Transnational Education and Theories of the Firm: Conceptual Considerations for Australia

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ABSTRACT The emergence of transnational education (TNE) in the early 1980s and its subsequent growth as a core component of the education export industry in Australia contradicts the dearth of research and investigation in its commercial nature and drivers. This paper positions TNE, initially in the context of international trade in services and later in relation to relevant extant research. It notes the particular nature of Australian TNE and its business characteristics, before it contextualizes it against transaction cost economics, property rights theory, agency theory and resource scarcity theory as theories of the firm. The paper concludes by proposing a conceptual model as instrument for future analysis and investigation of TNE.

Keywords: Theories of the firm; Transnational Education, Business delivery models

Introduction

Cross-border education (CBE) started off as an aid-motivated international activity, primarily in the form of international students studying in a foreign country. The push of funding restrictions and national competitive environments of provider institutions, coupled by the pull of host nation demands for higher education led to the proliferation of various forms of CBE, but chiefly the delivery of higher education by providers in foreign countries. These offshore delivery programs are now more popularly known as transnational education (TNE). The growth of TNEs has been phenomenal over the past three decades. In response to the ubiquity of TNE programs, a large body of literature and research has been devoted to this phenomenon. A survey of extant literature however, indicates that the majority of these studies is normative in approach, and mostly focused on the academic aspects of TNE. There is a dearth of studies focused on the commercial aspects of TNE.

This paper postulates that TNE has a commercial dimension that is critical to its success but that has not been sufficiently contextualised. The lack of attention to the commercial aspect of TNE may have been influenced by the traditional paradigm of education as a public good. Recent literature suggests that TNE success is linked to commercial sustainability. This paper considers the TNE phenomenon
through the lenses of several theories of the firm. More specifically, this paper seeks to develop the

basis for exploring the nature of TNE as framework for the determination of appropriate TNE

business delivery models, and the explanatory power of theories of the firm in explicating these.

The primary aim of the paper is to consider whether the phenomenon of TNE can be explained by the

leading theories of the firm (Kim and Mahoney, 2005). Through the lenses afforded by these

theories, future research will seek to understand the criteria universities may use in selecting TNE

business delivery models, and the relevance of theories to TNE.

**Positioning Transnational Education (TNE)**

Originally conceived as aid flowing from the developed world to less developed countries, the

 provision of cross-border education (CBE) has gradually shifted towards a more commercial

orientation (Smart and Ang 1993). The burgeoning demand from a multiplicity of market niches

worldwide has triggered rapid growth in the provision of CBE. In its various forms, CBE is now a

ubiquitous phenomenon worldwide (Centre for International Economics 2008). The size of these

services has necessitated the introduction of international regulation. At the macro level the provision

of these services is arguably regulated internationally through the World Trade Organization’s

General Agreement on Trade in Services (GATS)(WTO, 2012). Table 1 summarizes the GATS

Services framework.

INSERT Table 1

In CBE, these modes are not mutually exclusive. In practice some students enroll under two or more
different modes in the course of their studies. Students studying away from their home country (Mode
2) comprise the largest of the four modes of supply (Naidoo 2009). This is followed respectively by
branch campuses (Mode 3), and franchised and distance-delivered (including online) programs (Mode
1). The presence of people (Mode 4) is negligible and normally will form a small part of a branch campus setup (Captured as Mode 3).

More recently, another term has been coined to describe the provision of higher education by institutions in foreign jurisdictions, viz., transnational education (TNE). In developing a Code of Practice in the Provision of Transnational Education, UNESCO and the Council of Europe used a working definition of TNE which includes “All types of higher education study programs, or sets of courses of study, or educational services (including those of distance education) in which the learners are located in a country different from the one where the awarding institution is based. Such programs may belong to the educational system of a State different from the State in which it operates, or may operate independently of any national system.”(UNESCO/CoE , 2000)

The research of TNE has over time taken on the focus on cross border supply, a commercial presence and a presence of natural persons, by and large ignoring the education provision to international students when the students undertake studies in the country of the supplier. Although this segment of the sector is also considerable and forms part of most international education literature, it does traditionally not form part of TNE literature. Banks et. al., (2000) for example postulate that TNE research excludes the provision of education services to international students in the home country of the providers. Most TNE researchers now use this interpretation of TNE as does this paper.

