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# Determinants of Market Entry Modes Used By Universities to Expand Internationally

Dr. Ali Bhayani

## **Abstract**

The article analyses determinants of the market entry modes used by corporate firms to expand internationally and explore whether higher education institutions use the same determinants to decide on mode adopted to enter the market. Determinants like transaction costs, location advantage, idiosyncratic capabilities, isomorphic pressure to mimic, psychic distance, uncertainty, risks, the control over academic process, previous internationalisation experience and entry to homogenous markets are considered with regards to universities. A sample consisting of 40+ branch campuses from United Arab Emirates (UAE), host to highest number of branch campuses, is selected to study the determinants of the entry modes adopted. The aim of this article is not to prescribe or offer a solution for the best-available model of market entry that can be adopted by universities but rather to act as a trigger for a critical check up on universities planning to internationalize their offering.

Determinants like idiosyncratic capabilities, isomorphic pressure and control over the academic process were found to be most prevalent. However, determinants like transaction cost efficiency, internationalisation experience, psychic distance, uncertainty and risks are not significant factors.

**Keywords:** Higher Education, UAE, Internationalisation, Market Entry, International Branch Campuses

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Dr. Ali Bhayani  
University of Wollongong Dubai  
[alibhayani@uowdubai.ac.ae](mailto:alibhayani@uowdubai.ac.ae) and [ali.bhayani@gmail.com](mailto:ali.bhayani@gmail.com)

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## 1. Introduction –Internationalisation of Higher Education

Higher education is no longer confined to national borders; rather, it is increasingly becoming international. The process of internationalisation, started centuries ago in name of sharing knowledge, is now gathering pace. Several reasons are cited for rapid internationalisation of higher education which includes research collaboration to develop knowledge economy, attraction of international students in quest for talent and to augment budgets, breaking down of global barriers to trade in services, development of Information and Communications Technology (ICT) and desire to enhance global image ([Currie 1998](#); [Davies 2001](#); [Enders 2004](#); [Johnston and Edelstein 1993](#); [Lazzeretti and Tavoletti 2005](#); [Van Vught 1999](#)). There are experts who have cited need for internationalisation as political imperative as it is many a times considered as investment to develop future economic relations ([Knight 1997](#)).

The scope of international activities of the universities have increased in recent years and it now includes ([Echevin and Ray 2002](#)):

- The recruitment of international students (Exports);
- Internationalisation of the teaching process, contents, forms of delivery (including ICT and franchising), student mobility, and language of instruction (Licencing);
- Internationalisation of resources, including internationally recruited faculty members, use of international course materials (e.g. literature); and
- Location: offering courses or setting up campuses abroad (Direct Investments).

Table 3 illustrates different forms used by universities to internationalise teaching. Factors like the risk taking appetite, control needed and resource availability are normally considered while selecting a market entry mode

Table 1: Branch Campuses Abroad by Country	
United States of America	78
France	27
United Kingdom	25
India	17
Australia	12
Source: Lawton and Katsomitros 2012	

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raging from exports to direct investments. Branch campuses, which are directly managed by universities, are considered riskier compared to other modes and might need highest resources. Yet, many universities have increasingly adopted this route and as per the OBHE report there are approximately 200+ branch campuses around the world ([Lawton and Katsomitros 2012](#)). On the other hand, branch campuses allow greater control over academic process as compared to distance or e-learning. Table 1 indicates that USA, France and UK are major players establishing branch campuses. Table 2 indicates that UAE and China are top magnets for branch campuses. The branch campus phenomenon, as indicated by Table 1 and 2, is growing and has its share of both success and failure.

International market entry literature is extensive with regards to both manufacturing and service firms. However, applicability of these theories in knowledge intensive sector like higher education is in its infancy stage. This paper, therefore, bridges the gap in literature with regards to determinants of market entry modes in general and in particular to higher education sector.

UAE along with Qatar are hosts to 42+ branch campuses as per the OBHE report. However, this study has investigated the presence of approximately 50+ branch campuses as of 2013. UAE, as a host to highest number of branch campuses, was selected for this study hosting branch campuses from across the major exporting countries.

Table 2: Host Countries for Branch Campuses	
United Arab Emirates (UAE)	35
China and Hongkong	21
Singapore	18
Qatar	10
Malaysia	7
Source: Lawton and Katsomitros 2012	

The study is particularly significant as it contributes to international marketing and business literature and identifies determinants that impact on market entry mode decision. It is one of the few articles on the topic of international higher education entry mode decision and would help as a guide to universities expanding abroad.

After analysing the applicability of international market entry modes to higher education sector, the research uses quantitative information to

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determine most widely used mode of market entry and governance structure. The study then uses a sample of respondents drawn from six branch campuses in UAE for detailed study to understand underlying factors that impact on market entry mode decision.

## **2. Theoretical Research on Determinants of Market Entry Modes**

One of the most important element of international success is to select an appropriate mode of entry ([Anderson and Gatignon 1986](#)). Universities, expanding abroad, face the dilemma as to the most appropriate mode of entry. Traditional modes of entry enumerated in internationalisation research are exports, licence and direct investments. These modes, when applied to higher education, can take a different form as enumerated in Table 3. A brief description of each mode is in appendix 1. There are several theories that guide international expansion of universities, widely used in International Business (IB) literature, and forms one of the most researched topic ([Morschett et al. 2010](#)).

