

Value, What Value? University Business Model in Pursuit of Advanced Internationalization

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Abstract

Through business model theoretical lenses, we explore challenges universities face in their pursuit of advanced internationalization into foreign markets. This is a conceptual paper. Based on theoretical and empirical insights we conjecture that advanced internationalization of universities is unethical, calling for a revision of business model theory to incorporate ethics.

Introduction

Through business model theoretical lenses, we explore in this paper issues and challenges universities face in their pursuit of advanced internationalization into foreign markets. The context of this paper is defined by universities from developed countries entering developing or emerging countries via advanced international entry modes, such as joint ventures, acquisitions, green field or brown field investments.

Fifteen-twenty years ago, universities from developed countries 'jumped on the bandwagon' of higher education internationalization and globalization. They

entered developing and emerging countries by entering joint-venture agreements, acquiring existing facilities or building brand new campuses to deliver joint programmes at Bachelor and Master levels. This period is also characterised by massive withdrawal or de-internationalisation of these universities from the foreign markets they initially entered by closing down campuses or exiting the joint-venture partnerships (Turcan and Gulieva, 2016a).

In our paper we conjecture that one of the key reasons for exiting foreign markets is due to the incompatibility

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between the business model university adopts to create, deliver, and capture value (Massa et al., 2017)—in this context, academic value – within its national borders and the business model it adopts for the same purpose in the foreign target market.

Approach

This is a theoretical paper. We draw on a number of sources of data to conceptualise issues and challenges universities face in their pursuit of advanced internationalization into foreign markets. First, we build on university autonomy, international business and business model theories to conceptualise the phenomenon of interest. Second, we analyse publicly available data, anecdotal evidence where the phenomenon we study is explicitly observable.

Empirical research of this phenomenon is virtually non-existent. Mainly, this is due to the fact that the academic autonomy in the developing foreign target markets is limited, involving “background, subtle, political and social pressures which may, nevertheless, exert a powerful influence” (Turcan et al. 2016), p.240). Even international scholars from developed countries are reluctant or cannot share their experience as “a measure of direct or effective censorship or recognition of the sensitivities of colleagues, institutions, and/or governments to what they might say” (Turcan et al., 2016, 240). The following quotes from Turcan et al. (2016, p. 240) capture best these issues and challenges:

- “I can’t send you my contribution due to the formal organizational reasons”;
- “my [university] senior management informed me that they did not wish me to go ahead with the chapter I had proposed”;
- “the material was planned to be quite critical, but it can’t be approved by my [university] administration”;
- “I am being held up by the need for others to check what I send out and what I make public and/or keep private”;
- “there would have been nothing of any significance left”;
- “the rules in my [university] dramatically changed since I agreed to contribute, and now . . . it must be approved by the administration”;

- “I was strongly advised not to proceed”;
- “[the administration] may not be happy about everything I write becoming available in the public domain.”

Key Insights

The business model universities adopt within their national borders to create, deliver and capture academic – teaching, research, and knowledge dissemination – value rests on four pillars of academic freedom. These pillars are: organisational autonomy, financial autonomy, staffing autonomy, and academic autonomy (EUA, 2007). *Organisational autonomy* refers to a university’s freedom to decide on its own structures, contracts, election of decision-making bodies, and staff. *Financial autonomy* refers to a university’s freedom to acquire and allocate funding, decide on tuition fees, and accumulate surplus. *Staffing autonomy* refers to a university’s freedom to recruit, set salaries, and promote its staff. *Academic autonomy* refers to a university’s freedom to decide on awarding degrees, curriculum and methods of teaching, as well as on areas, scope, aims, and methods of research.

These four pillars of academic freedom define a university, its vision, its mission, what it stands for. Within the business model theory, the expected enduring question is whether a business model a university adopts within its national borders can be transferred *as-is* or *adapted* to a target, emerging foreign country in the pursuit of advanced internationalization. Wearing university autonomy theory lenses on top of business model theory lenses we conjecture that neither is a viable option.

Transferring own business model *as-is* to an emerging or developing target market might seem an easy option in which the process and practices will be repeated in a new context. Nonetheless, the main challenge is how to ensure organizational, financial, staffing and academic freedom in an environment that is fundamentally different from the home environment? Concepts related to university’s core values such as diversity, transparency, integrity, collaboration, and excellence may have a different meaning in the home country than in the host country. Notably, the host country’s legislation may limit some organization structures at the university and on the other hand, the legislation

may force some additional elements to the curriculum, contracts and decision-making processes. It is important to notice that implementation of university advanced internationalization without people who carry the home organization's "DNA" – hence core business model – is impossible and the staff immobility is one of the key challenges (Turcan and Gulieva 2016a). For example, the authoritarian leadership style, that is relatively common in emerging countries, may not support the parent institutions values which might cause gap both in ethical practice and implementation of the core processes in terms of all four pillars. Cultural differences, such as high power distance, may create strong hierarchical structures that will make collaboration between faculty and administrative personnel challenging or collaboration between faculty and leadership team difficult. These challenges may lead to lack of support for faculty and be a threat to academic autonomy and integrity. Hence, if the "DNA" of a university cannot be 'exported', despite the reason, the implementation of the business model *as-is*, is impossible. For example, in 2005 Warwick University declined a generous financial offer from Singapore Government to establish a campus there due to concerns over the state of human rights and academic freedom in Singapore (Burton, 2005).