**Australian TNE market drivers**

Recent trends point to a rapidly growing TNE sector. The highest number of TNE providers comes from the UK, Australia and the USA, with emerging numbers from Canada, New Zealand, Europe and even non-traditional TNE provider countries like China, India, Malaysia and Singapore. Out of an estimated 2,000 programs catering to 500,000 students worldwide on cross border TNE supply in 2006, about 300,000 students were enrolled in British TNE programs (Bashir, 2007). This number is expected to grow at 10% per year.

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From an Australian perspective the dovetailing of curtailed funding, the national shift towards a corporatized and commercially-inclined higher education sector, pent-up demand for higher education in Southeast Asia, and the globalization of higher education in the 1980s, led to the first Australian TNE programs in the region. Australian institutions have since then grown their TNE offerings significantly, becoming a major provider worldwide. In 2003, 37 of the 38 Australian universities enrolled international students through 1,569 TNE programs (Universities Australia, 2003). More than 70% of these programs were delivered in Malaysia, Singapore and China (including Hong Kong). In 2011, 33 Australian universities reported TNE activities (DEEWR, 2011). In 2012 TNE exports were valued at almost AUD $10 billion out of a total education export of AUD $ 14.4 billion (Dodd, 2013) translating into the top services export for the nation.

Among Australian universities, TNE is a growing portfolio with increasingly critical financial importance. Even the former Australian Universities Quality Agency (AUQA) reports that “Australia has become a leading exporter of (higher) education, and Australian institutions rely heavily on the income from foreign students.” (Stella and Liston 2008, 10)

Research in Transnational Education

The ubiquity of TNE has generated immense interest among researchers the world over. It has generated research from many different perspectives, including pedagogy, medium of instruction, quality assurance, education psychology, political economy, management, policy, and regulatory frameworks. The following will outline briefly, some examples of research in TNE.

The phenomenon of TNE itself has been investigated through various lenses, e.g., Leasks’ (2004) discursive constructions of internationalization at an Australian university for professional practice, and Kehm and Teichler’s (2007) survey of research on internationalization in higher education.
There are two main perspectives of a number of studies exploring the political economy of TNE; offering a foreign curriculum in a different jurisdiction, TNE programs have attracted its fair share of criticism as the tools of cultural imperialism and hegemony in the developing world (Garrett 2005). But, it has also been held up as an affordable solution to national capacity building (Librero 2005).

The quality of provision of TNE programs is perceived to be highly variable across providers and host countries. This has generated a number of studies on the quality assurance of TNE, and the regulatory environment within which these programs are delivered. They include studies on regulation and quality assurance (QA) (Martin 2007), legislative changes impacting TNE (Tan 2001), and a transaction cost approach to quality control in TNE (Edwards, Crosling, and Edwards 2010). Closely related to QA is the academic dimension of TNE, including teaching and learning strategies, as well as language issues. Some of these studies focus on academic work in TNE (Dobos 2011), transnational computing education (Miliszewska 2006), and the QA framework for offshore programs in non-English media (Scarino, Crichton, and Papademetre 2006).

The extant literature indicates a gap in research on the commercial aspects of TNE operations. In contrast to the perception of TNE as an altruistic public good, TNE is commonly described in commercial terms within industry literature. For instance, it has been noted that John Dawkins, the former minister responsible for the expansion of the Australian higher education system in the late 1980s, was of the view that education could be an export to help improve the current account deficit (Marginson and Considine 2000).

TNE is recognized as a risky venture, amply demonstrated by a number of failures, e.g., the failure of RMIT University to commence branch campus operations in Penang, Malaysia, and the withdrawal of the University of New South Wales from Singapore. In contrast, there are also a number of clearly continuing TNE ventures, e.g., the Wollongong University franchise partnership with the Laureate University Group in Subang Jaya, Malaysia, and RMIT University branch campuses in Hanoi and Ho
Chi Minh City in Vietnam. The question arises of how some TNE ventures find longevity, while others fail? While there are a number of normative studies on recommended structures and processes to meet compliance requirements and ostensibly, to succeed, there are very few empirical investigations into TNE delivery models and how these models contribute to the longevity of the ventures.