One of the most widely quoted model in the literature in the Uppsala model which prescribes that firms are expected to develop their international activity in adopting an incremental approach due to existence of psychic distance ([Johanson and Vahlne 1990](#)). Some studies have used empirical data to prove the increase in transaction and operating costs due to physic distance impacting on the viability of the organisation ([Li 1995](#)). Firms would start with exports and then when they get sufficient market knowledge they can enter via licencing and finally after acquiring substantial experiential learning can adopt hierarchical mode of entry like direct investment which is fraught with risk. This is partly as a result of existing knowledge base and difficulty of acquiring new knowledge in a different sphere of activity. Based on this theory, universities are expected to start internationalisation activities by attracting international students, organise study abroad and e-learning programs before moving to offer franchised and affiliated degrees. Branch campuses, as per the Uppsala

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model, are expected to be risky ventures and would require experiential knowledge. However, there are several studies that have rejected the relationship between psychic distance and governance mode ([Brouthers and Brouthers 2001](#)). There might be exceptions to the model where firms have large resources, entry is made to homogenous markets or have substantial internationalisation experience in similar markets ([Johanson and Vahlne 1990](#)). Another assertion in this regard; states that need for control increases, rather than decrease, when the cultural distance is high and therefore organisations opt for equity modes([Hennart and Reddy 1997](#)). This is also due to higher transaction costs and difficulties in transferring skills in markets with higher psychic distance([Li and Guisinger 1992](#)). However, the risk reduction rationale might result in lower control modes. ([Kim and Hwang 1992](#)).

Eclectic paradigm, on the other hand, postulates that the market entry based on specific advantages termed as OLI (Ownership, Location and Internalisation) advantages ([Dunning 1995](#)). Based on this model, universities are expected to internationalise only if they have some specific *ownership* advantages like research and/or teaching expertise, brand value, grants, innovative capacity and resources. Target country where internationalisation takes place are expected to offer *location* advantages in terms of market attractiveness, incentives offered by host countries, favourable legislation and lower faculty costs. Overall, the location is expected to provide lower risk which may prompt adoption of hierarchical modes ([Brouthers 2013](#)). As discussed above, the market potential is one of the determinants generating possible economies of scale. Firms adopting hierarchical modes in high potential markets generate lower marginal costs and therefore have better performance ([Agarwal and Ramaswami 1992](#)). Significant resource commitments, in form of direct investments, are rare in markets with low potential ([Erramilli 1992](#)). Based on this premise, universities expanding in China and India might establish branch campuses or opt for limited joint venture as compared to markets in Gulf countries.

If both ownership and location advantages are available then universities can either licence or open branch campus using joint venture. Other factor is *internalisation* wherein firms assess transaction costs to decide whether to internalise or externalise. If transaction costs are high then

Table 3: Forms of Internationalisation in Higher Education		
Exporting	Licencing	Direct Investment
International Students	Franchised Degree	Branch Campus - Direct Management
Articulation Agreements	Validated Degree	Branch Campus - Fully Owned Subsidiary
Study Abroad	Joint Degree	Branch Campus - Joint Venture
Student Exchanges	Dual Degree	Branch Campus - Limited Joint Venture
Faculty Exchanges		Branch Campus - Franchised Model
Distance Learning		Liaison Offices - Blended Learning
Elearning		

universities are expected to internalize the operations and establish fully-owned branch campuses or adopt a limited joint venture route.

One of the most prominent theories of international market entry choice is based on transaction costs associated with governing the joint venture partner or management of alliance ([Brouthers et al. 2000](#)). Transaction costs include search and information costs (finding students, corporate clients, and faculty) bargaining costs (negotiating with local partner, licensure, and local accreditation) and enforcement costs (assessments, quality control). In cases where the transaction costs or assets specificity is high then universities would like to retain control and vertically integrate adopting hierarchical approach ([Dwyer and Oh 1988](#)). But, as per the transaction costs theory, when economies of scale and local expertise is critical then market based structure involving local partner is preferable ([Williamson 1985](#)). Transaction costs theory impacts on governance structures and seeks to minimise costs and inefficiencies while entering international market ([Williamson 1979](#)). However, universities might put more emphasis on ability to influence methods, systems and decisions rather than costs ([Anderson and Gatignon 1986](#)) in order to ensure quality and to offer the same student experience.

