Aalto University
School of Business

"This Is Reputation-Driven Activity"
Higher Education as a Service Export and the Role of Partnerships

MSc program in Management and International Business

Master's thesis

Heini-Maari Kemppainen

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Abstract of Master's Thesis

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Abstract

In the growth of knowledge economy, education export has been predicted as one potential industry to boost Finnish economy. Meanwhile, the number of international students globally is higher than ever before. Higher education institutions (HEIs) are involved in a tightening international competition for resources such as funding, researchers, and students. This highlights the direction of improving international visibility and reputation as a strategic move for HEIs. Under the uncertain economic also Finnish universities have faced significant cuts from the public funding, which creates a need for finding new sources of revenue. Considering these trends, higher education as a service export is indeed a very timely matter.

This research aims to understand higher education as a service product and what kinds of prerequisites it sets for export and entering new foreign markets. The study focuses especially on cross-border education, which means delivering an educational product outside the home university's national borders. Thus, for instance mobility of students and staff, or digital delivery of education, are excluded from this study. Moreover, this study aims to understand what is the role of partnerships between HEIs as an enabler for higher education export.

The empirical part of this research was conducted as a two-case study. Both cases derive from the environment of Aalto University as organizations that export education through partnerships: Aalto Design Factory (ADF) and Aalto Executive Education Ltd (Aalto EE). With a two-case study approach, a single setting – higher education export through partnerships – is being examined for finding patterns and similarities. The purpose is to understand, in which ways partnerships between HEIs can enable the delivery of higher education export.

The greatest contribution of this study is two-fold. First, higher education as a service export is defined as "soft service" which sets certain prerequisites for entering new foreign markets. Relatively high control over the core of a service is one of such. To build on that, the operational environment of universities sets prerequisites for considering partnerships between HEIs as a suitable alternative for entering new markets. This applies especially when internationalization strategy is to seek new markets. In such cases gaining experimental knowledge and market information becomes important for successfully exporting soft services such as higher education.

Based on the findings, people who are interested in education export, or looking for ways to get started with that, either in universities or in the positions of fostering national exporting, may understand better in which ways partnerships can enable the delivery of higher education export. Moreover, the study concludes with benefits, risks, and findings of partner formation process to consider in the process of establishing successful export activities.

Keywords higher education, education export, internationalization, service export, partnerships

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Koulutusviennistä on maalailtu yhtä vientituotetta, jonka avulla Suomen taloudelle pyritään etsimään kasvunlähteitä. Samaan aikaan kansainvälisten opiskelijoiden määrä on maailmassa korkeampi kuin koskaan ennen. Korkeakoulujen kilpaillessa kansainvälisesti aina vain tiivistyvässä tahdissa resursseista – rahoituksesta, tutkijoista ja opiskelijoista – kansainvälisen näkyvyyden vahvistaminen muuttuu entistä tärkeämmäksi strategiseksi liikkeeksi. Epävarman talouden aikana myös suomalaiset yliopistot ovat kohdanneet isoja leikkauksia valtion tuista, ja näin ollen tarve uudenlaisille tulonlähteille kasvaa. Korkeakoulutus palveluvientinä on siten varsin ajankohtainen teema kaikkia näitä trendejä ajatellen.

Tämä tutkimus pyrkii ymmärtämään korkeakoulutuksen palvelutuotteena ja sen, millaisia edellytyksiä sen viennille ja uusille markkinoille astumiselle on. Tutkimus keskittyy erityisesti sellaiseen koulutusvientiin, jossa opintokokonaisuuksia, kuten esimerkiksi tutkinto-ohjelmia, viedään fyysisesti saataville maiden välisten rajojen yli. Siksi opiskelijoiden ja henkilökunnan kansainvälinen liikkuvuus, tai vaikkapa digitaalinen koulutusvienti, jäävät tässä tutkimuksessa huomion ulkopuolelle. Lisäksi tutkimus keskittyy erityisesti ymmärtämään millainen rooli korkeakoulujen välisillä kumppanuuksilla on edellä mainitun tyyppisen koulutusviennin mahdollistajana.

Tutkimus on toteutettu kahden tapauksen tutkimuksena, jotka molemmat kumpuavat Aalto-yliopiston ympäristöstä koulutusvientiä harjoittavina yksikköinä: Aalto Design Factory (ADF) ja Aalto Executive Education Oy (Aalto EE). Tapaustutkimuksen keinoin samasta ilmiöstä, koulutusviennistä erilaisten kumppanuuksien avulla, pyritään löytämään yhtäläisyyksiä, ja ymmärtämään miten erilaiset kumppanuudet voivat tukea koulutusvientiprosessia.

Työn suurin kontribuutio on kaksiosainen. Ensinnäkin, korkeakoulutus vientipalveluna määritetään "pehmeäksi palveluksi", mikä luo tietynlaiset edellytykset astuttaessa uusille markkinoille. Korkea kontrolli palvelun ytimestä on yksi näistä. Lisäksi, edellä mainitun pohjalta, yliopistojen toimintaympäristö luo edellytykset sille, että kumppanuudet ovat oiva väylä uusille markkinoille astuttaessa, etenkin, kun kansainvälistymisstrategiana on uusien markkinoiden etsiminen. Kyseisessä tilanteessa kokemuksellisen tiedon hankinta ja markkinoiden tunteminen nousevat korkeakoulutuksen kaltaisille pehmeille palveluille ensiarvoiseen asemaan.

Löydösten perusteella koulutusviennistä kiinnostuneet, tai sen kanssa alkuun pyrkivät henkilöt niin yliopistoissa kuin kansallisen viennin edistämisen tasolla, saavat ymmärryksen siitä, miten kumppanuudet voivat toimia koulutusvientiä edesauttavina voimina, millaisia riskejä ja riskinhallintakeinoja niihin liittyy, ja toisaalta millainen prosessi onnistuneen kumppanuuden muodostaminen on.

Avainsanat korkeakoulutus, koulutusvienti, kansainvälistyminen, palveluvienti, kumppanuudet

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List of Abbreviations	
HE	Higher Education
HEE	Higher Education Export
HEI	Higher Education Institution
GATS	General Agreement on Trade in Services
FDI	Foreign Direct Investment
PISA	Programme for International Student Assessment
ADF	Aalto Design Factory
DFGN	Design Factory Global Network
AEE	Aalto Executive Education
MNE	Multi-National Enterprise

1 Introduction

Internationalization is by no means a new phenomenon in higher education. Nevertheless, during the passed decades it has established a more strategic role in the operations of higher education institutions (HEIs). Looking only at university-level, there are over 4,5 million students enrolled in education outside their home country (OECD, 2014). Meanwhile the number of international students globally is higher than ever before, there is also an increasing trend in different cross-border education activities.

Education has been recognized as a service by the World Trade Organization, in the General Agreement on Trade in Services (GATS). As the market of higher education globalizes, higher education institutions tend to form strategic alliances and different forms of collaboration internationally in an increasing manner (Chan, 2004). For example the London School of Economics is offering courses through franchising agreements (OECD/The World Bank, 2007). A very recent example of university partnering comes from the University of Washington (the United States) and the Tsinghua University, which is the best-ranked university in China. They have united to form a technology institute called Global Innovation Exchange (GIX), which is to be opened in Bellevue, Washington (Wingfield, 2015).

In the growing international service and knowledge economy, education is an interesting topic for closer research because of its unique nature, and being traditionally considered as a public good. However, nowadays education has evolved to be a multi-million "business". Already over a decade ago in 2004 global higher educational sector was estimated to be worth $60 billion in export revenues (Chadee & Naidoo, 2009)**.** In Australia, which is one of the most active education exporters, education was the largest service export in 2014–2015 by the income of AUS$19 billion (Australian Government, 2015).

What has been left to lesser focus in the research of higher education markets is the market entry phase and role of partnerships in executing cross-border education. Comparing higher education to any other service, it has unique features due to harmonization and need for comparability of degrees. The rules of open and free markets don't apply to universities' operational environment in the same way as they apply for majority of firms. First of all, the providing HEIs such as universities play a significant role in higher education provision. The education services are often tied to institutions by legislation and permissions to operate. Further on, customers are tied to institutions through application processes and enrollments to be able to consume the services in the first place. Thus, especially in international operations the interaction between higher education institutions is essential.

The purpose of this study is to understand higher education as a service export. I will focus on education delivery outside national borders and the role of partnerships in executing such cross-border operations.

This research aims to add knowledge and increase understanding of the possibilities of higher education export. In this study I aim to explore different market entry modes and how partnerships could enable the delivery of cross-border education. The purposed contribution is to increase understanding of critical points in education export. Thus, with this study I aim to contribute especially to the understanding of universities and programmes who are thinking about starting with cross-border education activities. I aim to shed light on what factors to consider when thinking of how to get started with higher education export.

In the context of Finland, where this study is conducted, export of education services is still in its infancy (Schazt, 2015). Thus, the findings of this study can lower the barrier for taking the first steps of international expansion in Finnish higher education institutions in their search for new growth areas and branding improvement activities. The motivation behind this study is also to indirectly support the building of international networks or partnerships around specified topics in order to foster knowledge enrichment, transfer, and innovation capacity.

My personal motivation for the study derives from my current position as a Program Designer in the Information Technology Program, which I am eager to develop further. Information Technology Program is an academic summer program at Aalto University School of Business with focus on information services, strategic design and digitalization. As a Program Designer I have been developing the back-end processes of the program such as structure, coaching methods and marketing.

1.1 Background

The societal situation in Finland is optimal for learning and taking the first steps in a more systematic education export as Finland is looking for new economic growth areas. Traditional manufacturing industries are losing their competitiveness in a global economy. Knowledge-intensive services have been titled as one potential direction to look for new growth and export areas. Increased internationalization in education and research, together with removing barriers for education export, are listed as goals of the current Government Program (Valtioneuvoston kanslia, 2015). Understanding the dynamics related to foreign market entry of higher education has become timely in the Finnish society. Higher education can be understood as a potential service export as much as services from any other industries.