It was earlier noted that there is a dearth of research on the commercial aspects of TNE, amidst a large number of TNE studies which are mostly set within academic contexts. This prevailing orientation is a consequence of the apparent reluctance of academic researchers to embrace commercial paradigms.

**Business Research of Transnational Education**

The global growth of TNE has occurred amidst a shift in the conceptualization of the university. The University as an institution can be traced to the Socratic and Aristotelian academies of Athens, early experiments in enquiry rooted in debates and discourses. The early universities were characterized by the free pursuit of knowledge as an end in itself, unfettered by industry, the religious community or politics – where the gown takes precedence over the town.

Over time, the University as institution has evolved in its purpose, internal structure and external relations. Veblen (1918), writing Higher Learning in America, was one of the first academics to decry the invasion of commerce into the sacred precincts of the University. He argues that with the infusion of corporatism, the University has gradually lost its participatory decision-making culture, and become subject to the pursuit of market-oriented production functions. Although his thoughts and writings were well received, this particular thesis did not find friendly reception then.

The present-day University has been described by academics variously as a Dereferentialized University (Readings 1996), the Enterprise University (Marginson and Considine 2000), and the Entrepreneurial University (Clark 1998). They all share a common characteristic: that the University
has sold its soul to commerce, and in the process, lost its long-cherished raison d’etre of the free pursuit of knowledge.

Many researchers have railed against the market-driven shifts in the purpose and structure of the University, but Readings (1996, 167) advises against an attitude of denunciation, and proposes that “an engagement with and transvaluation of this shift can allow innovative and creative thinking to occur.”. It is with this perspective that the conceptual model in this paper is proposed to analyze Australian university transnational education.

In addressing the viability of TNE operations, Adams (1998, 16) recommends that “Commercial considerations must be foremost in the sense that unless the program is financially sustainable, without subsidy from domestic programs, it is unlikely to survive.” It thus follows that the primary success factor for TNE is financial sustainability – the TNE program being a revenue good i.e., revenue-generating activities, should pay for all the other mission goods, viz., its teaching, research and public service (Weisbrod, Ballou, and Asch 2008).

Amidst the shift in expectations of the role of universities and other higher education institutions, the funding of these institutions have often been dramatically reduced. Recently the UK government for example, cut more than three quarters of university funding for teaching, and replaced it with a student loan system (Green 2011). Like any other organization, universities also face increasing budgetary pressures of growing operational costs, and asset investments and renewals. With reducing state funding and regulated fee regimes, they find themselves in a tightening cost-price squeeze. For many, globalization and subsequently TNE provided the financial relief (Armstrong 2007).

While there is a need to acknowledge and take account of Weisbrod’s ‘mission good-revenue good’ tension, there is an equally potent argument for universities to operate commercial activities using commercial strategies and tactics. The imposition of an inevitable capitalistic paradigm onto universities requires a new, bold and innovative approach to university management and governance –
as is suggested by Readings (1996). The increasing adoption of commercial principles has translated to the emergence of an interest in various TNE business delivery models.

**Transnational Education Business Delivery Models**

In the early years of TNE, the preferred delivery model was distance learning (and their hybrid and online variants) and franchised-like programs. Later providers used franchised-like delivery models almost exclusively. In the last decade however the branch campus grew in popularity among universities with a higher risk appetite.

To be able to deploy cross-border business delivery effectively, commercial entities must be able to modularize their delivery process. Some of the resulting components of the modularized supply chain can then be outsourced to strategic partners with the expertise and capacity to optimize the supply chain. This attempt at optimization through outsourcing can be observed in many TNE operations (Armstrong 2007), and has been studied by Davies et. al. (Davies, Olsen, and Bohm 2000). The study resulted in the categorization of TNE business delivery models into Direct Model, Joint Model and Partner Model and established a useful framework to examine institutional motivations and the attendant success or failure of their TNE operation.