<p>Universities expanding abroad suffer from lack of market knowledge, environmental uncertainty and need for control (<a href="#">Brouthers et al. 2000</a>). There are several risks faced by the firm which includes but not limited to political instability, economic fluctuations, changing social environment. The higher level of uncertainty and risks in the</p>	<div> <div>Figure 1: Determinants of Market Entry Mode</div> <div> <div>Psychic Distance: Culturally homogeneity</div> <div>Ownership Advantages: Unique skills and competencies, resources, Innovative capacity</div> <div>Location Advantages: Market potential, favourable laws, incentives, lower taxes, Lower faculty costs</div> <div>Transaction Costs: Costs of searching,negotiating and enforcing a contract</div> <div>Organisational Capabilities: Knoweldge base and cost of acquiring new knowledge</div> <div>Market knoweldge: Envriomental uncertainty and Risks</div> <div>Internationalisation Expereince: Extensive or entry to homogenous markets</div> <div>Level of Resource Commitments: Financial, Faculty and Administrative Staff</div> <div>Isomorphic Pressure: Internal and External</div> </div> </div>
<p>host country environment might not facilitate adoption of wholly owned model (<a href="#">Fladmoe-Lindquist and Jaque 1995</a>) and similar is the case with high costs to switch from full ownership mode (<a href="#">Kobrin 1982</a>). Many a times exerting control over the foreign operations comes at a price, given the uncertainties, and therefore firms use of low resource commitments (<a href="#">Kim and Hwang 1992</a>). This would lead universities to adopt more risk-averse mode if not constrained by normative institutional practices. On the other hand, it is also argued that higher education as a service, like banking and insurance, might need higher control levels and prompt organisations to adopt equity based modes (<a href="#">Robock and Simmonds 1989</a>). In the growing era of technology, the operations and academic standards can be controlled even from a distance (<a href="#">Mazzarol 2003</a>). Same is the case with regards to the internationalisation experience of the universities wherein universities with higher level of internationalisation exposure would adopt hierarchical modes. However, this experience is dependent on the key people, working in a particular market and context, who cannot easily be transferred (<a href="#">Johanson and Vahlne 1977</a>). The experiential knowledge of people involved in internationalisation plays a key role as market knowledge resides at the host country. However, this impediment can be</p>	

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surmounted by developing collective memory and can be ingrained in structures and culture ([Lewitt and March 1988](#)). With regards to experiential learning to acquire market knowledge, it is argued, that the tactical market knowledge can be acquired through business networks and does not necessarily rely on one's own experience ([Andersson et al. 2001](#)). On the other hand, if entry is in an unfamiliar domain (new technology or high physical or psychic distance) then it might be possible to graft the knowledge rather than use experiential learning route ([Huber 1991](#)) prescribed by Uppsala model. This can be done via forging alliances, partnerships and collaborative agreements([Hamel 1991](#)). Firms with substantial internationalisation experience elsewhere can replicate their learning based on accumulated knowledge ([Levinthal 1991](#)) and therefore might need not go through the phased approach. Others have presented 'imitative learning' ([Huber 1991](#)) by observing what large number of firms have successfully done as a means to leapfrog the stages proposed in Uppsala model ([Lewitt and March 1988](#)).

Resource Based View (RBV) considers the commitment of resources to international venture as a key factor in selection of market entry mode ([Tsang 1997](#)). In case of universities, it involves availability of faculty and administrators apart from capital that would determine the choice of entry. Universities that are able to commit faculty and administrative team from their home campus would prefer hierarchical modes of entry. Universities possessing inherent entrepreneurial capabilities might select equity modes as compared to non-equity modes. On the other hand, some organisations with entrepreneurial drive accompanied by desire to expand rapidly might opt for licencing in order to gain first mover advantage in a particular market ([Erramilli et al. 2002](#)). Corporate policy can also act as a determinant in deciding market entry choice and American firms generally prefer higher control modes ([Anderson and Gatignon 1986](#)). This trend is highly visible in universities from North America.

Organisational capabilities, in terms of expertise and existing knowledge base, can also play a critical role in determining choice of market entry mode

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([Erramilli et al. 2002](#)). Organisational capabilities perspective takes into account the whole firm, rather than a particular transaction, to attain competitive position and this determines what aspects of the operations can be internalized and what can be done by the market ([Chandler 1992](#)). There are some capabilities which are complex in nature and idiosyncratic, especially with regards to teaching and research, and therefore cannot be copied or performed by the market and might need to be internalized. Relying on market would make sense for universities with strong knowledge base and capability to transfer this knowledge at lower marginal costs making use of licencing as an entry mode. However, many a times it is very difficult, for the licensee, to adapt this idiosyncratic know-how and even if it attempts to do so, it will be done imperfectly ([Cantwell 1991](#)) and it is more difficult to transfer in culturally distant market ([Li and Guisinger 1992](#)). Possibly, Joint venture can facilitate quick transfer of knowledge where in-house development of knowledge is slow and expensive ([Kogut 1988](#)). Apart from this, if universities possess unique capabilities to organise and manage the overseas operations, then the direct management of the branch campus makes sense. Organizational capabilities theory, therefore, postulates that it is not the failure of market, as proposed by transaction costs theory, which forces universities to internalize but inherent difficulty in transferring the teaching and research know-how without the loss in value. Apart from difficulties with regard to external transfer of idiosyncratic know-how, higher education as a service, suffers from immobility in transfer of know-how to other location (by the same university) also without loss in value. This is due to the fact that many a times the knowledge is context-specific. Issues with transferability and reliability results in internalization of the governance structures ([Forsgren 1989](#)). If universities desires to externalize than they need to balance the gains arising from efficiency against the reduced effectiveness.

Another key theory that informs entry mode choice is the isomorphism. Internal isomorphic pressure leads to adoption of the structure, norms and governance model of the parent firm's network ([Kostova and Zaheer 1999](#)).

