

# Managing Offshore Branch Campuses: An Analytical Framework for Institutional Strategies

Journal of Studies in International Education  
16(2) 106–127  
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sagepub.com/journalsPermissions.nav  
DOI: 10.1177/1028315311413470  
<http://jsie.sagepub.com>



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## Abstract

The aim of this article is to develop a framework that encapsulates the key managerial complexities of running offshore branch campuses. In the transnational higher education (TNHE) literature, several managerial ramifications and impediments have been addressed by scholars and practitioners. However, the strands of the literature are highly scattered and not addressing the issues coherently and consistently. Therefore, in the first section of this article, we review the literature and highlight this fragmentation. In the second section, we borrow and explore a paradigm from the strategic management literature, known as the dichotomy of global integration (I) versus local responsiveness (R). This paradigm leads us to construct a multidimensional framework that proposes a perceptive insight into the field by reframing, reconceptualizing, and synthesizing the managerial complexities from a strategic perspective. It also highlights the hazards of taking polarized strategic stances (global integration or local responsiveness); the analysis suggests a “both-and” approach. We argue that the framework could be used as an analytical tool for TNHE institutions to reflect on their positions and potential change strategies.

## Keywords

cross-border campus, strategy, globalization, transnational HE, localization, offshore education, international education

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## Introduction

Transnational higher education institutions (TNHEIs) are best understood as HEIs that award their degrees to students located in a different country. The number of TNHEIs has grown significantly over the past two decades. Our interest is particularly in the international branch campus: a “brick-and-mortar” unit of an HEI in another country, to be distinguished from two other forms of TNHE: distance education and partner-supported delivery (McBurnie & Ziguras, 2007). A recent report from the Observatory on Borderless Higher Education (OBHE) revealed that the number of international branch campuses has increased by 43% since 2006 (Becker, 2009). Not only is the growth impressive but also did some branch campuses fail to continue their operations (e.g., the Central Queensland University’s branch campus in Fiji; OBHE, 2007).

Often the growth of TNHE is associated with the globalization of economies, marketization, and neoliberalism (Moutsios, 2008; Sidhu, 2007). From this perspective, HEIs are seen as service providers that can benefit from the opportunities outside their domestic markets. This does not mean that embarking on TNHE is only geared toward entering new markets, revenue generation, and profit maximization (see next section). However, it must be stressed that the financial-economic side is critical: setting up a branch campus requires large investments and such initiatives are therefore highly volatile and risky. A number of case studies, which have focused on the branch campus failures (Sidhu, 2009), revealed that the economic factor was underestimated by the managers. At the same time, maintaining similar service quality at the branch campus(es)—a costly practice—is entangled with the reputation of the TNHEI, hence essential. Given this, the question emerges how HEIs can best strategically manage their offshore branch campus. To this end, we need to understand the most crucial managerial challenges which are encountered by TNHEIs. Therefore, this article begins by putting TNHE in context. It consists of two sections. The first section reviews the literature on TNHE, specifically in regard with the most pertinent managerial issues, such as adaptation to the host country’s quality assurance framework, dealing with allegations of cultural imperialism, the transfer of a prebundled curriculum, staffing issues, and so forth. For ease of comprehension, these issues have been categorized under three subheadings: (a) Curriculum and Staffing, (b) Cultural-Societal Distance, and (c) Regulatory Distance. This section will be followed by a concise discussion where we argue that, at first sight, all of the key managerial and strategic issues, highlighted in the literature, are highly scattered. However, introducing a paradigm from the strategic business literature, we will demonstrate that these issues are all interrelated and resonate with the strategic dichotomy of global integration (I) versus local responsiveness (R). We will also discuss the advantages and the disadvantages of approximating either of the extremes of the dichotomy.

In the second section of this article, we elaborate on the I-R paradigm by drawing on the literature of strategic management and international business and then apply it to the context of TNHE. We will argue that incorporating theoretical concepts from other disciplines and applying them to the TNHE context can help us reframe and

reconceptualize the available—mostly anecdotal—literature. This section comprises three parts: The I-R Paradigm in the Strategic Management Literature, The I-R Paradigm in the Context of TNHE, and our Reconceptualization. In the latter part, we will propose a framework that enables us to—theoretically and empirically—analyze the strategic challenges. We will subsequently (in the Summary and Conclusion part) suggest that a “both-and” approach (global integration and local responsiveness) should be employed to deal with the strategic challenges of TNHE provision.

## **Offshore Branch Campus Establishment**

We start with discussing advantages of transnational ventures. TNHE is believed to have several advantages for both the home and the host countries. TNHE helps the host countries (importers) to reduce brain-drain (see for different arguments Lien, 2008; Lien & Wang, 2010), to enhance the level of national education, to support income generation, to increase technology transfer, and to build capacity while it benefits the home countries (exporters) by creating an extra source of income, the opportunity to exploit foreign markets, and expand the range of their research activities (Becker, 2009; Garrett, 2004).