The high quality of Finnish education has been recognized internationally. Especially high results in the Programme for International Student Assessment (PISA) have built this reputation. PISA is a "triennial international survey which aims to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students" ("About PISA", n.d., para 1). Yet, the education export is still in its infancy (Schatz, 2015).

By the beginning of 2010, the reform of the Universities Act was taken in action in Finland. The reform changed the form of universities into independent legal entities: either independent corporations under public law, or foundations under private law. This separated universities from the state and made them operate under full financial liability. At the same time, the responsibilities and opportunities to finance university operations from business ventures, donations, bequeath, and the return on capital created more financial latitude. ('University reform', n.d.)

Up until today, Finland has been a unique environment for higher education markets considering the tuition-fee policy: education has been free for students despite their nationality. However, the reform continues, as due to recent decision by the Finnish Parliament universities have to charge tuition fees from students outside European Union or European Economic Area since the beginning of year 2016 (Yle, 2015a). The minimum tertiary tuition fee is outlined to be 1500€ (Yle, 2016). Perhaps the simplest form of education export, accepting foreign students studying in the domestic education institutions for a tuition fee, has now become a legal option in Finland for the first time.

Yet at the same time, academics in Finland are concerned that tuition fees would soon affect also EU nationals (Yle, 2016).

Indeed, traditionally education has been considered as a public good, but the global trend in a more liberalized trade environment has incorporated market thinking also into education providers (Altbach & Knight, 2007). This means that in many countries universities face cuts from the public funding in an increasing manner (Chan, 2004; Altbach & Knight, 2007; Naidoo, 2008) and the need for profit generation increases. Despite the growth expectations that are given to education from the governmental level (Valtioneuvoston kanslia, 2015), also the Finnish universities face increasing cuts from the public funding. From country to country, the relational shares between public and private money in public universities' funding vary a lot.

In an environment such as Finland, where the majority of funding for public universities is public money, cuts in funding lead to big changes in universities' operations. For example Aalto University, University of Helsinki, and Lappeenranta Technological University have faced big lay-offs due to significant cuts from the state funding (Yle, 2015b). University of Helsinki and Aalto University together have ended up slashing a total of 1300 positions (Yle, 2016). This kind of economic situation highlights the need for exploring the potential of higher education export (Saarinen, 2015) and finding new ways for universities to create revenues in order to stay vital and secure the core operations.

In Finland, the level of public funding is defined by the level of impact, quality and internationalization. Considering internationalization, activities such as foreign recruitments, awarded Master's and PhD degrees to foreign nationals, student mobility, and internationally competed research funding accumulate to 9 percentage points of core funding (Ministry of Education and Culture, 2015). Thus, exploring the potential of internationalization in universities is relevant for increasing public funding.

Revenues and growth seeking are not the only reasons why higher education export should be researched more. For example, the Strategy of Aalto University (Aalto University, 2012) states improving international visibility and expanding export of university education as its key areas of development. International visibility of universities, indeed, is another motive to understand potential and dynamics of higher education export better. Global competition in higher education has become tighter and rankings are the most visible channel for tracking success. Reputation and quality is what matters, and universities need to improve their visibility globally in order to stay competitive and appealing in the international student and researcher markets. Physical presence outside national borders is one approach to strengthening branding. Further on, different forms of collaboration and resource pooling add cumulative knowledge and foster innovations. Many universities form strategic partnerships to improve their reputation and to stay competitive.

1.2 Research Gap

Internationalization has gained more and more room in higher education. According to Altbach & Knight (2007) there has been a dramatic expansion in universities' international activities during the past decades. Cross-border education is one of the fastest growing areas of internationalization in universities (Chan, 2004; Altbach & Knight, 2007). Indeed, internationalization of higher education has been widely researched. Especially mobility of people – exchange of students and staff – has been researched thoroughly (Naidoo, 2008).

However, little focus has been given to the *business aspects* of higher education internationalization (Naidoo, 2008). Naidoo (2008) examines export readiness focusing on pre-export market orientation but from the perspective of recruitment performance. Chan (2004) examines models and approaches to international co-operation in higher education. Yet, little research is conducted on *the role of partnerships in the delivery and execution of education export*, especially in the early steps of entering a foreign market with a cross-border educational service. There is no research that would model what kinds of partnerships are utilized between higher education institutions and in which way would they enable foreign market entry for education exporters. Moreover, there is no research modeling in which ways does education as a service change depending on the type of partnership through which it's exported. This study aims to start filling these gaps.

I am studying what kinds of partnerships higher education institutions establish and utilize in the foreign market entry of higher education services, and particularly in the form of cross-border education. Cross-border education will be defined later on in this section.

1.3 Research Objectives and Questions

The objective of this study is to understand what kinds of partnership types are utilized in cross-border education, and what are the benefits, barriers and risks related to such co-operation. Especially this study aims to understand the degree of co-operation and how it affects the export activities in the first place. In addition, the purpose is to understand in which ways does the service change depending on the type of partnership through which it's exported.

The research question and sub-questions of this study are:

In what ways do partnerships between HEIs enable delivery of cross-border education?

a. **What kinds of partnerships are utilized in the delivery of cross-border education?**
b. **What factors influence the partnership type selection?**
c. **What are the experienced benefits and risks in the delivery of cross-border education through partnerships?**
d. **In what ways does education as a service change depending on partnership through which it is exported?**

I will approach the research objectives by two means. First, I will review literature about internationalization of higher education, service internationalization, foreign market entry modes and partnerships. Then, based on the framework that builds on literature, I will conduct an empirical research focusing on the role of partnerships between HEIs as enablers for market entry of cross-border education activities. The purpose of empirical research is to understand through a multiple case study the role of partnerships in the foreign market entry and delivery of cross-border education activities.

The main streams of research in the literature review come from three different fields: internationalization of higher education, theories of firms' internationalization, and market entry modes for services. The cited research covering internationalization of higher education is mainly based on research in other countries than Finland. It is worth noting, that the internationalization theories that I cite in this study represent research from 1970s to this decade. Also, the cited research of services, either regarding foreign market entry modes and partnerships, is originally conducted in other service industries than education. This allows me to broaden the view to other countries and other industries, and gives a broad perspective on the study.

The empirical part of this study aims to answer the research questions. It is conducted as a two-case study of two Finnish education-exporting organizations, Aalto Design Factory and Aalto Executive Education Ltd.

1.4 Definitions

In this chapter I will specify the definitions for the most central themes and terms of this study.

1.4.1 Internationalization of higher education

Internationalization, also in the context of higher education, is a response to impacts of globalization (Chan, 2004). Knight (2013, p. 85) defines internationalization in the context of higher education as "the process of integrating an international, intercultural or global dimension into the purpose, functions (primarily teaching/learning, research, service) or delivery of higher education". It is worth noticing that internationalization of higher education can be looked at from two angles: internationalization at home or abroad (Knight, 2004).

The first half of Knight's definition applies to *internationalization at home*, so called campus-based internationalization. Campus-based internationalization includes for instance exchange of students and staff, curriculum enrichment, foreign language instruction, or foreign students studying on campus (Siaya & Haywardm 2003 as cited by Altbach & Knight, 2007).

The latter part of the definition stands for *internationalization abroad*. Terms cross-border education, transnational education, offshore education, and borderless education are used for activities, in which education services are delivered outside the national borders, yet the terms have some definitional differences (OECD/The World Bank, 2007). In this study I will use term cross-border education.

Before moving on to taking a closer look at the definition of cross border education, the following Figure 1 illustrates the several branches of internationalization of higher education and highlights the area of interest of this study, which is internationalization abroad.

