campus), and (iii) that they can afford the tuition fees. If any of these three criteria are not met in a particular country or location, then the institution is unlikely to be successful. Royal Melbourne Institute of Technology (RMIT) opened its campus in Vietnam in 2001 knowing that demand for higher education in Vietnam far exceeded supply, but it was aware that tuition fees had to be pitched at a level that was affordable to the local population (Wilmoth, 2004). Institutions must also research what subjects students want to study, and in which modes (i.e. full or part time), and what their expectations are about curriculum content, learning styles and assessment, teaching staff, learning resources, and social/leisure facilities. For example, Heffernan et al. (2010) found that Chinese students have unique characteristics that differentiate them from Western students, which include differences in preferred learning styles.

Although international branch campus closures are usually the result of a combination of factors, Becker (2009) claims that poor market research and poor student enrolment are the most common causes of branch campus failure, as these often lead to unsustainable financial losses. Many managers seem to have over-estimated



demand and under-estimated costs, and as a result it is taking institutions longer than planned to break-even, while others never manage to break-even (Wilkins, 2010). This has led to some institutions taking drastic measures; for example, in 2009, when faced with very low enrolments Michigan State University offered half price tuition fees. Price competition of this type is an example of a competitive uncertainty that most institutions will not have planned for, and with their high fixed costs they will be poorly equipped to deal with such situations.

The creation of higher education hubs has created some intensively competitive markets. Although international branch campuses can sometimes benefit from being located near to competitors, for example when sharing sports and leisure facilities in designated higher education zones, when there are too many competitors then it can be difficult for all operators to meet student enrolment targets. Some institutions consider it risky to establish campuses in unproven or undeveloped markets while others see it as an opportunity to gain a first mover advantage (Girdzijauskaite & Radzeviciene, 2014). The latter view is held by Bocconi, a leading business school in Italy, which opened a branch in Mumbai in 2012.

At the start of 2016, there were a total of 32 international branch campuses operating in the UAE (C-BERT, 2016). More than half of these campuses have less than 300 students. This is not surprising given that the emirate of Dubai has a population of only 1.7 million and only a small proportion of this population can afford the level of tuition fees charged by the foreign institutions (Alajoutsijärvi et al., 2014). These smaller branch campuses lack economies of scale and suffer from higher unit costs. When a market has many small operators but no big dominant players, the market can be attractive to institutions that possess the financial and know-how resources to establish a large-scale campus with superior learning and recreational facilities.

Many international branch campuses focus on recruiting expatriate students, international students, and domestic students who did not get accepted at the prestigious public universities. In the UAE, the public universities have started to admit expatriate and international students, and this represents a new source of competition for the international branch campuses. As well as considering the likeliness of new market entrants in any particular market, managers should consider the possible impact of substitutes, such as Massive Open Online Courses (MOOCs).

It is clear that when choosing where to establish overseas branches, managers should try to predict and evaluate input, market, and competitive uncertainties. Managers need an accurate and detailed knowledge of the markets they intend to operate in so that they can appropriately understand customer needs and preferences as well as the nature of the competition and the potential barriers to success (Srivastava et al., 2001).

### **Organisational factors**

The international higher education market is dynamic and fast-changing. Arguably, therefore, higher education institutions need dynamic capabilities to thrive in this market. Dynamic capabilities may be regarded as an organisation's ability to create, deploy, and upgrade organisationally embedded and return-generating resources in pursuit of sustained competitive advantages in the market (Luo, 2000). The essential components of dynamic capability are (i) possessing distinctive resources; (ii) effectively allocating these resources; and (iii) upgrading capabilities as a result of dynamic learning. The more an organisation engages in international activities, the more its managers will gain international experience.

New York University Abu Dhabi faced considerable criticism in the international media for the poor treatment of construction workers at its campus. When New York University established its campus in Shanghai it took far greater care in publicising and enforcing its comprehensive Statement of Labour Values. Given that each country an institution operates in has its own distinct legal and cultural environment, it is essential that managers appreciate the actions and values that stakeholders expect them to uphold because stakeholders have the power to influence the expansion plans of institutions.