Drivers to cross borders have been widely discussed. Financial, reputational, and academic goals are key decision factors for many of the transnational movements (McBurnie & Ziguras, 2009). These drivers obviously connect to the advantages mentioned in the beginning of this section. Countries like Singapore (Mok, 2008) and Malaysia (Gill, 2009) are deemed to be profitable target markets due to their national strategy for boosting their knowledge-based economies (George, 2006), hence facilitating foreign HE provisions. However, accomplishing the economic goals by accessing greater market opportunities—although necessary to the extent of financial viability—does not seem to be the main driver. Slaughter and Leslie (1997) argued that universities aim at maximizing their prestige (see also Marginson, 2006; Nguyen & LeBlanc, 2001; van Vught, 2008). They claim that establishing a branch campus helps to enhance the university’s image and prestige (see also Verbik & Merkle, 2006). This is a market-driven approach (Edwards & Edwards, 2001) as universities try to broaden their portfolio including prestige and brand name by extending to foreign markets. Dunning’s eclectic paradigm (Dunning, 1980; Dunning & Lundan, 2008b)—a widely used model in international business—helps to synthesize the rationales of cross-border activities of HEIs. Dunning’s model (also known as OLI model) consists of three factors: Ownership advantages (O), Location advantages (L), and Internalization advantages (I). Having a rich portfolio of ownership advantages, that rely on firm-specific assets (tangible and intangible), makes organizations capable of becoming transnational. Location advantages point at the accessibility of required resources in the host country and are key motives for transnational ventures. Finally, the internalization advantages concern reducing transaction costs by avoiding external routes of transmitting ownership advantages to the host country such as licensing or franchising. In the HE sector, universities and colleges with a strong research

and teaching profile, prestigious brand names, and a high level of embeddedness in their national countries have the potential privilege to step outside their borders and offer their services to foreign markets (Edwards & Edwards, 2001). These are their ownership advantages. Nevertheless, the existence of location-specific factors (the second factor in the Dunning's model) plays a key role as well. The ability to offer cheaper educational services in some profitable markets like Singapore and Malaysia encourages HEIs to establish their branch campus and position in the foreign market. Internalization (the third factor), in the case of TNHE, points at the benefits of the branch campus vis-à-vis licensing or joint venturing: the HEI can avoid all the tensions that exist in partnership models (McBurnie & Ziguras, 2007). Nevertheless, it must be noted that strategic alliances with local partners have several benefits for the new entrant in the host market as well. Our focus in this article, however, is on branch campus mode of offshore provision.

It is noteworthy that in comparison with other types of TNHE, branch campus establishment is exposed to a considerably higher level of risk due to the required large amount of investment. Some observers even argue that it is "a huge commitment of time and resources [which makes setting up of overseas campuses] a strategic mistake" (Shattock, 2007, p. 18). Nevertheless, some more optimistic observations can be found as well (see, for example, Verbik & Merkle, 2006).

Driven by the OLI factors, a TNHEI seeks positioning in the target market. Although choosing the right target market and the right mode of entry (e.g., full branch campus, licensing, etc.) can have significant positive impacts on the performance of the institution, the managers still must overcome a wide range of obstacles.

## Managerial Challenges

In this part, we discuss the major managerial and strategic challenges facing TNHEIs, which are identified and addressed by scholars and practitioners (see also, for a concise review, Debowski, 2008). To better position and present the findings, we compare the setting up of a branch campus with an enterprise considering entering a foreign market. We do this, of course, without presupposing that HEIs develop such initiatives completely based on similar (financial) motivations. However, the economic and international business literature helps us to put the managerial challenges into perspective. From an economic point of view, similar to other transnational enterprises, TNHEIs try to reach a competitive edge in their target markets by relying on their ownership advantages (Dunning & Lundan, 2008a), such as brand name, experience, intellectual properties, and prestige. These advantages are a bundle of tangible and intangible resources, which the TNHEI deploys to the host country to exploit the opportunities in the target market. Vying with other local and international competitors, the better they can transfer their ownership advantages and the better they use the location-specific advantages, the more successful they will be. Adjusting themselves to the circumstances of the target market requires an appropriate use of location-specific advantages. Therefore, both the short- and long-term successes of the TNHEI

in a foreign country are bound to the strategic management of resource transfer and implementation. Obviously, teaching (the curriculum) and research are the core activities of an HEI, and the quality of these services largely depends on the quality of staff. Therefore, curriculum, staff, and research potentials are the main resources which constitute the firm-specific assets and thus need to be transferred to the target destination. Undoubtedly, addressing the managerial issues related to bundling, transferring, disintegrating, and adapting the three resources (curriculum, research, and staff) to the target market would not cover the entire challenges and impediments that a TNHEI may face while operating in the home and the host country. However, as the core activities revolve around these three items, it is expected that the major managerial challenges are related to these factors. The following review of the literature will confirm this.