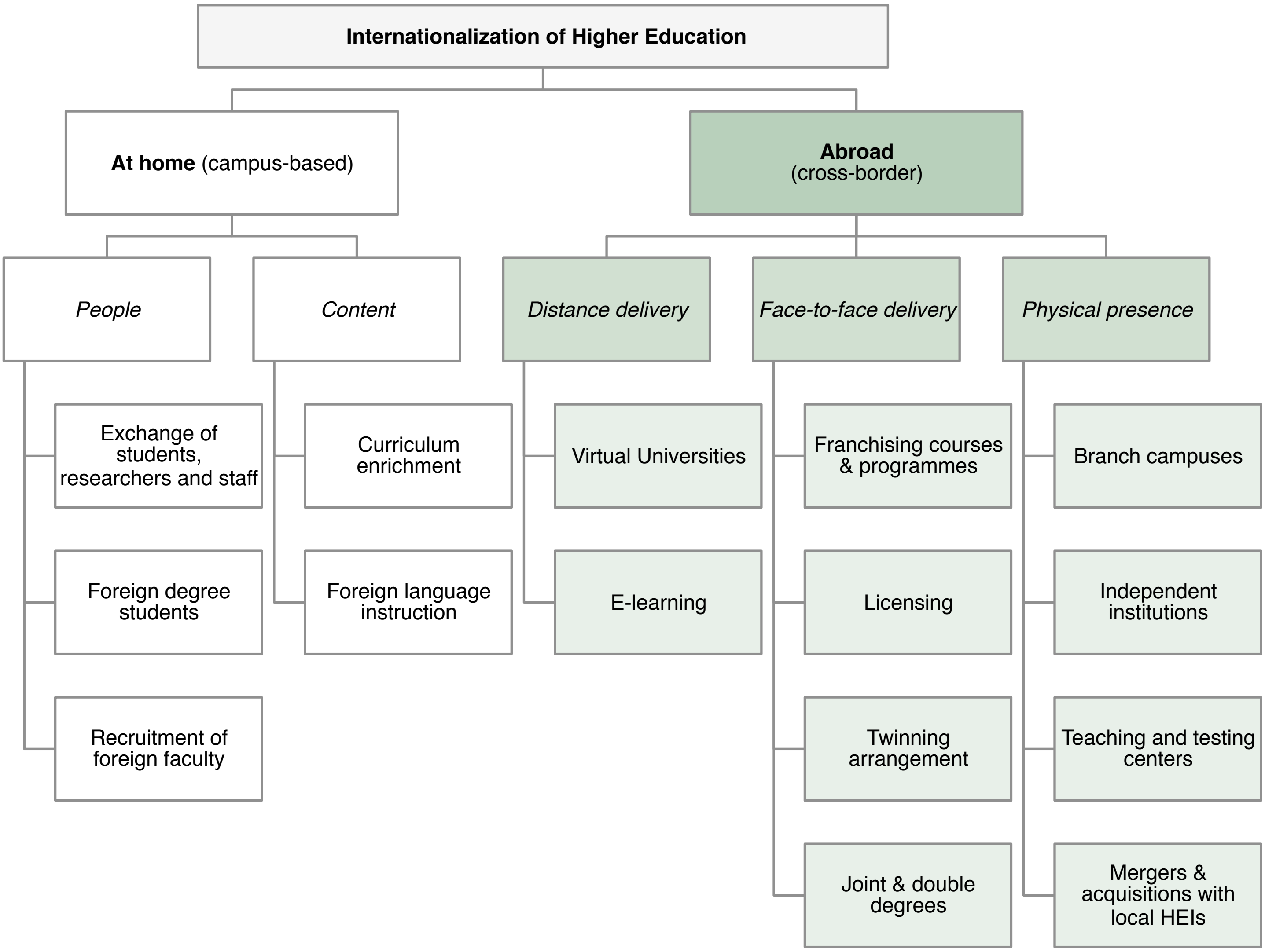

Figure 1: Internationalization of higher education (a synthesis of the work of Altbach & Knight, 2007; Altbach & Reisberg & Rumbley, 2009; OECD/The World Bank, 2007)

1.4.1.1 Cross-border education

> **"Cross-border education refers to the movement of people, programmes, providers, curricula, projects, research and services across national or regional jurisdictional borders. Cross-border education is a subset of internationalization and can be part of development cooperation projects, academic exchange programmes and commercial initiatives." (OECD/The World Bank, 2007, p.24)**

Cross-border education challenges the traditional delivery model where a local university offers courses for local students on its premises. Cross-border education means *delivery of education outside the national borders*. It doesn't require physical movement of provider nor consumer, as delivery can take place face-to-face or virtually. (Altbach & Knight, 2007).

Distance cross-border education means practically virtual delivery of the teaching-learning process such as e-learning (Altbach & Knight, 2007) and virtual universities (OECD/The World Bank, 2007). Virtual delivery doesn't require mobility of a provider or a program.

Face-to-face delivery of cross-border education can take place through contractual arrangements such as franchising or licensing of courses or degrees. In such cases the host university is mainly in charge of delivering the teaching-learning process. There are also different kinds of twinning arrangements such as joint or double degrees. Joint degree arrangements are agreements between two or more universities of providing degree education in two locations, leading to namely two or several degrees once student graduates. (Altbach & Knight, 2007).

Further, physical presence, is the most concrete form of providing cross-border education. It means either establishment of physical branch campuses (also called as off-shore campuses and satellite campuses, but the term branch campus will be used in this thesis), or mergers or acquisitions with local institutions. In branch campuses universities can offer limited degree programs either totally off-shore or including studies also at the home campus. (Altbach & Knight, 2007).

1.4.2 Services

In this study I consider higher education as a service. Services differ fundamentally from manufacturing. The idiosyncrasies commonly linked to services are *relative intangibility, perishability, inseparability and heterogeneity* (Zeithaml et al, 1985, as cited by Erramilli, 1990). Intangibility refers to the feature that in service transactions no concrete goods are exchanged or manufactured. Perishability highlights the one-time nature of services and inability to store them, while inseparability refers to the simultaneity of production and consumption (Boddewyn et al 1986, as cited by Contractor & Kundu & Hsu, 2003). Heterogeneity refers to the aspect of customization and unique experience of each service transaction.

1.5 Structure of this study

This study continues in the following order: In the first part of the study I will review academic literature. I will proceed with the literature review in the following order. I start off with introduction to internationalization of higher education, then move on to applicable internationalization theories and foreign market entry modes, and finally close with understanding prerequisites for higher education as a service export. Based on the literature, I build a theoretical framework to proceed with in the empirical part of the study.

I start off the empirical part with introduction and justification of research methodology choices. Then, I will continue with describing data selection and collection phase, and move on to analyzing data. The third part consists of discussion based on findings of empirical study. The study ends with conclusions, managerial implications, and propositions for future studies.

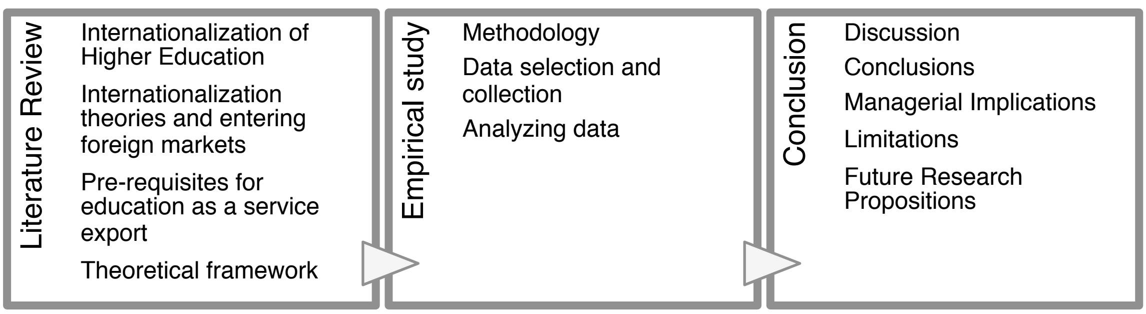

Figure 2: Structure of this study

2 Literature Review

2.1 Internationalization of Higher Education

In this chapter I will review the internationalization phenomenon in the context of higher education. Universities have been international from the very beginning of their medieval origins. Nowadays higher education internationalization is powered by knowledge economy, increased mobility of students and staff, and different export activities. What happened in between can be separated, according to Chadee & Naidoo (2009) to four stages: passive and in-direct export, direct export, strategic export growth, and export maturity. I will next look at the characteristics of these stages, and what has lead to a change.

2.1.1 A brief history of Higher Education Export

The active internationalization seems to be quite a recent phenomenon in the context of higher education. Up until the 1960s export in higher education institutions was rather passive. Foreign aid programs and student exchange from developing to selected industrialized countries and their prestige universities mainly fostered the higher education export (Chadee & Naidoo, 2009). The beginning of 1960s started massification in higher education (Chan, 2004). The decade from mid 1970s to mid 1980s was time of direct export in higher education, and it was mainly powered by deregulations. As collecting fees from foreign students became possible in many of the industrialized countries, it created new markets for export activities from home campus. This meant in practice, that mainly Asian students moved to the five English-speaking countries (United Kingdom, United States, Canada, Australia and New Zealand) for higher education. (Chadee & Naidoo, 2009)

In the mid 1980s export begun to gain more strategic role in higher education institutions in the form of trans-national or cross-border education. Franchise programmes, programme collaboration, joint degrees, and twinning programmes started to pop up along with first offshore campuses. (Chadee & Naidoo, 2009).

One booster for the education export activities was General Agreement on Trade in Services (GATS). Ratified in 1995 and administered by The World Trade Organization (WTO), GATS was the first legal trade agreement to focus on trade in services. Moreover, education was listed as one of the 12 service sectors the agreement covers. The purpose of GATS is to promote freer trade. Within the agreement member countries agree on specific commitments on access their domestic markets to foreign providers. Higher education is one of the five education categories that GATS applies. The four modes of trade that GATS recognizes for all of the service sectors are cross-border supply, consumption abroad, commercial presence, and presence of natural persons. (Knight, 2002) Noteworthy is, that all of the modes have found their form in the field of higher education (Table 1).

Table 1: Modes of international education supply in GATS (Based on the work of Knight, 2002, p.212)

Education category in GATS	**Practical example**
Cross-border supply	Virtual universities
Consumption abroad	Foreign degree students
Commercial presence	Branch campuses, franchised programmes, joint degrees
Presence of natural persons	Teachers working abroad

The early 2000s kicked off the presently ongoing era of mature higher education export. Improved information and communication technologies, rapid economic growth and pressure from World Trade Organization (WTO) for trade liberalization were external factors that fostered almost exponential growth in the number of international students, as much as growing global higher education sector a multi-billion dollar industry. New players started higher education export activities. Among them are even former higher education importer countries, in addition to a growing number of private education providers. Still, the basic dynamics have stayed the same as in the first phase of active higher education export: Asia remains the largest producer of international students while five English-speaking countries dominate in higher education exporting. (Chadee & Naidoo, 2009) Currently 53% of foreign students enrolled to education globally come from Asia; China, India, and Korea being the largest producer countries (OECD, 2014). The number of international students is predicted to reach 8 million by the year 2025 (Mitchell, 2016).

Figure 3 concludes the internationalization of higher education into a timeline.