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Universities expanding internationally might adapt, due to external isomorphic pressure, organisational forms, governance structures, policies, practices and entry modes ([Davis et al. 2000](#)). The isomorphic strategy may also prompt organisations to mimic the market entry mode ([Pan 1997](#)) and strategies of host country firms ([Abrahamson and Rosenkopf 1993](#)) or environment. On the other hand, universities might mimic structure of the firms in their network, based on internal isomorphic pressure ([Davis et al. 2000](#)). This means that even though market might be favourable, based on transaction costs, universities might adopt high control mode of entry and avoid modes like affiliation, licencing or joint venture. Critics of internal isomorphic pressure assert that organisations might not always confirm to structures and practices of the parent organisations but might take into account strategic economic considerations or particular contexts ([Ang and Cummings 1997](#)).

Aforementioned models provide insight about the determinants that would influence entry mode choice and these explanations can be contradictory. The purpose of this paper is to investigate the institutional factors that might have an impact on performance of the branch campuses.

### **3. Development of Research Questions**

Choice of entry modes has an impact not only on the performance of the firms but also on the survival ([Anderson and Gatignon 1986](#); [Davidson 1982](#); [Kim and Hwang 1992](#)). International market entry modes selected by organisations are expected to provide best returns ([Brouthers et al. 1999](#)) or are expected to be more efficient in allocation of resources ([Williamson 1985](#)). Selection of inappropriate mode of entry which are less efficient can result in underperformance and finally leads to exit of firms ([Roberts and Greenwood 1997](#)).

Transaction costs efficiency is expected to result in better performance by use of optimum governance structures ([Poppo and Zenger 1998](#)). Many a

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times, it is possible that costs of internal coordination, control, harmonisation, with an ethnocentric approach, might result in higher costs than engaging the market. However, at other times decisions cannot be made just based on cost minimisation but other factors like value enhancements and type of service and its impact on performance. Higher education is not only concerned with profit potential but also takes into account students' performance and research output. It is, therefore, expected that universities while selecting the entry mode that is not only efficient but may provide better overall performance in terms of teaching and research.

**RQ 1:** Whether universities, while establishing branch campuses, are more concerned with value enhancement rather than transaction costs?

Many a times the objective of an organisation would be to operate in different environment across the globe in order to develop capabilities and superior knowledge base ([Ghoshal 1987](#)). In such situations, universities might select an entry mode that furthers its organisational capabilities rather than generate cost efficiency. In line with this, many a time collaborative governance modes are not favoured as the primary goal of the firm is knowledge acquisition and enhancement ([Hamel 1991](#)). In such cases, internalized modes provide better performance as the know-how is idiosyncratic and not easily transferable without loss in value. Similarly, firms with better resources and bigger in size would choose to internalize as it would be able to transfer know-how internally and achieve better performance ([Brouthers et al. 1999](#)).

**RQ 2:** Whether universities, based on their unique idiosyncratic know-how and capabilities, prefer to internalize the operations of the branch campus rather than use markets?

One of the other determinants discussed earlier in the article is the isomorphic pressure which influences the market entry and governance structure. The internal isomorphism can constrain the universities to adopt

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market entry mode adopted by similar universities in the network. On the other hand, there are factors like risk, uncertainty or strategies adopted by the other universities in the host country that can impact on the market entry mode.

**RQ 3:** Whether universities are internally isomorphic in adopting market entry mode and governance structure of the parent university's network?

Phased entry approach or gradual expansion into international arena, as proposed by Uppsala mode, means that universities will first attract international students then venture out and licence and once successful would establish a branch campus. This is based on the premise that organisations lack market knowledge due to physical and psychic distance ([Barkema et al. 1996](#)). IBC's face host of issues with regards to operations in host country like lack of brand recognition, student's preparedness for college, practice of taking admissions just two weeks prior to start of the semester. It is critical for universities to adopt phased approach by getting acquainted with local conditions before embarking on equity based modes.

**RQ 4:** Are universities adopting phased approach to establish branch campuses by first using liaison offices and joint venture before moving to direct management and limited joint venture approach?

Universities with internationalisation expertise, previous entry into more homogenous markets and entrepreneurial spirit would allow universities to use hierarchical modes of entry like branch campuses. However, universities with no such experience or entrepreneurial spirit would adopt non-equity based modes.

**RQ 5:** Whether universities with internationalisation experience or experience of entering homogenous markets prefer branch campuses with direct management or limited joint venture over other entry modes?

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Environmental uncertainty and risks are considered as factors while deciding the market entry modes. Many a times, high control modes are used when the an organisation decides to conduct on-site research, adapt the product to the local needs or desires to build relationships ([Hastings and Perry 2000](#)). Further, when the brand value is high then high control modes are preferred ([Klein and Leffler 1981](#)). Universities, facing risky or uncertain environment, may use liaison office or joint venture to insulate it from these risks; if the markets are high potential markets([Anderson and Gatignon 1986](#)). However, universities worried about academic integrity, quality and brand image would rather prefer branch campuses with direct management or limited joint venture.

**RQ 6:** Whether Universities concerned about academic values, quality and brand image would prefer using hierarchicalmarket entry modes?