### *Curriculum and Staffing*

If the TNHEI decides to deliver the same materials and operate the same curriculum at the branch campus, it needs to bring many resources (e.g., staff) to the target market. This is highly likely to be very costly and uneconomic due to the high travel expenses and higher wages (in most cases) in the home country (Ennew & Yang, 2009; Gill, 2009). However, experienced and qualified local lecturers making a significant contribution to the learning process of students can often be a scarce good (Ziguras, 2008), given that the majority of branch campuses are established in developing countries. Thus, relying on staff from the host countries may not be possible or may impinge negatively on the quality of teaching to some extent (McBurnie & Ziguras, 2009). However, in some cases, the foreign branch campus is under legal or contractual obligation by the host country's government to recruit locally up to a certain percentage of the total number of staff (Becker, 2009). Therefore, it seems that transnational universities have no choice but to make strategic decisions regarding the balance between using home and host staff (see also Tham & Kam, 2008).

The curriculum is also subject to fit—to some extent—the local circumstances (see, for example, Li & Baalen 2007; Prowse & Goddard, 2010; Willis, 2004, 2005). An important issue is the potential mismatch between programme contents and host country's social norms and regulations. Host governments may impose a set of restrictions on the higher education provider. Moreover, contentwise some of the teaching materials in specific subjects may clash with the host country's cultural or religious values (see, for example, Schapper & Mayson, 2004; Smith, 2009).

A case study by Miliszewska and Horwood (2004) scrutinizes the impacts of cultural differences on the learning outcomes and emphasizes the need for tailoring the curriculum to the local requirements (see also Dunn & Wallace, 2006). The challenge for the university therefore seems to be to localize the curriculum while at the same time trying to offer identical courses, degrees, and learning experience to both groups of students (see also Miliszewska, 2006; Miliszewska, Horwood, & McGill, 2003). Extending the idea of differences in curriculum to learning styles (see, for case

studies, Dunn & Wallace, 2004; Heffernan, Morrison, Basu, & Sweeney, 2010) and the student experience (Mohamad, Rashdan, & Rashid, 2006; Pyvis & Chapman, 2005) brings Kelly and Tak (1998) to the argument that for a teaching and learning experience to be effective, the curriculum must be adapted to the local context.

Although the above hints at adjustments to the local expectations, drawbacks must be mentioned. Many students are attracted by the reputation of the foreign university and wish to see lecturers coming from the main campus. They also expect to be taught and assessed in exactly the same way as students at the main campus. From a quality assurance point of view, the TNHEI is also responsible for offering the same quality across its peripheries, otherwise its integrity and the assumed identical value of the certificates issued at different campuses will be challenged. Some authors, for example Biggs (2003), believe in standardization of curriculum and assessment across borders. This is reflected in, for example, the Missouri State University curriculum offered at the China branch campus; it is claimed to be mirroring the curriculum of the home campus (Helms, 2008). The Monash University's centralized teaching mode (McBurnie & Ziguas, 2007) is another example for curriculum standardization.

Coleman (2003) takes a pragmatic stance in the discussion by arguing that variation in teaching methods and staffing at peripheries is inevitable. He states that students at peripheries cannot expect to receive the same educational experience as those at the main campus in light of differences in academic performance, student demographics, staff qualification, surrounding culture, linguistic factors, accessibility of materials, and the existing physical infrastructure.

However, the centralized-standardized model has also been heavily criticized. Schapper and Mayson (2004, p. 198) have labelled it as "Taylorist assault on the professionalism of academic staff" (see also Altbach, 2007). They argue that it imposes restrictions on the professional autonomy and transnational education is therefore accused of undermining academic values like intellectual freedom, and hence the quality, by centralizing the decision making at the home unit.

It seems that the underlying challenge in the presented dispute is about maintaining academic norms, routines, and values versus the notion of economic profitability. No commentator, even proponents of standardization, has opposed the localization of curriculum and staff in peripheries as long as similar quality standards are maintained.

### *Cultural-Societal Distance*

Although the concepts of culture and cultural distance resonate with some of the elements of the debate above, the literature portrays this factor more generally at the macro level of HE systems and countries.

Some of the Western HE providers have been accused of not respecting local values of non-Western host countries (Wang, 2008) and trying to impose their cultural values and beliefs through their educational systems (but see Alexander, 2000; Tikly, 2004 for a variety of perspectives; Wang, 2008). This has been referred to as *cultural*

*imperialism* or a new way of colonization and exploitation of developing countries that jeopardizes the sovereignty of the targeted countries (Stella, 2006; Zигuras, 2008). Such allegations are of course harmful to TNHEIs both in economic and reputational terms. In addition, local staff might be affected by such critical views, with possibly a decline in the efficiency and effectiveness of the organization as a result. Moreover, the differences in the cognitions and perceptions between local academics and host academics may result in inconsistencies in the service provision across the institution (see, for example, Smith, 2009). Therefore, managing the cultural distance is considered a crucial issue (Eldridge & Cranston, 2009).