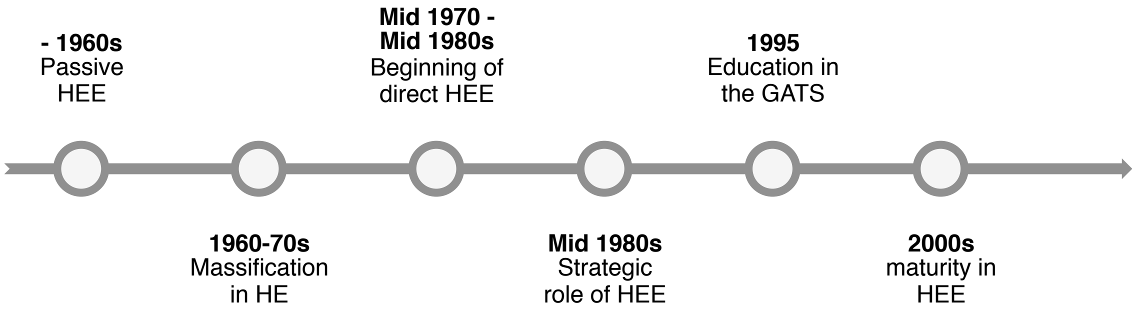

Figure 3: Timeline of HEE (synthesis of the work of Knight, 2002; Chan, 2004; Chadee & Naidoo, 2009)

2.1.2 Future directions of Higher Education Internationalization

As any industry, higher education as well will face changes despite the current maturity in export. Chadee and Naidoo (2009) suggest that current trend in internationalization of higher education would be in offshore campuses with high specialization in specific areas. Van der Wende (2007) draws on four future scenarios for internationalization of higher education identified by OECD in 2006. Similarly as Chadee and Naidoo (2009), Van der Wende (2007) suggests that there will be more specialization in the research function of university and thus division of labor will become more visible. Moreover, Van der Wende (2007) emphasizes the strategic role of cross-border education in increasing and deepening knowledge in certain areas if there would be demand for it. Offshore campuses and other forms of cross-border education will disembed higher education institutions from the national context. (Van der Wende, 2007). Concluding, the two most significant trends seem to be specialization and disembedding higher education institutions from the national context.

Higher education has become a competitive multi-million dollar "business", in which the best students and researchers are competed for. Economic rationales and benefits are driving the international cross-border supply of education (Knight, 2002). The increasing business orientation, competition, and economic values in the context of higher education, however, face criticism as well. Knight (2013) for example, highlights the importance of traditional values of internationalization, which, according to her, optimize benefits more equally between individuals, higher education institutions and countries. Examples of such values would be co-operation, partnerships, exchanges, mutual benefits and capacity building (Knight, 2013).

2.1.3 Motives for Higher Education Internationalization

Motives for higher education institutions to internationalize are various. Traditional reason lays in the individuals' search for knowledge and experiences (Altbach & Knight, 2007). For centuries students and staff have moved abroad to gain deeper knowledge of certain issues and experience academic, and other aspects of life in different culture and environment. Pure market forces such as imbalance in domestic demand and supply have directed students for foreign higher education markets after deregulation allowed it (Chadee & Naidoo, 2009). However, the focus of this study is on cross-border education and delivery of it, and thus I will next explain the driving motives for internationalization from the HEI point of view.

Growth and Profit Creation

As universities face cuts from public funding in the tightening economic environment, they are faced with a need of finding new sources of revenue. At the same time, the demand for higher education keeps increasing in most countries (Knight, 2002). Thus, there is both high demand for higher education globally, and pressure to create profits. Internationalization, indeed, has been identified as one of the most important factors for growth in the globalized learning economy (Lu & Beamish, 2011 as cited by Doloreux & Laperriére, 2014).

Profit creation is, according to Altbach & Knight (2007) the driving force in internationalization projects both in for-profit sector, and in non-profit universities, who are facing financial problems. Profit generation may happen through export actions such as establishing new institutions or purchasing existing ones, or forming partnerships with firms or educational institutions in the market entry phase. Moreover, the new higher education providers, the so-called for-profit sector, such as commercial IT and media companies and corporate universities, communicate about profit as a motivation for participating in education service business. (Altbach & Knight, 2007)

In many countries the domestic supply can't satisfy the increasing demand of higher education. As Chadee & Naidoo (2009) point out, Asia still stands out as having the biggest deficit in the local higher education supply. For profit focused institutions developing countries are a big market. In countries such as India and China, for example, less than 20% are enrolled to higher education. (Altbach & Knight, 2007)

Enhancing competitiveness and prestige

In the context of free trade, international higher education is increasingly seen as a commodity and private good, rather than a public responsibility (Altbach & Knight, 2007). Massification and marketization of higher education has lead to competition for funds, students and faculty (Chan, 2004). In an increasing competition universities aim to gain prestige and brand themselves appealing (Mainardes et al, 2010). Recent studies have revealed rationales behind higher education internationalization. Establishing international profile has become more prioritized over reaching international standard of excellence in the search of world-class recognition (Knight, 2013). Status building and branding are tightly linked to the rationales behind internationalization decisions. Indeed, universities are in reputation business. Rankings and quality affect on the people, partners and money that higher education institutions can gain.

As universities gain prestige and improve rankings, they benefit their own operations and become appealing to more students, researchers, and teachers. However, the downside of reputation business becomes visible, as best-ranked universities appeal to people from all around the world. If universities with lower rankings or profiles, for example in developing countries, lose their best scholars moving abroad to study or work in higher profile universities, it will eventually lead to brain drain. On a larger scale this would lead to polarization of universities globally. (Van der Wende, 2007)

Of course, the reputation building in the context of international higher education goes both ways. Universities collaborate and form partnerships with each other. While some universities benefit from strengthening their brand internationally, universities in developing countries benefit from hosting for example off-shore campuses and cross-border programs, which satisfy the domestic demand (Chadee & Naidoo, 2009). Another way to improve quality of universities, gain prestige, and create profits is to host international students (Altbach & Knight, 2007).

Knowledge enrichment and exchanging ideas

According to Knight (2006) the motivations for internationalization of HEIs depends greatly on the level of profit-orientation. She states that for non-profit universities motives for internationalization would be more of intellectual sort, such as enhancing research or building knowledge capacity. Internationalization, for example in a form of partnerships between HEIs or mobility of programs and people, lead to exchange of ideas, knowledge transfer, and innovations.

2.1.3.1 Push and pull effects in internationalization of higher education

To conclude, the rationales of home and host universities in the context of cross-border education seem to differ to a great extent. For instance a host university could be seeking for local quality improvement by attracting new students and programs, whilst a home university tries to create profits and improve brand outside the national borders. Profit orientation, branding, and knowledge enrichment are indeed very different drivers for internationalization.

To summarize, there seems to be both *push and pull factors* that foster internationalization and guide the direction of it, even on the cross-border education level – leaving mobility of students out of the picture (Figure 4). Looking from the education exporter's perspective, that is, the home institution, the pushing factors directing internationalization would be pressure for profit generation, need for expansion and growth, need for reputation improvement, better rankings or quality enhancement, and limited size of domestic markets. The pulling factors from host university's side would be for instance huge demand in foreign markets, opportunities to increase revenues, potential cost or resource efficiencies, and opportunities to improve visibility.

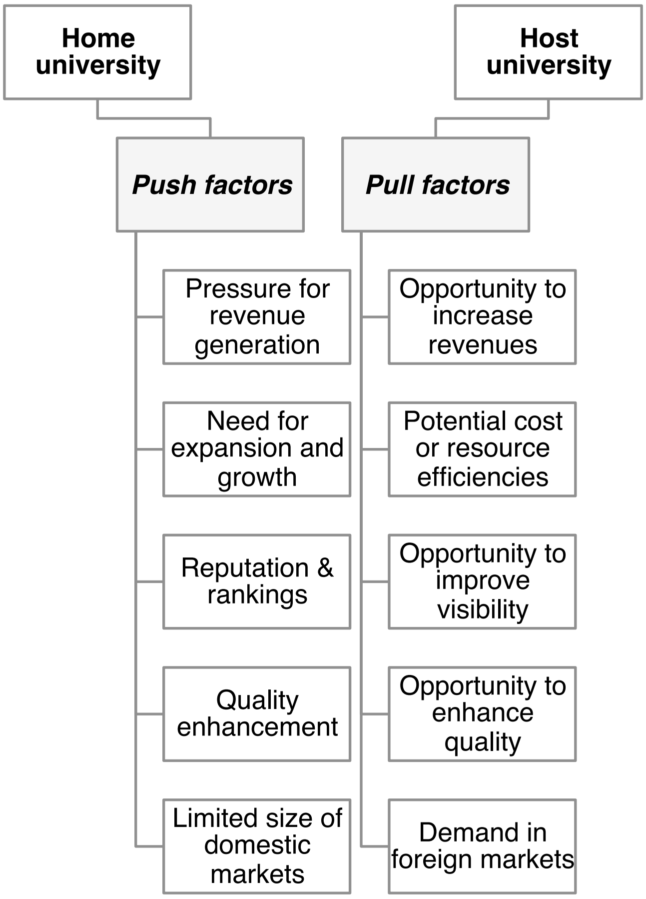

Figure 4: Push and pull factors in internationalization of HEIs (synthesis)

2.2 Internationalization theories and entering foreign markets

Czinkota, Ronkainen and Moffett (2002, p. 4) define international business as follows: “International business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies, and organizations.” In this thesis I consider higher education as a service, which has directed the literature review to the approach where theories from internationalization of firms will be applied to the context of higher education institutions, such as universities. As explained earlier in this study, there are some significant differences in the logic and operations of business firms and universities – profit orientation and nature of markets for instance. However, the focus in this study is on a smaller entity in the university operations, cross-border education, and in order to understand the theoretical business aspects that could be examined in it I review internationalization theories and models.

In addition, I will link the findings from internationalization models to foreign market entry mode theories. Root (1987, p.5, as cited by Erramilli, 1990) defines entry mode as “an institutional arrangement that makes possible the entry of a company’s product, technology, human skills, management or other resources into a foreign country”. Again, despite the business oriented rhetoric, in order to understand the theories that could be applied to entering foreign markets with HE services, I review research that originates from international business context.