**Theoretical Bases for the Study of Business Delivery Models**

This paper aims to consider a framework of possible institutional motivations for different types of business delivery models. A survey of the literature indicates face validity for several theories of organizational economics in explaining these business delivery models empirically. Seminal works by Coase (1937, 1960), Alchian (1977, 1969) and Demsetz (1967, 1964, 1966) laid the foundation for the development of transaction cost economics, agency theory and property rights theory, while Penrose (1959) was credited with developing the groundwork for resource-based theories, e.g., resource scarcity theory.
Table 2 compares a range of aspects associated with each theory and includes the central idea of the theory; the unit of analysis; the foci of dimension, cost and contract; the theoretical orientation, strategic intent and sources of market friction. Overall it provides a structured framework against which TNE operations can be considered.

Made known mainly by Williamson (1985, 1979), transaction cost economics (TCE) posits that the firm exists to reduce transaction costs (viz., negotiation, monitoring and enforcement of contracts) through the buy-or-make boundary decision, executed through different governance structures of the market or the organization, respectively. This construct seems a good fit to TNE with its similar outsource-or-manage business delivery choice.

Some scholars argue against the simplistic and discrete buy-or-make decision model of TCE. As an alternative to TCE, they suggest focusing on the details of the contract, an approach known as property rights theory (PRT). The works of Alchian (1969, 1965), Demsetz (1967, 1964, 1966), Grossman and Hart (1986), and Hart and Moore (1990) formed the base from which PRT developed. In PRT, ownership confers the residual right to decide how to use the productive assets. From the perspective of firm boundaries, PRT is better able to explain shared ownerships, e.g., partnerships and joint-ventures, compared to other theories of the firm (Kim and Mahoney 2005). TNE presents a unique business environment for PRT research, where ownership of both tangible and intangible assets, but more so, the intangible asset of education, within partnerships, forms the basis of the commercial transaction.

Derived from information economics in the 1970s (Ross 1973; Jensen and Meckling 1976; Zeckhauser and Pratt 1985), agency theory (AT) has been developed to explain the interaction between a principal and an agent whom the principal engages to execute specific business activities for a pre-agreed fee. The theory investigates the residual rent that principals derive after accounting...
for agency costs of adverse selection and moral hazard, against a backdrop of information asymmetry, mission misalignments and differences in risk aversion between the partners.

Resource scarcity theory (RST), a derivative of resource dependency theory, provides a framework to understand firm decisions which emphasize the optimal use of resources that are available to it (Oxenfeldt and Kelly 1969). In outsourcing situations, firms value, and leverage on selected resources provided by their partners.

Historically, both AT and RST have been employed to investigate the behavior of firms with multiple branch operations. They have been successfully used as lenses to understand the rationale behind these firms’ business expansion decisions to either utilize their own resources, or to outsource to an agent.

For the purposes of a comparison of TNE provision, notably between University-managed, and outsourced business delivery models, the typology of Davies et. al. can be regrouped as

a) Managed Model – where the university is responsible for all academic functions (Davies et. al. ‘Direct Model’); and

b) Outsourced Model – where the program’s academic functions have been outsourced partially (Davies et. al. ‘Joint Model’) or fully (Davies et.al. ‘Partner Model’) to the offshore partner.

The dichotomy between the Managed Model and the Outsourced Model is expected to provide the framework for exploring the veracity of these four theories in explaining the Australian university TNE phenomenon.

The foregoing extant literature indicates that there is a high likelihood of one or more of the theories of the firm providing an empirical explanation of the choice of business delivery models and outcomes for Australian public university transnational education programs.
Table 3 confirms the relevance of all four theories of the firm to TNE. In some areas there is a considerable overlap in attention, intellectual property for example is catered for in each of the theories. Other areas such as the contractual focus seem to reflect more of a continuum from governance on the one side to ownership at the other side. Overall though it appears that the four theories of the firm are indeed an appropriate starting point to investigate and analyze the commercial nature of Australian TNE provision.