#### **4. Research Methodology**

After conducting the review of the literature on international market entry modes, I was able to identify the determinants of market entry. A list of 13 interview questions was developed to answer research questions. There were in total 60 respondents selected for the study out which only 31 respondents agreed to be part of the study spread over six case study institutions. These included administrators (11%), faculty (33%) and executive level staff (56%). A careful selection of respondents ensured that sample is representative and includes branch campuses from North America, Europe, Australia and Asia using different entry modes all based in UAE, which is host to the highest number of branch campuses. Face to face and telephonic semi structured interviews were conducted using pre-prepared interview question ([Morse and Richards 2002](#)). The interview method provided an opportunity to get in-depth

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analysis to explore the impact on performance due to selection of a particular market entry mode and governance structure.

Secondary sources like computerised searches on social media were used to identify respondents especially with regards to branch campuses that were closed (For example, George Mason University). Newspapers archive were scanned wherein information about opening and operations of branch campuses in UAE were mentioned to validate the responses.

Before conducting the interviews, comments were sought from higher education professionals with considerable experience on the issue of internationalisation.

The case studies included Heriot Watt University, University of Wollongong, Middlesex University, Michigan State University, George Mason University and University of Waterloo. The case study data included publicly available information, websites and interviews with respondents. Apart from this, a quick survey was conducted to collect data about entry modes, performance and governance structures of all 43 branch campuses. Results are part of Table 4.

The case study based research, in this paper, is qualified as a co-operative inquiry as it will elicit views of respondents and engage them in a dialogue in order to understand the link between impact entry modes and performance of the branch campuses in a (UAE) context. Multiple comparative case studies have enabled understanding of market entry modes and governance structure from different angles and perspective ([Herriott and Firestone 1983](#); [Merriam 1988](#); [Yin 2003](#)) and helps in generalizing the results([Eisenhardt 1989](#)). Selection of the case studies here will play a dominant role as the case studies will play a key role in identifying similarities and dissimilarities ([Yin 2003](#)).

The research did use the tools traditionally in domain of positivist approach like hypothesis, sampling, aggregating the responses analysis of data

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## 5. Data Analysis

### 5.1 Predominant market entry modes in UAE

In this sub-section, all branch campuses are taken into account including those that closed or shifted their mode of operations. From section 5.2 onwards, only six case study institutions are considered.

Pre-dominant market entry mode is franchising (28%) and direct management (25%). But if limited joint venture, direct management and wholly owned

subsidiary are clubbed together then the figure is approximately 50%. This

Table 4: Entry Modes of Branch Campuses in UAE					
Entry Mode	Total	USA	UK	India	Others
Franchised Model	12	0	2	5	5
Limited Joint Venture	8	3	1	0	4
Fully-Owned Subsidiary	2	0	0	0	2
Direct Management	11	5	0	4	2
Joint Venture	4	1	1	1	1
Liasion Offices	6	1	5	0	0
	43	10	9	10	14

implies that universities prefer retaining the control of branch campuses. This is in contradiction to the assertion that high potential and big markets can influence adoption of hierarchical mode. UAE market is small, compared to markets like China and Singapore, but still universities here have adopted hierarchical modes.

Around 50% of the branch campuses with direct management are North

Table 5: Sustainability of Branch Campuses in UAE					
	Total	USA	UK	India	Others
Very Sucessful	6	1	3	1	1
Sucessful	6	2	2	1	1
Patially Sucessful	8	0	2	5	1
Maitiantaining Status Qu	17	5	1	2	9
Not Sucessful	6	2	1	1	2
	43	10	9	10	14

American origin. This gives an indication of home country effect in selection of entry mode. UK universities have preferred entering via liaison offices, franchised model or joint venture route limiting their

exposure to risk. Again this trend confirms home country effects on market entry mode.

US universities are leading player in establishing presence abroad but their mode of entry is hierarchical. Many such ventures were not very successful or are maintaining the status quo (see Table 5). UK universities

seem to avoid risk by using non-equity modes to enter UAE market but their sustainability rates are higher.

Table 6: Entry Modes and Sustainability Score					
Entry Mode	Very Successful	Successful	Partially Successful	Status Quo	Not Successful
Franchised Model	1	0	4	5	2
Limited Joint Venture	1	0	0	6	1
Fully-Owned	1	0	0	1	0
Direct Management	1	3	2	3	2
Joint Venture	2	1	0	1	0
Liaison Offices	0	2	2	1	1
	6	6	8	17	6

Franchised model has been extensively used by Indian and European universities. On the other hand, joint venture does not seem to be a pre-dominant entry mode even though there is psychic distance and need for local knowledge.

Liaison offices are used by some universities to deliver graduate programs. As per phased approach, liaison office can gradually progress towards a full-fledged branch campus but this is not evident.

Only 47% universities seem to be financially sustainable and have demonstrated success in this arena. Substantial numbers (40%) are maintaining status-quo either by break-even or funding support from home campus.

A direct link between entry modes and success factors was not apparently evident. Out of 20 universities demonstrating some success, 8 are having hierarchical modes, 3 used joint venture and 5 used licencing as a mode.

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## 5.2 Driving Force in setting up a branch campus

Pre-dominant reason for setting up of a branch campus seems to be augmenting the budget (61%). With reduced government support back home, universities opted to expand internationally by attracting additional income generated from teaching, research and third stream activities.