In the discipline of International Business there are generally speaking three major foreign market entry mode categories: *exporting, contractual arrangements and foreign direct investments (FDI)* (Root, 1982, as cited by Darling & Seristö, 2004) (Figure 5).

Figure 5: Foreign market entry modes (Darling & Seristö, 2004)

Exporting can happen directly or indirectly. *Direct exporting* means, for example, operating in a foreign market through an agent or a distributor, or establishing a branch or subsidiary. *Indirect exporting*, on the other hand, means different arrangements of delegating foreign sales either to a distributor or some other third party. *Contractual arrangement* as a form of market entry is based on co-operation and agreements with local actors in a foreign market. It can take a form of licensing or franchising, be based on technical arrangements, contract manufacturing, or co-product agreements, to name a few. The third entry mode, *FDI*, includes acquisitions of existing businesses, establishment of new solely owned businesses, or joint ventures, either acquired or established. (Darling & Seristö, 2004).

According to Czinkota et al (2002), there are two significant factors that affect the market entry mode decision*: degree of control* and *magnitude of investment*. First of the factors reflects the firm's willingness to maintain control over certain aspects, such as assets, technologies, or operations (Czinkota et al, 2002). Degree of control is also related to the purpose of organization (Blomstermo, Sharma & Sallis, 2006). The latter one is simply put, the capital that a firm must risk (Czinkota et al, 2002).

I will next move on to reviewing some internationalization theories that could be applicable to the HEI context and how foreign market entry modes are linked to them.

2.2.1 Theories and models

> **"The firm will choose the path that will allow it to access the resources and markets it needs to exploit its existing competitive advantage" (Czinkota et al, 2002, p. 138).**

The Uppsala School

The Uppsala School (so called U-model) understands internationalization of a firm as a *gradual process* (Andersen, 1993). U-model is quite often used as the basis for research of service internationalization. Gradual process has been dominant for instance in the context of business school internationalization (Bennett & Kane, 2011). Studies of Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977) about the internationalizing companies in the 1970s' Sweden are the two most remarkable representatives of that school. Both Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977) consider lacking knowledge and resources as obstacles for development of international operations. These obstacles can only be overcome by incremental decision making and learning. Both Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977) understand internationalization as a consequence of series of incremental decisions, in which gradual knowledge development and market commitments (Mattson & Johanson, 2006) play a central role.

Johanson & Wiederheim-Paul (1975, p. 306) define internationalization process as an "account of the interaction between attitudes and actual behavior". Thus their model accounts for what happens between certain attitudes toward foreign activities and actual carrying out of such activities. The *step-by-step expansion of operations* proceeds as presented in Figure 6 (Johanson & Wiedersheim-Paul, 1975):

Figure 6: Step-by-step international expansion of operations (Johanson & Wiedersheim-Paul, 1975)

Moving from mode to another, the degree of involvement in the market increases in both terms of *resource commitment* and *structured gaining of knowledge*. In the first phase a firm has not made any resource commitments to foreign markets, and there are no regular information channels from such markets. In the second phase a firm has made a certain commitment to a foreign market and it gains somewhat regular information from the market. In the third phase a firm has established a controlled information channel, in which it is able to affect the type of information it receives. In the final stage resources are committed even more. (Johanson & Wiedersheim-Paul, 1975)

Another Uppsala school representative, Johanson & Vahlne (1977) distinguish between *state and change aspects* of knowledge development and increasing foreign market activities (Figure 7). Changing conditions, either in the firm or in its environment, expose new problems and opportunities, which require reactions and decisions.

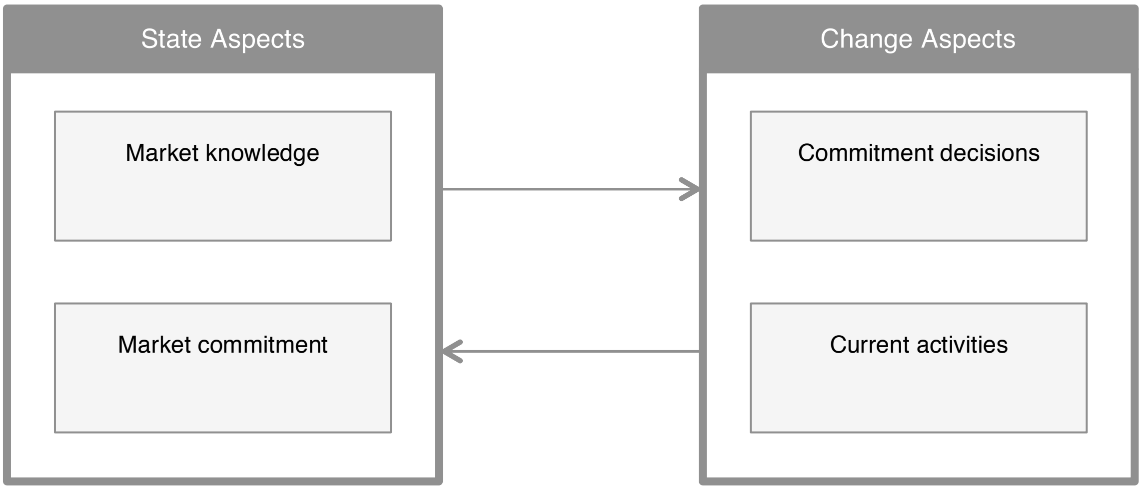

Figure 7: The basic mechanism of internationalization (Modified from Johanson & Vahlne, 1977, p.26)

In the model of Johanson & Vahlne (1977), the current state of *market commitment* and *market knowledge* affects changes in *current activities* and *commitment decisions*. The importance of experience factor is clearly visible. The initial knowledge, especially experienced knowledge, and made resource commitments to foreign markets affect the current activities. The performance of current activities increases knowledge and experience. Based on the acquired experience new decisions are made in response to problems and opportunities, and the learning becomes continuous. The idea of this model is that experience is needed in order to develop international operations, and it can only be gained through doing operations abroad. This way Johanson & Vahlne (1977) understand internationalization from a cyclic approach (Andersen, 1993), as a result of *incremental adjustments* and decisions that are made in the process of acquiring information.

It's worth noting that both Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977) consider physic distance between a firm and foreign market as an important factor in the early phase of an internationalization process. Physic distance stands for example differences in language, culture, or industrial development. However, considering the time of research, late 1970s, the international business environment has become more open and I won't pay much attention on this aspect later on in the study.

To conclude, in the gradual internationalization that Uppsala school represents, market knowledge, control over acquiring it, and resource commitments increase when international involvement increases. Degree of control and magnitude of investment play a significant role in the choice of market entry mode (Czinkota et al, 2002).

Business Network Model

Johanson & Vahlne (2003), who are one of the builders of so called U-model for internationalization, have later reconsidered their views in the changed business landscape. The role of *relationship learning and commitment*, have gained ground from establishment chain or physical distance suggestions in the business network model. The basic assumptions have stayed the same in business network model as in U-model: experimental learning is critical in the internationalization, and performance is related to gaining it. But the focus in learning has shifted to *establishing and developing relationships*.

The business network model is a model for gradual learning about relationship partners with mutuality and common interests. Three types of learning take place in a business network:

1. Partner specific learning about roles and attitudes, resources and strategies, and how to coordinate joint activities and develop the relationship
2. Learning about transferable skills, such as how to build first contact and how to develop relationship, that benefit other relationships;
3. Learning about coordination of activities with those in another relationship, which affects on network development and connecting relationships. (Johanson & Vahlne, 2003)

Together these three types of learning lead to fourth and perhaps the concluding type: *how to build business networks and connect them to each other* (Johanson & Vahlne, 2003). The international expansion of a firm is thus to be influenced by three factors:

1. Firm's development of existing relationships in specific market,
2. Firm's establishment and development of new supporting relationships,

3. Development of similar relationships with other firms who are working with existing partners.

When looking from the business network point of view, Johanson and Vahlne (2003) found similarities in international expansion and entrepreneurial process. The revisited model seems applicable to the context of HEIs due to the nature of their operational environment. As mentioned, the educational services and markets for them are tightly linked to the actual operating institutions. Thus, international expansion is more likely to take place through relationships between HEIs in two different markets rather than a HEI offering its services directly to foreign potential students, for instance. It builds prerequisites for the way education services might enter foreign markets.

Eclectic Paradigm

The eclectic paradigm (Dunning, 1988) is a holistic theory explaining international production. It contributes to a more complete explanation of organization's foreign operations than for example Uppsala schools entry models (Andersen, 1993). It builds upon two separate streams of economic theories: the neoclassical theory and the theory of market failure, from both structural and transaction point of view (Dunning, 1988). Simply put, according to Dunning (1988), this means that the basic assumptions behind eclectic paradigm are, that the *likelihood of international production increases* when:

- Factor endowments are distributed geographically unevenly
- Transaction costs in the market are high, or
- Multinational enterprises (MNEs) coordinate geographically dispersed activities efficiently

The eclectic paradigm is put into the form of an *O-L-I model* (Dunning, 1988). The parameters of the model are different *advantages* that individual firms possess, which influence the firm's production decisions. The parameters of O-L-I model are:

O	Ownership advantages
L	Location advantages
I	Internalization advantages

O_a Asset advantages

O_t Transaction advantages

Looking at O-L-I model in the context of higher education institutions, for instance the location advantages (L) could include lower labor costs in administration, or large demand for specialized higher education. Ownership advantages (O) can derive firstly from assets (O_a), such as university's ownership of a unique study program, or application of innovative processes or teaching methods. Secondly, ownership advantages can derive from transaction advantages (O_t), such as capacity of a university to capture benefits from franchised program or branch campus. Internalization advantages (I), could for instance include effective control over the quality of a study program, or spreading the costs of shared overheads between two universities.