**Conclusion, future research and applications**

As a result of the seeming relevance of the select theories of the firm discussed above this paper proposes a framework for understanding business delivery model selection, and predicting the performance of Australian public university transnational education programs. The framework is depicted in Figure 1.

The future research relevant to the conceptual model is aimed at testing the veracity of the four theories in explaining the selection of TNE business delivery models and TNE outcomes. It is expected to enhance empirical understanding of the TNE phenomenon, and contribute to organizational economics literature by extending the application of these theories to TNE research.

In this construct, the experience of Australian public universities can be investigated to determine the circumstances and criteria that have led to the deployment of the chosen business delivery model/s. A set of hypotheses will be constructed following the qualitative study to test the veracity of each theory against the experience of these universities.
The TNE phenomena could be examined as commercial activities primarily through the lenses of the four theories of the firm. However, several other related theories (viz., contingency theory, upper echelon theory and knowledge-based organizational capability theory) may need to be considered as a context to further determine their relevance or otherwise.

At the practical level, the future study will aim to enrich TNE professionals’ understanding of key strategic planning processes as well as the TNE supply chain or network, and the consequent impact on TNE sustainability and outcomes. It is hoped that this enriched understanding will contribute to higher success rates and the realization of a range of university missions for TNE operations and conversely help universities avoid or prevent TNE failures. More broadly, the future study is also expected to contribute to policy development and governance in the TNE sector for Australia in the first instance and most likely for the wider TNE industry.

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<table>
<thead>
<tr>
<th>Mode</th>
<th>Mode Title</th>
<th>Mode Description</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Cross-border supply</td>
<td>Services flows from the territory of one member state into the territory of another member state (viz., distance education, online learning and franchised programs)</td>
</tr>
<tr>
<td>2</td>
<td>Consumption abroad</td>
<td>Refers to situations where a service consumer (e.g. international student) moves into another member state's territory to obtain a service.</td>
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<tr>
<td>3</td>
<td>Commercial presence</td>
<td>Implies that a service supplier of one member state establishes a territorial presence, including through ownership or lease of premises, in another member state's territory to provide a service (viz., branch campuses).</td>
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<tr>
<td>4</td>
<td>Presence of natural persons</td>
<td>Consists of persons of one member state entering the territory of another member state to supply a service (e.g. teachers). The Annex on Movement of Natural Persons specifies, however, that member states remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis.</td>
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Table 2: Comparative Perspectives of Theories of the Firm

<table>
<thead>
<tr>
<th>No</th>
<th>Perspectives</th>
<th>Transaction cost economics</th>
<th>Property rights theory</th>
<th>Agency theory</th>
<th>Resource scarcity theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central ideas of the theory</td>
<td>1) ‘… the ultimate unit of activity … must contain in itself the three principles of conflict, mutuality, and order. This unit is a transaction. … governance is chosen in a cost-effective degree to infuse order, thereby to mitigate conflict and realize mutual gain.’ (Tadelis and Williamson 2010, 3) 2) ‘Transactions, with their different attributes, are best executed using different governance structures.’ (Tadelis and Williamson 2010) 3) ‘Transaction cost economics makes provisions for both autonomous (i.e., price driven) as well as coordinated (i.e., administration driven) adaptations in the service of efficiency through recognition that</td>
<td>1) Property rights are “[t]he rights of individuals to the use of resources … supported by the force of etiquette, social custom, ostracism, and formal legally enacted laws supported by the states’ power of violence or punishment.’ (Alchian, 1965 cited in Kim and Mahoney 2005) 2) ‘Property rights are the rights to use, to earn income from, and to transfer or exchange the asset or resources.’ (Libecap, 1989 cited in Kim and Mahoney 2005) 3) ‘All economic activities including trade and production are the exchange of bundles of property rights.’ (Furubotn and Pejovich, 1972 cited in Kim and Mahoney 2005)</td>
<td>1) Agency relationships can be argued to be present in all cooperative efforts. 2) Agency theory has been developed to explain the interaction between a principal and an agent whom the principal engages to execute specific business activities for a pre-agreed fee. (Garg 2000) 3) The theory investigates the issues principals face in selecting suitable agents (adverse selection), and in monitoring their work performance (moral hazard). (Pizanti and Lerner 2003) 4) It requires the fulfillment of two necessary conditions, viz., that there is a potential for divergence of interests between the principal and agent, and for difficulties</td>
<td>1) The resource-based argument is premised on the assumption that firms seek sustained, superior returns, using a combination of resources that are fashioned into competencies and capabilities that are dynamically reconfigured in response to the changing business environment. (Rugman and Verbeke 2002) 2) The resource-based approach views value maximization of a firm as coming from leveraging on valuable resources. The firm will gravitate towards optimal combinations of internal and external resources for growth; this is achieved either through the firm, the market or through strategic alliances. (Castrogiovanni, Combs,</td>
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adaptation is the central problem of economic organization.’ (Tadelis and Williamson 2010)