There are several cultural and cognitive differences among countries, making knowledge transfer across borders a challenging process (see, for example, Walton & Guarisco, 2007). In a branch campus mode, the knowledge flow is mainly unidirectional from the home unit to the offshore branch, which points at a potential hierarchical conflict. It also fuels the dispute about the notions of objectification (colonized people being treated as objects of knowledge) and generalization (colonized people being described as homogeneous), which have been identified as harmful consequences of neocolonialism (Rhee & Sagaria, 2004). In a similar vein, Chambers (2003) condemns the homogenization of educational systems across the globe, threatening linguistic and cultural diversity. She sees the trend of standardization of education dominated by the Western world as a type of imperialism and believes that it undermines the concept of cultural otherness, which is crucial for educational development.

Another aspect of cultural imperialism is the creation of a comparative/competitive advantage that has the potential to outperform local HEIs. However, others argue that transnational enterprises would enrich the host country's profile by transmitting tangible and intangible resources. Bhanji (2008) argues that TNHEIs have to conduct some trust-building activities to achieve a greater legitimacy in the host country. Social engagement would lead to a higher degree of social capacity building and development (an important objective of internationalization and cross-border provision) as well as help to strike a balance between the market forces and state governance.

Some TNHEIs operating in developing countries are accused of disrespecting the local norms and "assimilating a diverse student body [with various expectations] into an ethnocentrically defined norm" (McBurnie & Zигuras, 2007, p. 68). This relatively sceptical viewpoint cautions about the potential harms of standardization of skills valued by the international labour market, which is seen as an inevitable consequence of globalization, leading to homogenization of educational systems (McBurnie & Zигuras, 2007). It argues that a converging trend as such would undermine and thus alienate education from the sociocultural and political constituents of the host countries (see, for example, Gu, 2009).

Another element of concern is that TNHEIs operating in developing countries are accused of offering a set of financially profitable subjects such as information technology and business courses and neglecting other subjects that might be very crucial for

those countries (McBurnie & Ziguas, 2007). Although governments may be able to control to some extent what foreign providers offer, it has to be considered that this has a direct negative impact on the tendency of foreign HE providers to establish a branch campus in that country. Moreover, governmental regulation may be opposed by academics and perceived as an attempt to limit academic autonomy.

The controversy of cultural distance between the education provider and the receiving country can also be addressed through a different lens: cultural difference as an opportunity for students around the world to become acquainted with other cultures. In other words, TNHEIs aim to teach students in diverse cultural settings (Egege & Kutieleh, 2008).

As in the case of curriculum package and staffing, culture and particularly cultural differences pose both exclusive opportunities and barriers for cross-border provision. The literature not only reveals some negative views (cultural imperialism) but also shows the positive sides of branch campuses being able to contribute to cultural diversity.

### *Regulatory Distance*

TNHEIs establishing a branch campus in a foreign country are supposed to comply with the rules and regulations of the host country (see, for examples, Huang, 2007). These regulations can be divided into two categories: trade regulations and quality assurance. The former group of (mostly technical) rules is concerned with import and export of assets, taxation policies, staff recruitment, and so forth. The latter category comprises the rules and regulations of each country in terms of quality assurance.

While TNHEIs are expected to conform to the regulations set by the host government (see, for example, Banks & McBurnie, 1999; Huang, 2003; Ohmori, 2004), they must, at the same time, maintain the home country quality standards. Some countries issue quality assurance guidelines to their HEIs engaged in transnational education (see, for example, Catherwood, 2006; Organisation for Economic Co-operation and Development [OECD], 2005; Quality Assurance Agency for Higher Education [QAA], 2004; Ziguas, 2007). The obligation to simultaneously conform to different regulatory frameworks may bring along difficulties. (see also, for the case of Malaysia, Banks & McBurnie, 1999).

Quality is a challenging issue for TNHEIs. Different countries may have different guidelines for quality control and assurance (see, for more details, Bennett et al., 2010; Stella, 2006). Yet there is no one-size-fits-all model of quality assurance. One problem is that some elements of a quality assurance model might be neglected if the importing country assumes the exporting country takes care of that element (or the other way around). In addition, the host state may require the foreign provider to conform to the local codes of quality, while the provider is also supposed to comply with its home country regulations. Some agencies such as the International Network of Quality Assurance Agencies in Higher Education (INQAAHE) and the Association of Southeast Asian Institutions of Higher Learning (ASAIHL) have produced quality



assurance codes of conduct. Some countries' quality assurance framework may comply with the international models and others may not. Woodhouse (2006) argues that the Australian Universities Quality Agency's (AUQA) procedures are consistent with UNESCO/OECD guidelines (but see, for a criticism, Blackmur, 2007).

In regard to the limitations set by the host government for foreign providers, some studies show that local providers are more restricted than foreign HEIs because the foreign providers can avoid many aspects of national restrictions such as accreditation (see, for example, Banks & McBurnie, 1999). Moreover, host governments often see the foreign providers as contributors to national capacity building. However, they are, at the same time, responsible for protecting the domestic clients of the foreign educational services and ensuring quality enhancement of their local sector. Therefore, some countries, like China (after 1995), set up regulatory frameworks which assess the foreign provision of HE but still treat the foreign providers favourably (Helms, 2008).