Dunning (1988) points out, that internationalization strategy influences the identification of O-L-I model parameters. For example, in market seeking type or resource seeking type of international production, parameters that affect factor endowment and market failure explanations vary.

Indeed, Dunning (1988) highlights the impact of different advantages that a firm possesses to the international production decisions. However, foreign market entry decisions are not done simply based on degree of control, but attention shifts to competitive advantage. Brown, Dev and Zhou (2003) take the idea further, as they *separate ownership and control dimensions* from each other in foreign market entry mode decision. Brown et al (2003) highlight the importance of *considering any business activity that adds competitive advantage to a firm*.

Brown et al (2003) researched how competitive advantage that is tied to either *codified or tacit knowledge* affects foreign market entry mode decision. Codified knowledge is easy to standardize and transfer in documents, while tacit knowledge is embedded in the organizational culture and capabilities, and thus harder to copy. According to Brown et al (2003), codified and tacit knowledge are related to ownership and control dimensions very differently in market entry mode decisions. If a firm's competitive advantage is tied to tacit knowledge, for example customer service, higher level of control over such activities is used in the market entry. And contrary, if competitive advantage is tied to codified knowledge, for example physical facilities; lower level of control over those activities can be used. Moreover, Brown et al (2003) state that resource availability in foreign market and ability to find trustworthy local partner influence the requirements for the level of control in market entry. The more uncertainty there is, the higher the control requirements become.

2.2.2 Motivations for internationalization

Many International Business theories have found a positive relationship between performance of a firm and the degree of multi-nationality (Contractor et al, 2003). The advantages of international expansion can be divided into two categories: *cost-efficiency* and *opportunities*. Spreading overheads over several nations, accessing cheaper or special resources, or gaining better cross-subsidization, price discrimination or arbitrage potential (Contractor et al, 2003), are examples of cost-efficiency advantages. Moreover, learning and gaining international experience, and ability to scan rivals and markets (Contractor et al, 2003), represent opportunities of international expansion. The following Table 2 concludes this classification.

Table 2: Motivations for international expansion (built on the work of Contractor et al, 2003)

Cost-Efficiency	**Opportunities**
• Spreading overheads over several nations • Accessing cheaper or special resources • Gaining better cross-subsidization, price discrimination, or arbitrage potential	• Learning and gaining international experience • Ability to scan rivals and markets

The positive advantages might not realize right after international expansion has begun. Doloreux and Laperrière (2013) point out that internationalization opens a new source for service provider's knowledge. Based on their research, firms who develop international activities tend to be more engaged with innovation-related activities (Doloreux & Laperrière, 2013). What this means for those firms that are still in the beginning of their internationalization? As they usually innovate with focus on product and processes, there might be more difficulties to learn from foreign markets, if the primary sources of knowledge are mainly internal staff and existing clients.

Contractor et al (2003) introduce *a three-stage theory of international expansion*, which is based on the idea of Johansson and Vahlne (1977) of the knowledge creation during an internationalization process. The three-stage theory suggests that the relation of performance benefits and degree of multi-nationality varies during the different levels of international experience.

1. Early internationalizers: Negative slope,
2. Mid-Stage Internationalizers: Positive slope,
3. Highly Internationalized: Negative slope (Contractor et al, 2003)

For firms in their early phases of internationalization the relation of performance benefits and degree of multi-nationality is negative. *Large learning costs* and insufficient economies of scale, such as relatively big up-front costs for creating operations, influence this. However, already the firms in the mid-stage internationalization reach positive relation as benefits of international expansion realize through *economies of scale and scope*, extended product lifecycle and access to low-cost resources. Further more, Contractor et al (2003) point out that highly internationalized firms may reach negative relation if *expansion reaches beyond optimal threshold*. In such case operational costs grow bigger than benefits, and this mostly happens for unintended reasons. (Contractor et al, 2003)

However, Contractor et al (2003) distinguish between knowledge-intensive and capital-intensive services and their international expansion strategies. For knowledge-intensive services, such as higher education, the positive relation between performance and degree of multi-nationality realizes sooner due to often client following strategy, i.e. existing foreign markets, and lower tangible asset investments. (Contractor et al, 2003) Despite the unique operating environment that universities have, the same logic can be applied to them. In the early phases of education export or international collaboration learning costs can be high. It might even be so that there are no performance results despite high learning costs. However, in certain markets where demand for higher education is high and for instance labor costs relatively low, the relation of performance benefits and multi-nationality may turn positive.

2.3 Prerequisites for education as a service export

Market entry theories that build on findings from manufacturing firms are not always applicable to different representatives of service industries (Blomstermo et al, 2006). When exporting, the differences in entry mode choices can depend on the nature of service (Erramilli, 1990) or differences in internationalization strategies (Majgård & Sharma, 1998). How can identifying the nature of education as a service help in understanding different alternatives for foreign market entry modes? And in what ways does it affect the decision? In this section I will look into that. But first, let me define what I mean when I'm talking about education as a service.

2.3.1 Understanding education as a service

Mainardes et al (2010, p. 272) state, that "creating a new higher education course does not differ from the creation of any other new service". In this chapter I will define the basic building blocks of higher education as a service.

Providers

Higher education institutions (HEIs) have established a role as organizations that provide educational services (Mainardes & Silva & de Souza Domingues, 2010). HEIs include universities and universities of applied sciences. Marketization in higher education has affected the management in universities. It has increased market orientation, such as marketing in general and role of external relations (Chan, 2004). In the recent years, higher education services have been provided in an increasing manner also by private organizations, such as corporate universities, IT- and media houses, and professional associations (Altbach & Knight, 2007).

Transaction

When education is considered as a service, it is important to understand what is the actual transaction – the service in it. In this study I understand transaction of education as a service twofold: *teaching-learning process* and *education design* (Figure 8). I will use term teaching-learning process for the front-end of education service, which refers to the process during which learning happens by the influence of teaching. It is the process during which students are present. The education design then includes the back-end operations such as planning, curriculum design, delivery, external learning environment, grading, blueprint of teaching period, etc. The division to front and back stage operations is based on my own observations during my university studies and at work in the service of Information Technology Program as a Program Designer.

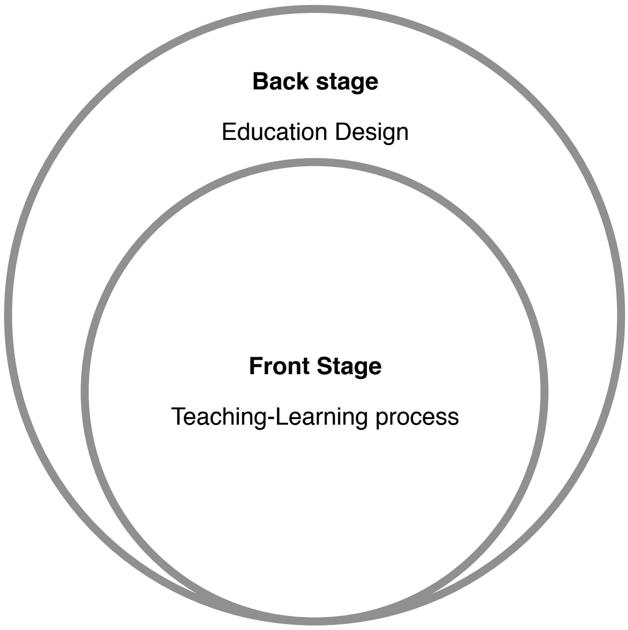

Figure 8: Education as a service

Outcome

The product or outcome of education as a service is naturally the main activity of HEI: ***knowledge*** (Mainardes et al, 2010). Knowledge can mean a variety of things depending on the discipline and individuals. However, what is transacted in the higher education services can be defined as cultural, human or knowledge capital. In practice it can mean deeper understanding of bigger entities or smaller details, stimulated minds, new technologies, techniques and tools, innovation skills, experiences, and so forth. In 1939 Robert Menzies (as cited by Laming, 2001) outlined seven ideas of the purpose of universities. The ideas are related to university being a place of mental liberty, fostering culture, learning, with a sense of clear values. Providing home for research and scholarship are to develop individuals' character and imperishable elements. In addition, universities are a ground for developing leadership. After almost 80 years the ideas still appear valid.

Customers

As education has established a role as a service, the power dynamics between traditional actors such as professors, universities and students have incorporated more market-oriented features. Students are understood in an increasing manner as customers (Chan, 2004). As students are becoming customers, it means that their expectations and demands are taken into account in a different manner. Borrowing market terms, there is a pressure on HEIs to add value for them. At the same time, students are the resources that universities compete for. They are approached in a more market-oriented manner to offer educational services.

In the international higher education sector universities are not only providers, but also take the role of a client, when they source educational services from other providers.

Individual providers

When considering the front-end part of education as a service, teaching-learning process, the individual service providers are naturally most often teachers: professors and researchers. They are present either physically or virtually in the moment of transaction. Further on, in the back-end of education as a service, education design, the role of individual service providers is a bit different, as the transaction can mean many things. They might not be present in the moment of service consuming.

2.3.2 Identifying the nature of a service

According to Blomstermo, Sharma and Sallis (2006) the distinction between *soft and hard service industries* is useful in the research of foreign market entry mode decision. What is the difference between them?

Erramilli (1990) distinguishes between soft and hard services by the differences in their *degree of inseparability* i.e. does consuming services need to take place simultaneously with their production. Soft services, such as healthcare or car repair, require simultaneous production and consumption (Erramilli, 1990), and often adaptation to the customer needs (Blomstermo et al, 2006). For hard services, such as architecture or e-banking, production and consumption can be decoupled (Erramilli, 1990).