4) Operationalizing TCE (Tadelis and Williamson 2010)
   a) Identify transactions with their key attributes
   b) Describe properties of alternative modes of governance (viz., make or buy).
   c) Analyse using ‘discriminating alignment’ hypothesis (‘… transactions, which differ in their attributes, are aligned with governance structures, which differ in their adaptive capacities, so as to minimize transaction costs.’) (Tadelis and Williamson 2010)

4) ‘… a standard property rights definition applies where the partitions of property rights are grouped into appropriate bundles and assigned to the transacting party who is most capable of efficient production (utilizing that bundle), and the property rights that compose those bundles will be grouped so that appropriate economic incentives are created for owners of each bundle of property rights.’ (Kim and Mahoney 2005)

in ascertaining the capability and actions of the agent. (Worsham, Eisner, and Ringquist 1997)

5) Agency problems arise from information asymmetry and differences in risk aversion between principal and agent, and are premised upon the assumption that the parties’ actions arise out of self-interest. (Kivisto 2005)

and Justis 2006)

While an organization’s form can be a critical determinant for meeting its strategic goals, it may also provide access to valuable resources (Teece 1986), and managerial capacity (Penrose 1959). Oxenfeldt and Kelly (1969) were some of the early researchers who applied resource scarcity theory in their study of franchises. They proposed that firms expand by franchising, in response to their need to access new capital and managerial resources through economies of scale.
<table>
<thead>
<tr>
<th>5</th>
<th>Contractual focus</th>
<th>Choice of ex post governance mechanism</th>
<th>a) Ex ante property rights allocation</th>
<th>b) Ex post distributional conflicts</th>
<th>a) Ex ante incentive alignment</th>
<th>b) Ex post monitoring mechanisms</th>
<th>a) Ex ante resource identification</th>
<th>b) Ex post knowledge transfer</th>
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<td>6</td>
<td>Theoretical orientation</td>
<td>Comparative assessment</td>
<td>Comparative assessment</td>
<td>Constrained optimization</td>
<td>Leveraging</td>
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<td>7</td>
<td>Strategic intent</td>
<td>Stackholder view</td>
<td>Shareholder view</td>
<td>Stackholder view</td>
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<td>8</td>
<td>Sources of market frictions</td>
<td>a) Bounded rationality</td>
<td>b) Uncertainty</td>
<td>c) Information asymmetry</td>
<td>d) Opportunism</td>
<td>e) Asset specificity [a-d from incomplete contracts]</td>
<td>a) Externalities</td>
<td>b) Unclearly defined &amp; difficult to-enforce property rights (weak appropriability)</td>
</tr>
</tbody>
</table>

Source: Adapted from Kim and Mahoney, 2005
Table 3: Theories of the Firm as applied to Transnational Education