## **Synopsis and Discussion**

The main managerial challenges pointed out so far reveal that the major underlying challenge is the dilemma of standardization versus local adaptation caused by the institutional distance (regulatory, normative, and cultural-cognitive distances) between the home and the host country. There are two sets of forces imposed on an offshore branch campus, pulling it into opposite directions. One set of forces such as the need for providing identical learning experiences, the pressure for keeping similar quality standards, and the vitality of protecting the reputation mandates the TNHEI to move toward the standardization of its undertakings across borders. However, at the same time, the second set of forces compels the TNHEI to undertake localization strategies. This set includes the necessity of conformity to the host country's regulatory framework and the need for adaptation to the local norms and cultural values of the host country to be able to respond to the consumer demands and forestalling accusations of cultural imperialism and neocolonialism. Putting it differently, the offshore branch campus has to either homogenize with the local HEIs of the host country (adapt to the local circumstances) or replicate the headquarters, hence being heterogeneous toward the local HEIs. The result of this strategic choice would be a different learning experience for the students. The literature also outlines that the crucial indicators of the transnational learning experience are staffing and curriculum packing and that cultural differences (norms and values) and regulations are the key contextual elements that impact on the organization of the services abroad. Research activities are hardly addressed in the literature (see, for an exception, Sidhu, 2009), which is mainly due to TNHEIs' policy of focusing more on teaching activities during the early stages of their development in foreign markets (McBurnie & Ziguras, 2009). This is because undertaking research in the host countries, which are largely from the developing world, requires some time-consuming prerequisite arrangements (Altbach, 2007; Altbach & Balan, 2007). However, there are exceptions like the New York University's Abu Dhabi site, which has branded

itself as a research-oriented university (The New York University's Abu Dhabi Website, 2011). Although research activities of TNHEIs in the host markets are limited in general, and thus the patterns of such activities have not been much discussed in the literature, some scholars like Meyer (2006) have stressed the importance of locally relevant research. He outlines the concepts of context-specific knowledge and variables. The example of Nottingham's China campus carrying out research on energy-efficient solutions for constructions in China represents a movement in that direction (McBurnie & Ziguras, 2009).

Although the literature—in a scattered way and often largely implicit—does address elements of the phenomena of standardization and adaptation, it is far from clear what the strategic implications are. Moreover, from the above review of the literature, it is clear that some of the commentator's views are largely dichotomous toward one of the two extreme options. We now turn to the strategic management and international business literature, which provides a theoretical ground for us to argue that the choice is not so much between the two strategic directions but that it boils down to finding a balance between the two.

That literature—focusing on multinational enterprises (MNEs)—posits that institutional distance (Eden & Miller, 2004; Kostova & Zaheer, 1999; Xu & Shenkar, 2002) between countries causes difficulties for transnational companies. Institutional distance reflects the amount of similarities and dissimilarities between the regulative, normative, and cultural-cognitive profiles (Scott, 1987, 2008) of home and host countries. This line of argumentation is extended to TNHEIs. We do not argue that TNHEIs are similar to transnational companies (in terms of their objectives, products and services, etc.) but do argue that the strategic dilemmas are basically the same.

In the next section, we first introduce the I-R paradigm and review the relevant literature. Then, we apply it to TNHE. The final step will be reconceptualizing and synthesizing the different elements and construct an analytical framework.

## **The I-R Paradigm in the Strategic Management Literature**

The strategic dilemma addressed above is known as the I-R paradigm in the strategy literature. The two ends of the strategic spectrum reflect two extremes; implementing these simultaneously is impossible but neither can they be neglected. The global integration strategy is a strategy in which an MNE produces similar products or services at the subsidiaries in different countries. Conversely, the local adaptation strategy is a strategy in which an MNE produces different products/services, each of which is tailored to the local circumstances of the country in which the subsidiary is located. The dichotomy revolves around the question of prioritizing the homogeneity of international markets or the heterogeneity of market preferences.

This dyadic approach emerged as Douglas and Wind (1987) suggested a paradigmatic view to the strategic dilemma on criticizing Levitt's (1983) idea on the globalization of markets. Levitt emphasized the growing similarities of desires around the world and thus suggested that markets were moving toward global homogenization.

Based on this argument, he advised global companies to underpin integration strategies and thus produce standard products for all of their markets. In contrast to Levitt's argument, Douglas and Wind suggested the strategy of adaptation to different target markets and of exploitation of opportunities by taking advantage from differences. They pointed out that international asymmetries do matter and emphasized local responsiveness strategies. They did not reject the standardization view outright but argued that it may not apply to every industry and every product. In the same vein, Prahalad and Doz (1987) emphasized the tension between these two strategies, hence the introduction of the global integration–national responsiveness trade-off. The positioning of the two extremes and the existing rationales for both perspectives at the same time induced De Wit and Meyer (2004) to coin the dichotomy a strategic paradox, which represents a situation that one option is true while the contradictory option is simultaneously true (see also Ghemawat, 2007).