Adapting own business model in the pursuit of advanced internationalisation would mean to operate changes in the original, home-based organisational, financial, staffing and/or academic settings to tailor them to the institutional university autonomy settings in a target market; hence make changes to the university DNA. Separated from the pillars of academic freedom the localization of the curriculum as suggested by Turcan and Gulieva (2016a) is important to create the value for the students and local industry, but the university should not compromise on key aspects of own academic autonomy, freedom, mission, and vision. Confusion about the level of control and depth of adaptation may lead to unethical outcomes such as discrimination, nepotism, corruption, inequality among the students, and low quality of teaching or motivational problems from the parent organization's perspective. Adapting the business model challenges the hierarchy and the roles between the parent and daughter organization. Adapting the business model in terms of four pillars of academic freedom is too abstract to

give clear guidelines for the adapted business model and therefore the implementation is impossible. If the host organization does not have a clear vision of how to adapt the culture, processes, and practices of the parent organization, the leadership may aim to gain short-term victories, such as pleasing students as customers at the cost of the quality of academic performance. This lowers the quality of the institution and leads again to commitment and motivational problems among the staff and students. What is the competitive advantage if the new international unit is merely like any local university rather than following the standards of the parent organization? Due to such conflicts with the four pillars of academic freedom in the new context, adapting the business model is also impossible.

Universities may have another option to consider. In its pursuit of advanced internationalisation to developing countries, a university may design a completely new business model in cooperation with its foreign partner – a new business model that has no resemblance or association with the university home-based business model. To our knowledge, such empirical reality has not been observed or documented yet. Nonetheless, this option will be based on a compromise between two different, incompatible, conflicting institutional university autonomy settings raising concerns of individual and university-wide autonomy as well as concerns about the sustainability of university advanced internationalization efforts. As discussed above, such compromise is not a viable option.

Discussion and Conclusions

The above theoretical as well as empirical, though anecdotal, insights led us to conjecture that *advanced internationalization of universities is unethical*. Emerging economies with growing middle class and growing young population may look like a low hanging fruit for universities seeking growth from overseas, but implementation of a university business model in pursuit of advanced internationalization is challenging. Universities that do adopt foreign direct investment mode of internationalisation *and* realize – though post-internationalisation – the ethical dilemma they face decide to divest or de-internationalize their international operations and return home to create, deliver and capture the value within the national borders employing the

traditional, proven business model. However, withdrawing the international operations is easier said than done. Having invested in a high risk, high cost and high commitment entry mode, de-internationalizing or divesting from an international market is an arduous decision to make. Due to project, psychological, social and organizational factors that respective universities are exposed to, these universities tend to escalate their commitment to the failing course of action (Drummond, 1994). These escalation situations include repeated decision making in the face of negative feedback about prior resource allocations, uncertainty surrounding the likelihood of goal attainment, and choice about whether to continue (Brockner, 1992). In other words, universities continue investing and committing resources to their advanced international business model despite negative feedback that emanates from its external and internal environments and stakeholders.

Investing in and developing a university campus, branch, or joint venture is a long process as instilling a university-autonomy-based organization culture takes time - especially if the original home country's culture and institutions differ substantially from the host country's culture. From managerial point of view, our conjecture acts as a warning for those universities that wish to pursue advanced internationalisation business model into developing countries. As current noise from the field suggests, neither our conjecture nor the above insights will however refrain universities from developed countries to continue 'jumping and riding the bandwagon' of advanced internationalization into the emerging, developing countries. In this case, our theoretical and empirical insights could offer number pointers to consider before deciding to pursue advanced internationalisation as well as to aid decision makers in designing an advanced internationalisation business model.

For example, since an advanced entry into a foreign market with substantially different, divergent university autonomy settings will demand from the start to adapt, making changes to the original university business model, the internationalizing university will need to put in place internal risk and crises management policies and respective operating procedures. These should be functional before foreign direct investment negotiations commence. During and as part of the negotiation process, the internationalizing university shall insist on developing and agreeing on short-to-medium term aims, objectives, road maps and respective action plans all aimed at achieving joint university autonomy settings that are internationally accepted (see e.g., Estermann and Nokkala, 2009). Proper due diligence, feasibility study and evaluation processes centred on the four pillars of university autonomy will provide a deeper understanding of the target institutional context. Even though careful planning is paramount, the implementation is the key denominator between success and failure of the university internationalization process.

These, 'jumping-and-riding-the-bandwagon advanced internationalization of universities,' as well as other recent trends "in politics (the rise of populism and nationalism in the EU, Brexit, and the election of the USA President), science and technology (GM crops, nuclear energy, fracking, global warming, artificial intelligence), health (eating disorders, immunization, resistance to antibiotics), and society (mass migration, extremism, and terrorism) - most of the time with negative signs and negative social impact" (Turcan, 2018) - demand a revision of business model theory to include **ethical** concerns as well as of respective business model design strategies, tools and mechanisms to accommodate such **ethical** concerns in the process of business model design and innovation.

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