Other predominant reason seems to be increasing the global footprint of the universities (58%). UAE branch campus, as per half of respondents, served as extension of the internationalisation strategy. On strategic internationalisation efforts, majority of the respondents felt that there was no concrete strategy and roadmap in place. One of the respondent from a highly successful branch campus commented:

*“When the campus was established in Dubai it faced a lot of turbulence and a small presence was planned. Nobody expected it to grow so quickly”*

One of the respondent involved in the internationalisation efforts of the university said:

*“The decision was taken by President and Vice-President to enhance global footprint based on invitation from government of Dubai. Deans and department heads were not on board and due to which there was substantial resistance”*

Extension of international efforts and isomorphic objective was what one respondent has to say:

*“University joined the band wagon adopted by similar universities from the region and were satisfied with the success. This led to further extension of the strategy and now university has branch campuses in two more countries apart from Dubai.”*

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Explaining the financial dimension of the internationalisation strategy, one respondent commented;

*“We have 9 campuses and are an enterprising university.*

*Financial success is the key to establishing further campuses.”*

### 5.3 Importance of Transaction Costs

One of the pre-dominant theories that inform decision makers on selection of market entry mode is transaction costs theory. Transaction efficiency is crucial. Almost two third of the respondents agreed that university would take into account the transaction costs like searching for the information, contract negotiations and enforcement. However, there are other criteria like ensuring quality and preserving academic values that also plays a crucial role. Out of the six case study institutions, 4 have selected hierarchical modes while 2 have used either joint venture or licencing. About three fourth of the respondents felt that cost of maintaining and enforcing of the joint venture or licencing agreement is very high and because of which university has adopted equity based modes. Explaining this issue one of the senior executive commented thus:

*“Joint venture would be possible only when university can find a reputed and academically strong partner with local knowledge. In UAE market, it is difficult to do so. The free zones allow universities to come on their own as well and therefore cost of dealing with local partner is high”.*

Several other reasons like preserving of the academic values (77%) featured on the top of the list for deciding against going for licensing or joint venture. While 61% of the respondents cited the home country effects as driving force rather than transaction efficiency.

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Country risk factors and loss of proprietary information was not a major factor in deciding in favour of hierarchical modes. From the above it can be inferred that transaction costs, though important, do not feature as critical factor in entry mode decisions.

#### 5.4 Role of unique idiosyncratic know-how and capabilities

There are some capabilities which are unique to organisations and cannot be transferred to joint venture partner or licenced without loss of value. Universities, therefore, prefer hierarchical modes of entry. As indicated in 5.1, approximately 50% of the universities have established branch campuses using high control modes. This was explained by one of the faculty member in the case study institution thus:

*“It is difficult to transfer our unique capabilities in teaching and research at a branch campus. Students experience at branch campus cannot be compared to home campus. There are more than 30,000 students at our home campus and less than 100 at our branch campus. Can this be compared? Would it be then possible to transfer this capability to joint venture partner or licence the same”.*

Overwhelming number of faculty members (71%), amongst the respondents, prefer bringing students to home campus rather than taking the campus abroad. The internationalisation strategy preferred by the respondents, as an alternative to bringing students to home campus, is blended learning format rather than branch campus. One of the respondent felt that:

*“Branch campus helps in replicating our success at home in other parts of the world replicating our success. It is wrong to assume that branch campuses are a fad. You would see many branch*

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*campuses as it allows physical presence of universities in other countries and that results in research and consultancy contracts as well”.*

Higher education as a service is unique with extensive expertise of faculty in research domain. Unless universities transfer their home campus faculty members to teach and develop research capabilities, it is difficult to transfer this know-how. Two third of the respondents felt that universities have committed very less faculty resources at the branch campus. Most of the faculty are locally hired or hired for the branch campus and do not possess university know-how. However, case study universities adopted higher control modes to safeguard the idiosyncratic know-how. It was not very clear how universities strive to protect know-how when the faculty with specialised skills is not transferred from the campus. It can be inferred that universities are keen on preserving idiosyncratic know-how and therefore have selected higher control modes but have not transferred this know-how in form of faculty. The capabilities referred here are possibly student experience rather than research.

#### 5.5 Isomorphism pressure of the network

Universities would be constrained to use market entry modes and governance structure of the universities in their network. This can be based on home country effect as well. As mentioned earlier, US universities have tended to adopt hierarchical modes while UK universities, in general, use licencing or joint venture. One of the respondents from North American university explained this thus:

*“Top tier universities from North America would want to implement the systems from back home. Most of the universities have similar governance models where academics drive the*

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*university. This is in stark contrast with corporate governance model prevalent in Gulf region. Our university would implement academic driven governance model as practised by our North American counterparts”*

When the respondents from the North America were asked about the adaptation of norms, procedures and policies at the branch campus, most of them mentioned that it is more or less the same unless the local laws compels them to adapt. This was explained thus:

*“Our policies, norms and procedures are almost same. However, some policies like human resources policies were adapted to local labour laws of UAE. We would like to provide the similar experience to our students in Dubai.”*

The ethnocentric approach adopted by some universities from a particular network; does prove to some extent the internal isomorphic pressure to adopt market entry modes and governance structure of their network. Universities from UK and Australia have adapted their policies, both academic and corporate, to the branch campus. Again this indicates the isomorphic phenomena amongst the universities.