Apart from the argument of variations in demands in different countries, there are a number of other endogenous and exogenous factors which influence the MNE's strategies. Yip (1989) discusses the benefits of pursuing global integration strategy such as cost reduction, improved quality of products and services, enhanced customer preference, and increased competitive leverage (see also Kobrin, 1991). Both Yip and Kobrin (1991) do not deny the role of localization determinants and the need for multidomestic strategies but stress the existing demand for global integration.

On the opposite side, Luo's (2001) study focuses on major elements that lead an MNE to implement a local responsiveness strategy. Building on the work of Birkinshaw, Morrison, and Hulland (1995), he believes that the degree of integration–responsiveness depends on MNE's contextual configuration and organizational dynamics. He also argues that environmental factors, including environmental complexity, business specificity, and cultural distance, play a role. For instance, complex environments imply uncertainty and risks and without a local responsiveness strategy, a firm's profitability may be in danger. Cultural differences are seen as a barrier and undertaking the local responsiveness strategy seems to be cutting the cultural gap short.

It has been argued that pursuing either of these strategies depends on a number of factors such as the ability of the firm to implement the strategy and the type of industry (Samiee & Roth, 1992). It must be noted that making a strategic change in either direction would result in a structural change in the fundamental configuration of MNEs. Gates and Egelhoff (1986) argue that while adapting to local circumstances, decision making within MNEs becomes more decentralized; the global integration strategy leads to a more centralized decision-making system. On one hand, organizational practices are diffused from the parent unit to the subsidiaries and on the other hand, subsidiaries have autonomy to make localized decisions. In other words, the paradoxical nature of the I-R dichotomy can be also observed in the structure of MNEs.

The above discussion clarifies the nature of the strategic dichotomy. However, the managerial solution is yet to be discussed. We know the importance of the demand for both strategies and we are also aware of the potential tensions between the two poles.

We now look at the solutions offered in the literature to accomplish both extremes simultaneously.

Bartlett and Ghoshal (1987) identified three different types of multinational organizations. The global organization is a type of MNE that focuses on world market without much attention to national and local expectations. This type of MNE suggests a high level of integration and standardization. The second type is the MNE that tries to exploit economies of scope through differentiation by focusing on national-local needs and expectations. This type follows the idea of loose integration and adaption to local markets. The third type identified by Bartlett and Ghoshal is the transnational organization. Transnational organizations try to respond to both global and local forces at the same time. In other words, they seek economies of scope and scale, coordination–integration, and local responsiveness–differentiation simultaneously (Jarillo & Martinez, 1990).

Further work by Jarillo and Martinez (1990) offers a diagram with two dimensions and four quadrants. The horizontal axis represents the degree of responsiveness and the vertical axis shows the degree of integration. The diagram distinguishes different types of subsidiaries based on their position regarding the I-R dichotomy. Accordingly, a subsidiary with a high degree of integration and low degree of responsiveness is labelled as receptive subsidiary, whereas a high degree of integration with a high degree of responsiveness characterize an active subsidiary. An autonomous subsidiary is identified by low level of integration but high responsiveness. They left the fourth quadrant (low level of both attributes) empty; Taggart (1998) labeled this the quiescent subsidiary.

## The I-R Paradigm in the Context of TNHE

Translating the findings from the strategic management literature to TNHEIs leads us to the following argumentation. Managers of TNHEIs are supposed to address both ends of the spectrum to create a competitive advantage. For this purpose, they need to gain at least a minimum level of legitimacy in the host country. To be able to prosper in the competitive market, they need to deploy their resources and respond to the market requirements in both home and host countries. On one hand, TNHEIs need to standardize their curriculum, staffing, and research endeavours across borders to assure that students across their campuses will be receiving the same service (learning experience). On the other hand, the cultural-cognitive, normative, and regulative distances (Scott, 1987, 2008) between the operating domains compels the institution to accept a certain amount of adaptation to the local circumstances (local responsiveness). If the TNHEI ignores environmental pressures and adaptation requirements and sticks to its standards (i.e., providing the exact curriculum and using native staff on the home and branch campuses), the institution's legitimacy may be jeopardized. They run the risk being accused of cultural imperialism, new colonialism, and so forth. Moreover, not complying with the host country's regulations may cause the host

government to clamp down on their activities. Such failure in the host country would negatively affect the reputation of the (home) institution and other branches.

If the TNHEI would conform completely to the adaptation forces and deviate from its organizational standards, the branch campus runs the risk of losing its internal legitimacy. It means that the institution's integration will be breached across borders and students cannot be assured that they are receiving the same educational service (of the same quality) and hence their certificates may not be perceived to be of the same value by employers. Therefore, a TNHEI can ignore neither global integration nor local responsiveness; it has to address both sides simultaneously.

## **Reconceptualization**

Drawing on the literature of TNHE, we highlighted the most critical managerial issues that such institutions are facing. We subsequently demonstrated that these problems are revolving around a strategic dichotomy (I-R paradigm). Accordingly, we suggest a new framework for conceptualizing the activities of TNHEIs from a managerial perspective. By applying this framework, the lengthy list of hardships and problems which are discussed in the scattered literature of managing TNHEIs can be reconceptualized in a simpler and structured way.