In addition, Blomstermo et al (2006) also distinguish between soft and hard services by *the degree of intangibility* (Blomstermo et al, 2006). Intangibility refers to a feature in services, that there's usually no physical product related to the transaction, nor can services be stored. In addition, the quality of service is often dependent on the individual producer. For soft services the degree of intangible features is higher than for hard services. A haircut, for example, depends a lot on the skills and aesthetic preferences of a hairdresser, and the outcome of it realizes in the moment of production. On the contrary, for instance bookkeeping services are more tied to existing formulas and methods.

When discussing about education, there seems to be a great difference in the service nature based on where the focus is: on *education design* or *teaching-learning process*; that is, in the back-end or in the front-end of a service. Both aspects can be considered as higher education services.

Hard services are described by possibility to decouple production and consumption (Erramilli, 1990) and their standardized and transferable nature. For example, production of higher education courses or degree programs can be very standardized on the curriculum level: Certain learning objectives, topics and specific contents, grading criteria and physical arrangements of a course, for example, can be defined to the smallest detail, and then transferred from one location to another in a form of blueprints and documents.

Yet the quality and production of another part of service transaction, teaching-learning process, is always dependent to a high degree on individual skills, knowledge and capabilities of a teacher, and on reciprocity of interaction. Now the definition of soft service applies: high intangibility and inseparability require adaptation to customer needs and nurturing of close customer relations (Erramilli, 1990; Blomstermo et al, 2006).

2.3.3 Nature of a service and foreign market entry modes

As we have learned by now, foreign market entry mode decision is often related to the degree of maintained control (Czinkota et al, 2002; Blomstermo et al, 2006). Erramilli (1990) and Blomstermo et al (2006) link the distinction between soft and hard services to requirements for maintaining control. High control enables service customization, nurturing of personal customer relationships, and maintaining of brand image (Blomstermo et al, 2006), while lower control is more suitable for standardized operations.

Soft services are *location bound* (Blomstermo et al, 2006; Bouquet, Hébert & Delios, 2004). Due to their sensitivity to specific individual producers and need for customization, they must be available in full in any market they operate. Hard services, on the other hand, are more comparable to manufacturing products due to their nature of *transferability*, standardization and possibility to decouple production and consumption (Blomstermo et al, 2006).

The more *standardized* a service is, the more likely it is to succeed as franchised, and vice versa, the more *customized* a service is, the need for control – integration and governance – in foreign market entry mode increases. If we look at the differences within the three general market entry modes – exports, contractual arrangements and foreign direct investments – requirements for control are logical variables in decision-making. Thus, hard services with lower control requirements can be exported after being produced in one country and then embodied into a tangible form, while soft services are more limited to contractual or FDI entry modes due to high control requirements. (Erramilli, 1990).

In their studies of Swedish professional service firms with high knowledge content, Blomstermo et al (2006) found that managers in soft services are more likely to choose high control entry mode. They also found that high control modes are opted for if a cultural distance between domestic and foreign markets is great. In such cases higher control enables learning and accumulating knowledge from the foreign market, as well as more agile ways for adaption.

While Erramilli (1990) and Blomstermo et al (2006) focus on soft and hard natures of services, Bouquet et al (2004) look at the degree of *human capital intensity*. The most labor-intensive services reveal differences in service producing individuals, which leads to variations in quality of service delivery. For instance in higher education, especially during a teaching-learning process, service delivery, i.e. teaching can be experienced in a classroom very differently varying by the knowledge, presence, charisma and skills of an individual teacher. According to Bouquet et al (2004), differences in human capital intensity during service transactions can affect greatly the foreign market entry mode choice. Especially in services that require *close interactions* with end customers and remarkable levels of *specialized know-how*, higher education being a textbook example of such, the degree of integration in the ownership base is likely to increase. Again, we are talking about higher control modes. In such cases the utilization of expatriates is also more typical. (Bouquet et al, 2004)

The following table 3 concludes the differences between soft and hard service typology.

Table 3: Comparison of soft and hard services (synthesis of the work of Erramilli, 1990; Blomstermo et al, 2006; Bouquet et al, 2004)

SOFT SERVICES	HARD SERVICES
High inseparability: Simultaneous production and consumption	*Low inseparability:* Production and consumption can be decoupled
High intangibility: Customization of service and nurturing of customer relations	*Low intangibility:* Standardization of service, less-sensitive customer relations
High human-capital intensity: Differences exposed in service production	*Low human-capital intensity:* Less sensibility in individual service producers
Location-bound: Service must be available in full	*Transferable:* Service can be produced in one place, and transferred in a tangible form to be consumed in another location

2.3.4 Internationalization strategies and foreign market entry modes

According to Majkgård and Sharma (1998), the fundamental foreign market entry mode selection process is not much different in manufacturing and service industry firms. They highlight the importance of acquiring experimental knowledge. Sounds familiar, indeed, since their studies are based on Uppsala-model and process view. Majkgård and Sharma (1998) found significant differences in foreign market entry mode and country selection based on whether a firm's *internationalization strategy* is client following or market seeking.

Already Erramilli (1991) introduced *market seeking* and *client following* strategies. The difference of these strategies lies in the motives for internationalization: is a firm looking for new clients or pursuing to serve existing ones. The firms with such different premises are involved with very different networks, and acquire very different experimental knowledge, and thus the uncertainties and opportunities in international markets are different. (Majkgård & Sharma, 1998) Again we can find a link to push and pull effects that rose from the literature covering internationalization of higher education. Push effects force institutions to internationalize – they need to look for new markets outside national borders in order to stay vital. Pull effects, on the other hand, are exposed opportunities, such as clients with huge demand for higher education services or appealing cost or resource efficiencies.

According to Majkgård and Sharma (1998) the *role of network relationships* is important in international expansion of service firms, since they seek for experimental knowledge from both clients and business partners. This was true also in the Business Network theory of Johanson & Vahlne (2003), where gradual internationalization and knowledge creation went hand-in-hand with establishing and developing relationships. While client following firms are already a part of an international network, they face significantly less uncertainty than market seekers, who have been only networking domestically and thus need to be able to find partners by themselves. Yet the selection of foreign market is based on detecting market opportunities, *minimizing uncertainty* is, according to Majkgård and Sharma (1998), what firms opt for when choosing a foreign market entry mode. In order to minimize uncertainty, especially in the early years of a foreign market entry, market seekers opt for higher control modes, such as mergers and acquisitions, more often than client followers.

The following Table 4 concludes the impact of internationalization strategy on foreign market entry mode requirements of services.

Table 4: Internationalization strategies and market entry modes (synthesis of the work of Erramilli (1991) and Majkgård & Sharma (1998)

MARKET SEEKERS	CLIENT FOLLOWERS
Looking for new clients	Pursuing to serve existing clients
Domestic networks	Part of international networks
Uncertainty higher	Uncertainty lower
→High control foreign market entry modes	→Low control foreign market entry modes

2.3.5 Partnerships in internationalization

> **"The greatest change in corporate culture, and the way business is being conducted, may be the accelerating growth of relationships based not on ownership, but on partnership." (Drucker, 1996, as cited by Elmuti & Kathawala, 2001, p. 205)**

As the literature review has showed us by now, gaining experimental knowledge appears to be important especially for soft service industries, where higher control market entry modes are perceived more optimal. If we understand higher education, especially teaching-learning process in cross-border education as a soft service, which it is, we need to understand in which ways higher control could be achieved when entering foreign markets. Further, if we want to understand in which ways higher control requirements could enable access to experimental knowledge in the context of HEIs, I will next aim to discover what literature on partnerships could tell us.

Collaboration between autonomous actors in organizational field can differ by the level of integration and formalization of governance in their relations (Todeva & Knoke, 2005). As discovered earlier in the literature review, foreign market entry decisions are often related to the magnitude of resource commitments and degree of maintained control (Czinkota et al, 2002). In gradual internationalization, which seems to be typical for HEIs (Bennett & Kane, 2011), establishing and developing relationships is vital for acquiring experimental knowledge from foreign markets (Johanson & Vahlne, 2003). Especially in a university context, where multi-national institutions are really rare, different kinds of partnerships can be significant in executing international operations and improving reputation.

Table 5 summarizes the different forms of inter-organizational relations and highlights the area of interest for the following part of literature review.

Table 5: Inter-organizational relations. Modified from Todeva & Knoke (2005, p. 3)

Inter-Organizational Relations	Formalization in governance	Level of integration
Hierarchical relations	Full control	Ownership, investment and equity
Joint ventures	Jointly owned organization	
Equity investments	A minority or majority equity holding	
Cooperatives	Combined and collectively managed resources	
R&D consortia	R&D collaboration agreements	Collaboration, sharing responsibilities and benefits
Strategic cooperative agreements	Contractual business network	
Cartels	Control of production and prices	Mutual benefit by constraining competition
Franchising	Granted brand-name identity, control over price, marketing and service norms	No integration, but operations or technologies are shared in return to fees or royalties
Licensing	Granted right to technology or process use for royalties and fees	
Subcontractor networks	Long-term contracts in a supply chain	No integration, mutual benefit
Industry standards groups	Adoption of technical standards for manufacturing and trade	
Action set	Coalitions to influence policy making	
Market relations	Transactions driven by price mechanism	No integration

As defined in the table above, strategic cooperative agreements are governed through contractual networks and lead to integration for instance in sharing responsibilities and benefits. The literature covering strategic alliances is perhaps the most accurate capturing the features of partnerships that apply well to the operating environment of universities. Again, since education as a service and students as customers are tightly linked to HEIs as providers, the operating environment is very different from business firms who operate in so called free markets. However, the HEIs aim to win-win situations in the same manner as companies do when co-operating with each other.