Managers should choose to establish branch campuses in markets where their resources and competencies will give them a competitive advantage. According to Barney (1997), organisations will only achieve a competitive advantage if their resources are Valuable, Rare, Imperfectly imitable, and Organised (collectively known as VRIO resources). New York University possesses a brand that is relatively valuable, rare, and imperfectly imitable (Wilkins & Huisman, 2014), which explains why the governments of Abu Dhabi and Shanghai have been willing to fund the establishment of campuses. How the range of stakeholders (e.g. parents, school teachers, employers, and the media) perceive an institution's image is very important as these stakeholders can greatly influence students' choices of where to study (Wilkins & Huisman, 2015).

The acquisition of routine resources must be considered in addition to the VRIO resources. Institutions need to acquire books and equipment to deliver high quality teaching. A regime that censors the literature used by institutions may impact negatively upon student learning and raise concerns over academic freedom. In small countries, suppliers of resources and equipment might be able to exploit the market. For example, Northwestern University in Qatar had to choose between paying 30 per cent more for media equipment from the local sole supplier or to import the equipment, which would involve longer delivery times and delays at customs upon arrival in Qatar, as well as the shipment costs (Chalmers, 2011).

University rankings greatly influence an institution's image and reputation, and the extent to which the institution is likely to be the applicant's first choice. Highly-ranked institutions are able to charge the highest tuition fees and they will still attract the most able students (Wilkins & Huisman, 2012b). Lower-ranked institutions may avoid small markets where more prestigious institutions already operate as they may struggle to recruit students, and might be forced to reduce tuition fees and entry requirements.

Establishing an international branch campus typically involves a relatively large financial investment (Shams & Huisman, 2012). Managers must have a clear plan for funding such campuses and they should determine a realistic time period to achieve break-even. Full funding from a host country government or commercial organisations will always be an institution's preferred choice. For example, the Maltese government funded the building of a new medical school for Queen Mary University that opened in 2015, which substantially minimises the financial risks for the London-based university. If an institution is not financially strong enough to be able to provide the necessary funding over several years, or if there is a lack of commitment among senior managers at the home campus to provide it, then it can be very risky to progress with developing the new campus. It should be remembered that most higher education institutions are not legally able to fund international branch campuses from home campus revenues, which means that in the medium term the branch campuses must be self-funding (Wilkins & Huisman, 2012a).

When assessing the potential of different countries to support a branch campus, institutions must match their curricula and subject strengths with local labour market

needs and students' subject preferences. A liberal arts university is less likely to be successful if it locates in a country where the majority of students want to study business or science subjects. An institution must possess the resources and competencies required to gain institutional and programme approval and accreditation from local regulatory bodies. This section makes clear that even if the international higher education industry offers potentially attractive markets, if an institution does not possess the dynamic capabilities and VRIO resources that are required to exploit the opportunities available in these markets, then the probability of failure will be higher.

Given the findings of the thematic analysis that was undertaken – which has been discussed in the previous three sections – a framework (shown as Figure 1) is proposed, as a tool to assess the opportunities and risks associated with establishing an international branch campus in a specific location. The lists shown in each category are not intended to be exhaustive; rather, they provide examples of the items that might be relevant within any category when an institution is performing country and specific location analysis.