Most of the respondents (90%) concurred that the academic affairs of the branch campus is managed by the home campus. In many cases the corporate affairs (marketing and administration) is managed by local partner or locally hired administrative staff. However, most of the respondents from North American universities felt that marketing is part of admissions and needs to be managed by the academic affairs (isomorphic) as explained by one of the respondent:

*“We try to mimic the organisational structure of our home campus and there admissions (incl. marketing) report to the office of the*

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*provost. We cannot change the reporting structure. Most of the American universities follow this structure and therefore we will follow this norm”.*

Another respondent from a UK university explained thus:

*“Universities from UK adopt licencing and in some cases have also resorted to branch campus. In both cases, university would maintain strict control over the vetting students who are admitted, lecturers and instructor, syllabus and curriculum and most importantly assessments. Control over these aspects ensures that university has strict control over the academic affairs. For corporate affairs we value local expertise”.*

From the above, we can strongly infer the presence of internal isomorphic pressure to standardise the organisational and governance structure.

#### 5.6 Phased approach and experiential learning

Uppsala model envisaged that universities would use phased approach and gain valuable experience through experiential learning. Uppsala model is used to bridge the psychic distance through experiential learning. Universities, in this study, did not adopt phased approach. Almost all branch campuses were established without first trying out liaison offices then joint venture and finally branch campus. However, if comparison is done between exporting, licensing and FDI, then most of the universities commenced their internationalisation experience via exporting mode i.e. attracting international students and study abroad. Between licencing, joint venture and FDI there is no staged approach adopted by universities in the sample. Based on the Uppsala model the liaison offices were expected to be progressed to

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branch campus or joint venture progressed to direct management mode. However, this is not evident in UAE. Rather, there is the case of Michigan State University wherein the university has converted the branch campus to a liaison office. Psychic distance might not be considered as an important factor while establishing the branch campus but can increase the transaction and operating costs and impact on the viability of the venture as was the case with Michigan State University and University of Waterloo.

#### 5.7 Academic values, quality and brand image

Environmental uncertainty and risks are also important determinants of market entry mode as they can have an impact on academic values, brand image and academic quality. Some of these aspects were covered in aforementioned sections; however, there was a need to cover this separately as well. About two third of the respondents agreed that preserving the brand image is an important determinant while selecting market entry mode. Most of the respondents from universities using hierarchical modes were of the opinion that protection of the brand image is crucial and because of which university adopted direct control mode. Universities where licencing has been used felt that brand image can be managed without adopting equity based modes. One of the respondents explained this thus:

*“We manage our brand image by managing the academic affairs. This is possible as is the case with many services like hotel. For example, Grand Hyatt uses licencing but is able to control their brand image. Similarly, we maintain strict control over academic affairs and also on many aspects of corporate affairs. Faculty members and key management officials are appointed after due diligence is done by us. Branch campus sends has to send attested transcripts of all admitted students and have to follow*

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*entry standards prescribed us. There is no need to entry via equity mode”*

Dilution of academic values and protection of academic quality equally featured as important determinants with about two-third of the respondents citing this as critical.

It can, therefore, be inferred that many universities do consider brand image, preserving academic values and quality control into consideration. And due to these factors, universities adopt equity based modes even though there might be environmental uncertainty and risk involved. This was explained by a senior academic thus:

*“Many corporate firms entering UAE market for the first time would have adopted licencing or joint venture given the environmental uncertainty. However, higher education is a different type of service where need for control and preserving of academic values plays a crucial role. In such circumstances, emphasis is on giving the same level of experience to students as they will get at our home campus. Universities that are risk averse would not like venturing here if they have to uphold the academic values”*

From the above discussions, it can be inferred that universities would put more emphasis on preserving the brand value and academic rigour as compared to environmental risks and uncertainty.

#### 5.8 Internationalisation experience

Last but not the least; it is the previous internationalisation experience of universities that could play a role in determining the entry mode choice. Universities with internationalisation experience in homogenous markets would prefer entering equity based modes. About 71% of the respondents mentioned that the prior entry of university to

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international market did not involve markets that were homogenous. This means that market homogeneity did not play an important role in selecting a particular market entry. Even with regards to cultural homogeneity, almost 81% of the respondents felt that the UAE market is not homogenous to the home country. A senior executive involved in setting up a branch campus felt that:

*“The context here is very different and it would not have been possible to establish the branch campus without equity participation. We have branch campuses or liaison offices in other parts of the world but here the environment is very different. However, the government here facilitated the set-up with favourable regulatory environment and the education hub was quite helpful”*

Another respondent commented thus:

*“After our Dubai experience, we are expanding to South East Asia. Branch campus in Dubai has given us valuable learning experience and confidence to expand. We put a lot of emphasis on local knowledge and therefore we entered Dubai via joint venture and our next expansion is also via joint venture”*

It can be inferred that entering homogenous market or previous internationalisation experience would not play an important role in selecting market entry mode.

## **6. Discussions**

Higher education as a service is different from other services and therefore determinants of market entry mode selection are different as well. Universities desire transaction efficiency, a key determinant, but place

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emphasis on academic quality to tilt their decision in favour of foreign direct investment (RQ 1). Idiosyncratic capabilities are another key determinant extracted from literature. A university finds it very difficult to transfer teaching and research know-how in form of licencing and joint venture and therefore selects equity modes even when transaction efficiency calls for franchised degree (RQ 2). Michigan State University, for example, values this aspect and therefore decided to establish branch campus on its own. Internal isomorphic pressure also played a role in universities decision to select a particular market entry mode (RQ 3). Top-tiered universities from North America preferred entering via hierarchical mode while those from UK prefer entering via licencing or joint venture.