As mentioned earlier, research and teaching activities are the main activities of TNHEIs that are bound to the tangible and intangible resources. If the degree of integration is high and the degree of local responsiveness is low, the branch campus of the TNHEI represents the type of the receptive subsidiary. This means that the curriculum would be packed at the home campus before sending down to the branch campus and academic staff would be seconded from the home campus to the offshore branch campus. However, if the degree of integration is low while the degree of local adaptation is high, the branch campus would play the role of an autonomous subsidiary. Under these conditions, academic staff would be recruited locally and they would have autonomy to change the curriculum and adapt it to the local needs. The local needs include both mandatory adaptations required by the host government and voluntary courses of adjustments, which are underpinned by the TNHEI in pursuit of a higher performance for the institution. The latter one, in other words, is concerned with a type of change that addresses the satisfaction of the target market, hence an increase in the legitimacy of the TNHEI in the host country.

For research activities, which are the other set of core activities of HEIs, the literature does not show many insights. However, we argue that the local adaptation strategy in terms of research is relevant to giving incentives and producing facilities for the researchers to direct their research topics to the local context of the host country. Not encouraging the researchers to concentrate on local issues can be interpreted as standardization of research activities.

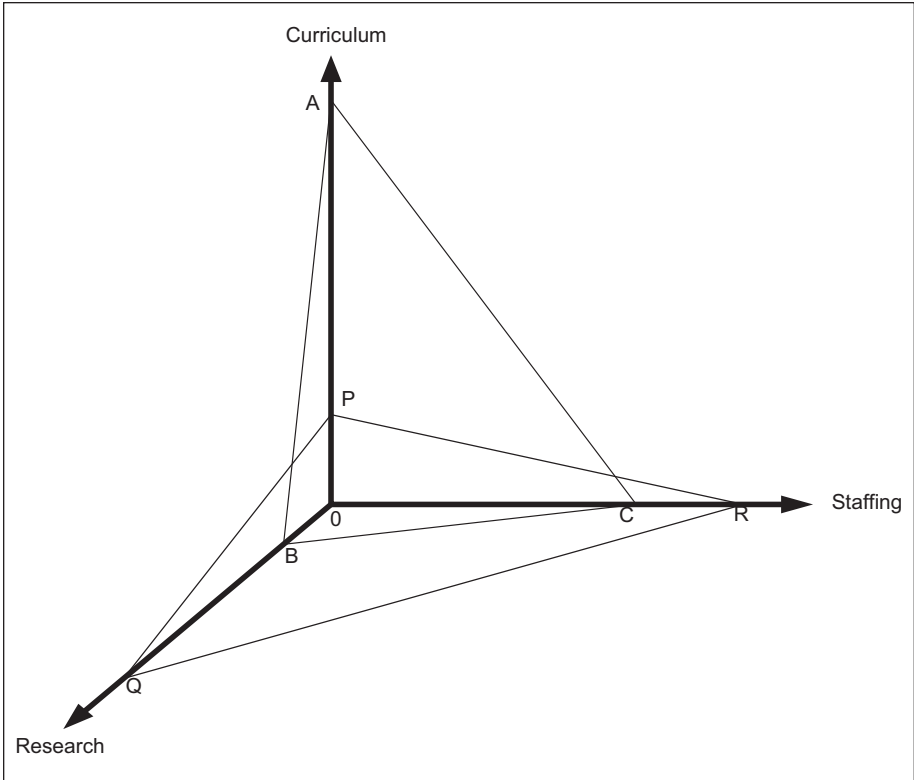
A branch campus of a TNHEI is more likely to play the role of an active subsidiary when the institutional distance between the home and the host country is very small.

Therefore, the two opposite strategies would not face a strong contradictory challenge. In theory, if a TNHEI can manage to turn its branch campus into an active subsidiary by maintaining a high degree of local responsiveness and global integration, they have arguably reached the ideal position. However, in reality, large institutional distances make this scenario less likely to occur. Finally, the quiescent branch campus represents a poor alignment between the undertaken strategies and the external requirements.

Obviously, these are extremes and what happens in reality is a combination of these: in the three areas of curriculum packing, staffing, and research, HEIs make a choice regarding to what extent these three areas are (or will be) globalized or localized. This is represented in the figure below.