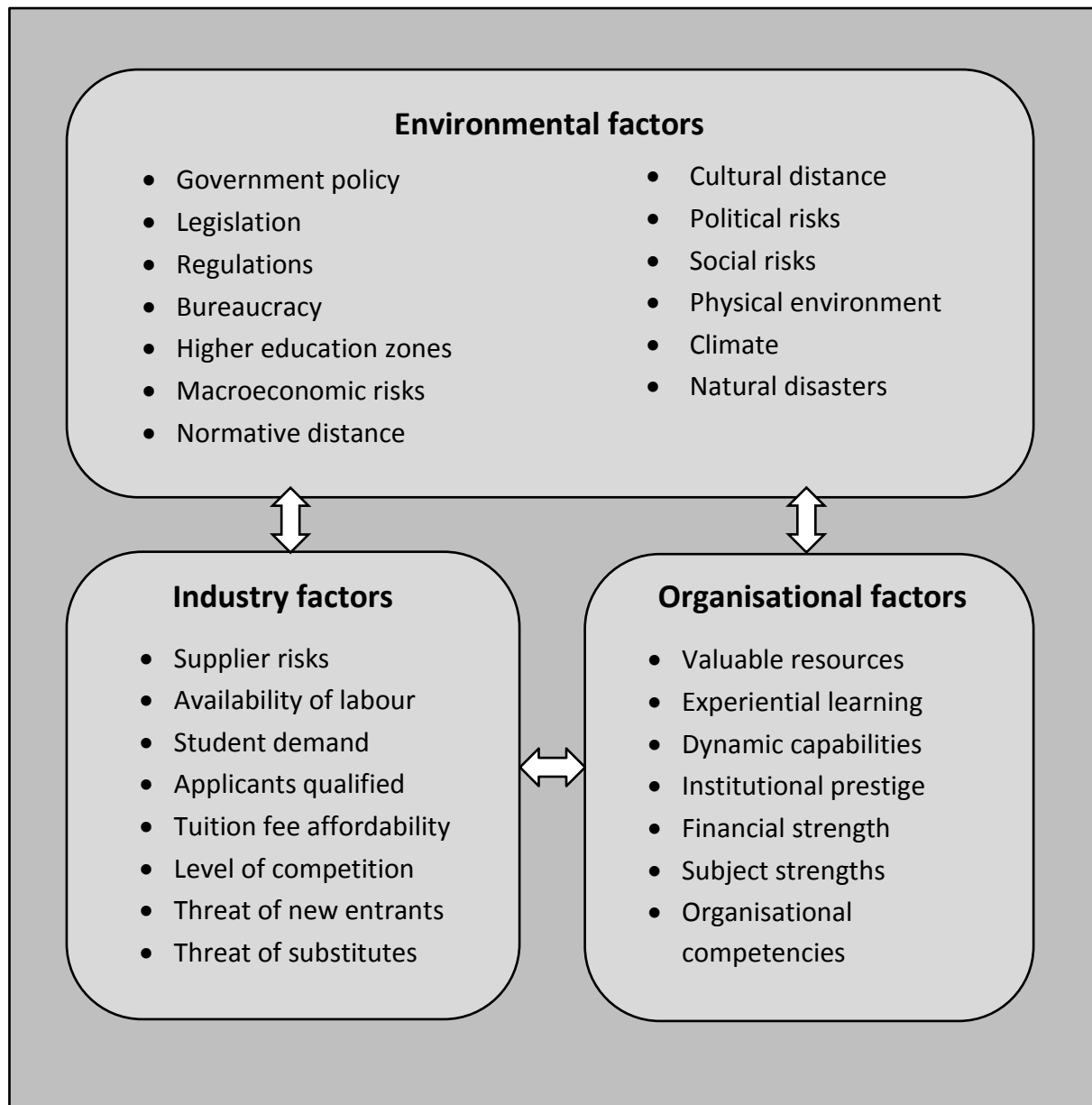
## **Discussion**

The analysis presented in this article suggests that higher education institutions which systematically and comprehensively identify and evaluate the environmental, industry, and organisational factors that may impact upon branch campus success are more likely to select the optimal locations for international expansion and avoid those locations where the possibility of failure is higher. However, when evaluating possible locations for a new international branch campus there are influences that contribute to determining the final choices other than the analysis relating to these three factors. Prudent universities will undertake a rigorous process of market research and due diligence.

Most institutions employ consultants based in the target host country as part of this process, but research conducted by Cassidy and Buede (2009) concluded that very often the accuracy of expert judgements are no better than chance. The high rate of international branch campus failures suggests that many institutions rushed into establishing branches without completing effective due diligence. The keenness of many managers to expand internationally, often to achieve institutional internationalisation objectives, has undoubtedly led some of these managers to make rushed decisions that under-estimated the risks involved. For example, in 2013, the University of East London shut its campus in Cyprus after it had enrolled just 17 students in six months (Matthews, 2014), and in December 2015, the University of Wolverhampton announced it would close its campus in Mauritius because four years after opening it still had only 140 students (Times Higher Education, 2015).

An institutions' stakeholders can considerably influence the institution's internationalisation strategies. The increasing concern over human rights and academic freedom has forced institutions to consider their positions on this (Wilkins, 2015). In countries such as China, Singapore, and the UAE, concerns have included academic freedom and the treatment of females, homosexuals, and construction workers that originate from poorer developing countries. Following pressure from various stakeholders, the University of Connecticut abandoned plans for a campus in Dubai following criticism of the UAE's policies on Israel. When New York University accepted the Abu Dhabi government's offer to establish a branch campus in Abu Dhabi, one of the conditions that the institution insisted upon was the right to have Israeli staff and students. Some institutions appear to take a more pragmatic view, insisting that when

operating in different cultural contexts it is necessary to respect and adhere to the norms in these contexts (Morgan, 2011). Lane (2011b) argues that as social organisations, it is the nature of institutions to adapt to their local environmental conditions.