Foreign universities, based in UAE, did not adopt phased approach to market entry as espoused by Uppsala model. Though, exports come before licencing and direct investment. There was no sequence in case of licencing and direct investment (RQ 4). Universities with internationalisation experience in homogenous market would have leap-frogged and entered higher control modes, while, those not possessing such experience would have adopted low risk approach like licencing. This is not evident from the data as universities even without any internationalisation experience or homogenous market experience also opted to go via equity modes due to emphasis on brand image, academic quality and difficulty of transferring teaching and research capabilities (RQ 5). Environmental uncertainty and risks could have deterred universities from establishing branch campuses using foreign direct investment. However, this is not the case. Universities have put more emphasis on control over academic process and selected equity based modes even in face of risks and environmental uncertainty (RQ 6). It is not that universities have completely overlooked risk and have committed extensive faculty and financial resource to the branch campus. The financial commitment, even from universities adopting equity modes, is very less and it is expected that branch campus is treated as a profit centre and generate their own resources or receive government subsidy. Under-

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funding and direct management is an anomaly resulting in failure of many branch campuses. The only explanation to this is the small size of the UAE market does not warrant extensive investment but as brand and reputation is at stake universities have used high control modes. Choosing of the high control modes would also be due to lack of suitable partner institutions in UAE to forge an alliance.

If imitative learning is used in place of experiential learning then it is possible that universities can see what other successful universities have done and in UAE many successful universities have either adopted licencing or joint venture. There are some successful universities, like New York University and Paris Sorbonne that have adopted direct management but are subsidised by the government.

## **7. Conclusions and directions of future research**

This study is significant for both international service marketing practitioners as well as higher education professionals who are contemplating to internationalise. The study is significant as it has identified most of the determinants of the market entry mode choice from the literature. The implications of the findings calls for universities to consider factors like idiosyncratic capabilities, isomorphic pressure to mimic, desire for tight control over academic process and strong market potential as these are factors considered key by the respondents in this study. The factors like previous internationalisation experience, entry to homogenous markets, experiential learning, market uncertainty, risks, size of the university and psychic distance are not significant determinants of the market entry mode decisions.

Like other research study, this paper also have some limitations which and calls for future study in the higher education internationalisation arena. First, this study focuses on 40 branch campuses in UAE. There is need to extend this research to other branch campuses across the world to better understand whether there is difference in the determinants of entry mode

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choice when host country changes. Second, the study did not collect more intensive data on key indicators like years of internationalisation experience, size of the school, speed and type of courses offered on branch campus and whether or not these has an impact on the internationalisation.

Growth of ICT and relaxation of laws on international education will see rapid development of international foot print of the university. As indicated, enhancing global image plays a major role in internationalisation efforts apart from financial motives. Research in this area is still scant and can be developed further.

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Appendix 1: Explanations of Entry Modes	
Entry Mode	Brief Explanation
International Students	Foreign students enrolled at University's home campus
Articulation Agreements	An articulation agreement is a legal document produced when two or more academic institutions follow a process leading to a partnership to provide a formalized pathway for student transfer.
Study Abroad	Arrangements by which students complete part of their degree program through educational activities outside their home country
Student Exchanges	a student from one country received into an institution in another country in exchange for one sent to an institution in the home country of the first
Faculty Exchanges	a faculty from one country received into an institution in another country in exchange for one sent to an institution in the home country of the first
Distance Learning	a method of studying in which lectures are broadcast or classes are conducted by correspondence or over the Internet, without the student's needing to attend university or college
Elearning	Learning conducted via electronic media, typically on the Internet.
Franchised Degree	Degree where University is responsible for the programme syllabus delivered at partner institution in terms of terms of its content design, delivery and mode of assessment.
Validated Degree	Degree programs that are not designed, delivered nor assessed by university but leads to an award of the university degree as the partner institution does not have degree granting power
Joint Degree	A degree programme developed and delivered jointly by tow or more international universities and receive a degree jointly awarded by participating universities. It includes arrangements like 2+2 and 2+1
Dual Degree	Students study at (at least) two universities and receive upon completion of the study program a separate degree certificate from each of the participating institutions.
Branch Campus - Direct Management	Branch Campus managed directly university wherein corporate services, academic services and instructions are delivered by university. Branch campus has little or no autonomy in deployment of resources

Branch Campus - Fully Owned Subsidiary	Branch campus is managed by wholly owned subsidiary created to manage international operations and does not follow procedures and norms of the parent university. Branch campus has substantial autonomy in deployment of resources but academic programs are identical with home country
Branch Campus - Joint Venture	A Local joint venture partner invests in providing facilities and delivers corporate services and some academic services and the university is responsible for academics
Branch Campus - Limited Joint Venture	A local joint venture partner facilitates entry, licences and some corporate services. Governance structure is controlled by the university in home country
Branch Campus - Franchised Model	Branch Campus bearing the name of the university but matches franchised degree definition above
Liaison Offices - Blended Learning	Predominantly used to deliver graduate programme where university flies in faculty for delivery of blended learning programme. Local office owned by university is responsible for marketing and corporate services