<table>
<thead>
<tr>
<th>No</th>
<th>Perspectives</th>
<th>Transaction cost economics</th>
<th>Property rights theory</th>
<th>Agency theory</th>
<th>Resource scarcity theory</th>
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<tbody>
<tr>
<td>1</td>
<td>Unit of analysis</td>
<td>Collaboration contract</td>
<td>Collaboration types (as alternative institution)</td>
<td>Australian universities &amp; offshore partners</td>
<td>Collaborative entity</td>
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<td></td>
<td>Focal dimension</td>
<td>Relational asset specificity</td>
<td>Property rights to</td>
<td>Incentives</td>
<td>Resources</td>
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<td>2</td>
<td></td>
<td>a) Accreditation</td>
<td>a) Accreditation (&amp; award)</td>
<td>a) Financial returns</td>
<td>a) Accreditation/award</td>
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<td></td>
<td></td>
<td>b) Local knowledge</td>
<td>b) Intellectual property</td>
<td>b) Staff development</td>
<td>b) Intellectual property</td>
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<td></td>
<td></td>
<td>c) Intellectual property</td>
<td>c) Individual brands</td>
<td>c) International &amp; local brand equity</td>
<td>c) Individual brands</td>
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<td></td>
<td></td>
<td>d) Local brand equity</td>
<td>d) Local brand equity</td>
<td>d) Student experience</td>
<td>d) Teaching resources</td>
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<td></td>
<td></td>
<td>(including negative brand equity)</td>
<td>e) Learning resources</td>
<td>e) Curriculum &amp; pedagogy enrichment</td>
<td>e) Learning resources</td>
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<td></td>
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<td>f) Teaching resources</td>
<td>f) Residual rent</td>
<td>f) Local knowledge/managerial &amp; marketing resources</td>
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<td>g) Managerial resources</td>
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<td>h) Marketing channels</td>
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<td>i) Equity capital</td>
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<td>3</td>
<td>Focal cost concern</td>
<td>a) Set-up of governance structure</td>
<td>a) Contract set-up</td>
<td>a) Mitigating adverse selection</td>
<td>a) Business expansion cost</td>
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<td></td>
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<td>b) Bonding cost to incentivize commitment</td>
<td>b) Regulatory changes</td>
<td>b) Monitoring costs</td>
<td>b) Resource appropriation costs</td>
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<td></td>
<td></td>
<td>c) Non adherence to agreed delivery value chain</td>
<td>c) Market shifts</td>
<td>c) Residual loss from cross-selling, knowledge transfer &amp; brand endorsement</td>
<td>c) Institutional reputation</td>
</tr>
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<td></td>
<td></td>
<td>d) Remediation</td>
<td>d) Rent-seeking to influence regulatory regime</td>
<td></td>
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<tr>
<td>4</td>
<td>Contractual focus</td>
<td>a) Governance mechanism for each delivery value chain link (process)</td>
<td>a) Delineation of property rights</td>
<td>a) Ex ante incentives alignment to mitigate agency costs</td>
<td>a) Ownership of critical resources</td>
</tr>
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<td></td>
<td></td>
<td>b) Auditing of academic &amp; business processes</td>
<td>b) Ex post distributional conflicts</td>
<td>b) Auditing of academic &amp; business processes</td>
<td>b) Geographical reach</td>
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<td>c) Annual review of financial distribution</td>
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<td>c) Knowledge transfer</td>
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<td>Theoretical orientation</td>
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<td>7</td>
<td>Sources of market frictions</td>
<td>a) Bounded rationality b) Performance &amp; regulatory uncertainty c) Information asymmetry d) Opportunism through cross-selling, knowledge transfer &amp; brand endorsement e) Relational asset specificity</td>
<td>a) Regulatory uncertainty b) Economic uncertainty c) Information asymmetry d) Unclearly defined rights, roles, responsibilities &amp; entitlements e) Vested interests of political, commercial, academic &amp; community stakeholders</td>
<td>a) Information asymmetry b) Imperfect observability of offshore partner performance c) Differences in risk aversion between university &amp; offshore partner</td>
<td>a) Desired growth exceeds that which can be supported by internal resources b) Asset specificity</td>
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</table>
Figure 1: Conceptual model explaining TNE

University Provider

Offshore Business Delivery Model Decision

Managed Model

Outsourced Model

Decision factors and program longevity explained by one or more of the four main theories of the firm

Possible reflectors:
- Transaction Cost Economics – governance structures, transaction costs, asset specificity
- Property Rights Theory – property rights bundles, incentives
- Agency Theory – branch proximity, asset specificity, local knowledge
- Resource Scarcity Theory – size, experience and growth rate