**Figure 1.** Framework for assessing opportunities and risks associated with the establishment of international branch campuses.

International branch campuses operate in a unique context and are therefore exposed to a range of unique risks (Chalmers, 2011). When a university expands abroad, there will always be many uncertainties. Some countries are perceived as stable while others are considered as riskier and with more uncertainties. However, over time, any particular country might become more or less suitable as a location for branch campuses, so it is necessary to have high quality and up-to-date market intelligence.

Managers also need high quality interpretation and evaluation skills, to make the best use of the data collected in a potential new market.

## **Conclusion**

When evaluating possible locations for a new international branch campus, managers should consider the institution's objectives (which typically include profit and prestige maximisation – Tayar & Jack, 2013); the institution's VRIO resources and dynamic capabilities, including the institution's experiential learning; environmental, industry, and organisational factors; stakeholder preferences; and the availability of accurate and useful data. Managerial decision making will be shaped to a large extent by the institution's objectives and motives for establishing international branch campuses. For example, interpretation of a country's macroeconomic environment – including national income levels and students' ability to pay tuition fees – will differ according to whether the branch is intended as a profit-generating or altruistic operation. However, even a campus that is intended as an altruistic operation will most likely depend on tuition fees to guarantee its own survival, an example being RMIT's campus in Vietnam, which seeks to contribute to the sustainable economic, social and environmental development of Vietnam (Wilmoth, 2004).

Institutions should not expand internationally just for the sake of it; likewise, they should not imitate other institutions for the sake of it, or simply to gain legitimacy in the eyes of stakeholders. When a manager sees a cluster of international branch campuses in a particular location, it might be difficult to ascertain whether this is a market with huge outstanding potential or whether it is already a saturated market. In situations such as these, the institution would be advised to rely on the expertise of local consultants and partners. Scenario and contingency planning might be techniques that can enable managers to cope better with the uncertainties they will face in foreign markets, but these techniques must involve analysis of the foreign markets.

The framework proposed in this article provides managers of higher education institutions with an analytical tool to guide a process of systematic data collection and analysis, which includes reflection on institutional objectives, resources, and competencies. It is vital that managers identify the risks and uncertainties that are most likely to impact on the success or failure of a branch campus in any particular location. Strategic management decisions could involve determining the optimal entry mode in any market, e.g. the need for a partner; making agreements with host country governments and suppliers; deciding how to differentiate the institution from competitors; and devising strategies to maximise flexibility, in order to cope with changes in the market, e.g. possessing a flexible work force that can cope with changing levels of student demand.

To be successful in any particular market, an institution might need to change or improve its resources and operational processes. For example, in a country that is less attractive to staff, an institution might need to offer incentives and improved remuneration packages. For example, the University of Nottingham has offered promotions and displacement allowances to staff that are willing to work at its Malaysian campus. Where an institution judges a particular country as attractive but considers the risks associated with establishing a branch campus alone too great, it can pursue alternative strategies such as partnerships and joint ventures with local institutions. For example, in 2011, Yale University and the National University of Singapore established Yale-NUS College, which is the first liberal arts college to be

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established in Singapore. Then, in 2013, Imperial College London jointly opened a medical school in Singapore with Nanyang Technological University.

The analysis presented in this article has led to the presentation of a framework that aids the assessment of possible opportunities and risks relating to the establishment of international branch campuses. The framework is theoretically strong as the analysis has drawn upon business management theories such as institutional theory, Porter's industry-based view, and Barney's resource-based view, as well as the concept of dynamic capabilities. Obviously, the analysis presented has shortcomings. In the fast-changing international higher education market, data obtained just three or five years ago might be out of date and the conclusions drawn from it invalid. The complexity of this market and the complexity of higher education institutions make it near impossible to create a generalised model that will apply in every situation. Nevertheless, it is argued that the proposed framework provides a sound point of departure in the analysis of international education markets.

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