In Figure 1, the I-R dimension is presented on three different axes: curriculum, research, and staffing. Each axis depicts the degree of localization of that element. At the zero point, the branch campus is mirroring the home campus fully. The degree of local adaptation of the offshore branch campus in terms of each element can be visualized for each axis. This gives us three points on the three axes. The shape and position of the triangle, which appears as the result of linking the points, delineates the strategic orientation of the TNHEI in relation to the I-R paradigm. Two examples are presented in the figure. The ABC triangle represents a branch campus which has a high degree of autonomy in localizing the teaching contents and the number of local academic staff are relatively higher than other staff. However, in terms of research, they have not noticeably concentrated on the locally related issues. The PQR triangle demonstrates a branch campus with high degrees of localization in terms of staffing and research, while the teaching material has been standardized to a great degree. We realize that the axes of the model are not fully independent. For instance, a standardized universally packed curriculum can get a bit of flavour of local practices if taught by local staff. In other words, localization of staff has an impact on the localization of curriculum, bearing in mind that the relationship is not straightforward: it largely depends on how much control the local lecturers have been granted over the content of teaching materials. Another reflection is that the model is currently built around the themes we found in the literature (staffing, curriculum) or could not find in the literature but for which we put forward arguments to include (research). If other dimensions are recognized in the future, they can be added to the framework, although the visual presentation would become problematic.

It is—based on the available literature—not possible to determine what the best strategy would be, apart from the fact that we argued that the extreme positions would seriously increase the vulnerability and harm the sustainability of the operation. It has to be stressed that the position of a TNHEI depends on numerous factors, including the host country regulations and the market requirement. In other words, some of the factors are beyond the control of the organization. However, the framework assists managers and leaders to bring the patterns of their activities to the fore in an insightful way. Linking the positioning to the most influential environmental factors and



**Figure I.** The global integration versus local responsiveness (I-R) dichotomy for three areas: research, staffing, and curriculum

conditions allows for an analysis of strengths and weaknesses. For instance, if a TNHEI's model is similar to the PQR triangle, and it is being criticized for cultural imperialism, one sensible solution would be to give more autonomy to the staff (which is already considerably localized) to tailor the content of their subjects to the local conditions. This can happen in different ways, for example, local and host country lecturers interacting with each other in the course design (McBurnie & Ziguras, 2007). It may be possible to keep the core subject standard, while localizing elements such as case studies. A model such as the ABC triangle is less likely to face accusations and criticism for undermining the local values, unless for its research activities. However, it may be criticized for not offering the same curriculum as offered at their home campus. This problem can have different solutions such as clarifying the objectives to the broader public or/and standardizing the curriculum to a larger degree.

## Summary and Conclusion

This article contributes to both the analytical and practical undertakings in the field of TNHE. It sheds light on the fragmented body of the literature, which depicts a large set of managerial complexities, accompanied by a number of solutions offered for each individual issue. The article also revealed that some of these solutions are highly dichotomous and there is no fundamental analytical tool that facilitates understanding and explaining the managerial ambidextrous concepts in the field of TNHE. Focusing on the similarities between the structure of TNHEIs with offshore branch campuses and multinational enterprises, a conceptual framework was constructed that incorporates theoretical concepts from the management discipline and contextualize them for TNHE. The framework is able to portray the strategic orientation of a TNHEI on three axes. It delineates the extent to which the institution has relied on its ownership advantages, local-specific advantages, or both to benefit from the internalization advantages. Accordingly, it triggers guided action for strategic change toward finding a more suitable alignment between the onshore and offshore resources. Whereas we focused on three axes—arguably the key dimensions—the framework is flexible and can be expanded. We acknowledge that the model can be developed in more detail but think it is sufficiently robust for further empirical exploration. We do not argue that practitioners, managers, and policy makers are not aware of the importance of undertaking standardization and localization strategies. However, we assert that, first, the I-R dichotomy is a central issue to the debate and, second, the developed management theory-based framework is needed to simplify analyzing the strategies of TNHEIs in light of numerous external and internal factors. Recent studies have also made it evident that the concept of equivalence of learning experience at the home and the host campuses (standardization) is very crucial. For example, a recent discourse analysis of the codes of practices from three major higher education exporters, namely the United States, the United Kingdom, and Australia, compared the given interpretation of equivalence in TNHE in these documents. This study (Smith, 2010) revealed that the three documents have not imposed any restriction on the TNHEIs to deliver fully identical programmes at their offshore sites, but they have stressed the provision of comparable standards and emphasized on the consideration of local needs. This example further supports the point of this article that the global standardization-local adaptation is a central strategic dichotomy in the field of TNHE. Nevertheless, the developed framework in this article goes beyond this and contributes to clarifying and accentuating the dimensions on which the concept of equivalence must be strategically managed. The framework, obviously, is a means (analytical tool) to the end of finding the best set of positional strategies for TNHEIs and thus needs to be further tested. Therefore, an important next step would be to (re)analyze TNHEI case studies and to discover effective (and less effective) strategic practices. We call for further empirical studies which draw comparisons between the strategic orientations of different TNHEIs by applying the introduced framework. We expect that further



applications of this research lead to insightful implications. As an example, it can be hypothesized that the path of international expansion affects the positioning strategies of TNHEIs. It means that, for instance, strategies crafted by a TNHEI with a North-North expansion (e.g., Webster University in the United Kingdom) are expected to be different from the strategies undertaken by TNHEIs with a North-South expansion route (e.g., RMIT in Vietnam). The logic behind this expectation is the existence of differences in institutional distances, hence differences in adaptations required.

### Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

### Funding

The authors received no financial support for the research, authorship, and/or publication of this article.

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