“Today, universities form linkages with each other for one reason or another, but most important and often, they strike alliances to be able to compete in the global and mass higher educational market. Universities have to find a way to stand out among the crowd.“ (Chan, 2004, p. 35)

Keeping in mind, that especially universities compete in reputation business, which means rankings and accreditations (Altbach & Knight, 2007), partnering has both practical and intangible motivations. “Interorganizational networks can generate corporate social capital in the form of organizational prestige, reputation, status, and brand name recognition.” (Todeva & Knoke, 2005, p. 4). I will next review literature covering strategic alliances in order to further examine whether they could apply for partnering in a university context as well.

Strategic alliance is defined by Wheelen and Hungar (2000, as cited by Elmuti & Kathawala, 2001, p.205) as follows: “An agreement between firms to do business together in ways that go beyond normal company-to-company dealings, but fall short of a merger or a full partnership”. In other words, strategic alliance is interdependence between at least two autonomous units, who share benefits and managerial control over the performance of mutual tasks. The partners in an alliance make contributions in one or more strategic areas and as a benefit gain intangible assets as well as share outcomes (Todeva & Knoke, 2005).

Strategic alliances can take a variety of forms. For example Coopers & Lybrand (1997, as cited by Elmuti & Kathawala, 2001) distinguish between joint marketing and promotion, joint selling or distribution, production, design collaboration, technology licensing, and research and development contracts. Meanwhile Technology of Associates and Alliances (1999, as cited by Elmuti & Kathawala, 2001) identify three main types: marketing and sales alliances, product and manufacturing alliances, and technology and know-how alliances. Both of the lists build on same type of operations classification, as illustrated in Table 6 below.

Table 6: Different types of alliances, synthesis of the work of Elmuti & Kathawala (2001)

Technology Associates and Alliances (1999)	Coopers & Lybrand (1997)
Marketing and Sales alliances • Joint marketing agreements • Value added resellers	• Joint marketing and promotion • Joint selling and distribution
Product and manufacturing alliances • Procurement-supplier alliances • Joint manufacturing	• Design collaboration • Technology licensing • R&D contracts
	• Other outsourcing purposes

2.3.5.1 Benefits and rationales

Eisenhardt and Schoonhoven (1996) distinguish between *strategic and social aspects* as drivers to forming strategic alliances. Strategic aspects highlight self-interest as a rationale for co-operation. In difficult market situations and under vulnerable strategic positions, co-operation is expected to fulfill the need for additional resources. On the contrary, social aspects of co-operation build on the assumption that interaction and co-operation tend to happen naturally between people who know one another. A firm holding strong social advantages such as reputation, status, or personal relationships, holds enough resources to become attractive and engaging partner. (Eishenhardt & Schoonhoven, 1996)

Partnerships often turn out to be beneficial when entering a new foreign market. According to Brown et al (2003) *collaboration with a local partner* can benefit both parties in a foreign market entry: For entrant collaboration enables acquiring knowledge, and for local partner access to entrant's know-how. Johanson & Vahlne (2003) saw similarities in the business network model for internationalization and entrepreneurship: building relationships is important in learning and international expansion. Interestingly in a very different operating environment, Fernhaber and Li (2013) found out that *exposing to international networks*, either with informal or formal relationships, has a positive influence on new ventures internationalization. Such relationships can help a venture in recognizing international opportunities, building exchange relationships, increasing knowledge base and acquiring key information from foreign markets. (Fernhaber & Li, 2013). Brown et al (2003), Johanson & Vahlne

(2003) and Fernhaber & Li (2013) then identified a strategic rationale (Eisenhardt & Schoonhoven, 1996) for forming a partnership.

Many researchers acknowledge the positive outcomes for companies who are engaged in strategic alliances. Some of the motives for involving in alliances would be gaining new efficiencies and competitive advantage, as well as avoiding market uncertainties (Todeva & Knoke, 2005). The distinction by Birley (1985, as cited by Fernhaber & Li, 2013) of the *formality of networks* seems to explain differences in the way networks influence and benefit internationalization in the context of new ventures. Informal networks, i.e. geographically proximate firms, benefit from collaboration e.g. by extracting resources, knowledge and information. Formal networks, i.e. alliance partners, interact on a regular basis and are able to benefit and learn from close observation. Alliance partners collaborate to either accomplish tasks that they couldn't do alone, or accomplish tasks jointly to save costs or resources. The relative importance of different types of network relationships vary by the age of venture: older ones benefit more from formal, i.e. alliance partnerships, while younger ventures benefit more from informal, i.e. geographically proximate firms (Fernhaber & Li, 2013). This logic could be applied also to support the fit of strategic alliances and universities.

The following Table 7 combines the rationales for creating strategic alliances from the work of Todeva and Knoke (2005), and Elmuti and Kathawala (2001).

Table 7: Rationales for strategic alliances (synthesis of the work of Todeva & Knoke, 2005 and Elmuti & Kathawala, 2001)

Todeva & Knoke		**Elmuti & Kathawala**	
Organisational	Learning and competence building	*Growth strategies and entering new markets*	Faster access to new markets with a partner who is already there
Economic	Market-, cost- and risk related	*Obtaining new technology, best quality or cheapest cost*	Teaming up or pooling resources to provide a technology, outsourcing to better and cheaper
Strategy	Competition shaping / pre-emption / product and technology related	*Reducing financial risk and sharing costs of R&D*	Spreading high costs of development, better outcome with limited resources
Political	Market development	*Achieving or ensuring competitive advantage*	Competing against bigger firms, accomplishing bigger projects quickly and profitably

2.3.5.2 Risks

There are relatively many potential risks in strategic alliances. According to Kale and Singh (2009), more than every other strategic alliance fails. This speaks its own language about the decisions related to such form of collaboration. Notable is, that many of the potential risks of forming and succeeding in strategic alliances are related to issues that happen *between individuals*. Examples of such would be cultural clashes, incompatible personal chemistries, and lack of trust. For example differing attitudes towards doing business, great language barriers or lacking sense of responsibilities, equality and reliability, may lead to problems or failures in alliances. Some of the risks are related to *management policies and practices*. Coordination issues between managing teams and differences in operating procedures are examples of such. (Elmuti & Kathawala, 2001).

Elmuti & Kathawala (2001) also distinguish between *relational and performance risks*. Relational risks are related to level of commitment and behavior. If one of the partners fails to accomplish agreed tasks, or behaves in an opportunistic way, the idea of shared risks and benefits incorporated to strategic alliances becomes threatened. Performance risks are, simply put, probability of failure despite sufficient level of commitment. Sometimes alliances just don't pay off. The reasons may be either internal or environmental. In addition, some organizations may utilize alliances for market testing purposes. In order to avoid *creating future competitors* through strategic alliances, partners can agree about it either contractually, or simply avoid collaboration in their core competencies. (Elmuti & Kathawala, 2001).

To conclude, the literature covering strategic alliances highlights two factors. First of all, mutually set goals and strong enough motivations to start an alliance build a base for evaluation of the successfulness of co-operation. Second, despite alliances are namely formed by organizations, in reality it is people who interact. The role of personal chemistries and behavior between individual agreeing people from organizations play a significant role in the successfulness of alliance formation and implementation. However, the tempting characters of such form of co-operation seem to lie in equality, shared risks and mutual benefits.

2.4 Toward theoretical framework

Higher education export is gaining more strategic role (Chadee & Naidoo, 2009). Universities don't operate in silos, but export services and form different kinds of partnerships between each other in order to improve reputation and rankings, to look attractive in the eyes of students and researchers, and to enhance quality (Chan, 2004). Indeed, there are *push* and *pull factors* that drive internationalization and export activities either by opportunities, or surviving. For a home university, the one who exports, push factors can include limited domestic markets, or need to improve quality, reputation, or create revenues. Pull factors from a host university's side could include for instance demand in foreign markets and potential resource efficiencies.

The objective of this study is to understand higher education as a service export, and to discover in which ways partnerships can enable delivery of cross-border. To move on to the empirical part of the study, I will now build a theoretical framework based on the literature research.

The literature suggests that higher education can be classified as a soft service. It means that by nature, higher education, especially the teaching-learning process in it, sets some prerequisites for service transaction. First, teaching-learning process is *intangible* by nature – it can't be stored and every transaction is unique. Second, it's *inseparable* - the providing takes place in the moment of consumption. Third, this means that teaching-learning process is *location-bound* – the service must be available in full from the very beginning. Fourth characteristic of teaching-learning process, that defines it as a soft service, is *high human-capital intensity*. This means that the provider in the service transaction can't be anybody, but differences between providing individuals, teachers, are significant for the outcome.

Taking soft services to foreign markets requires *higher control* over core operations, than hard services, which are comparable to manufacturing (Erramilli, 1990). The need for higher control can also derive from the competitive advantage of a service (Brown et al, 2003). In the case of education and more specifically teaching-learning process, the core is tied to *tacit knowledge*. Such knowledge is in organizational culture and knowledge that individuals hold, and is very difficult to transfer (Brown et al, 2003).

Some studies (Bennet & Kane, 2011) have discovered that especially business schools tend to internationalize gradually. According to Johanson and Vahlne (1977), gradual increase in international involvement is driven by experimental knowledge and made adjustments to operations. Later on, Johanson and Vahlne (2003) also tied the importance of building business networks to gaining that experimental knowledge. Majkgård and Sharma (1998) distinguished between *client following* and *market seeking* internationalization strategies within the gradual approach. The difference is in the existing networks and relationships, thus in the existing access to experimental knowledge of foreign markets. Indeed, home university's motivations, the drivers for export activities are yet another factor for the control requirements. For a university with existing international networks and ability to exploit experimental knowledge, in such case following client following strategy, control requirements for foreign market entry would not be high. And contrary, for a university who possibly is pushed to foreign markets and doesn't have existing networks internationally, could be understood to follow a market seeking strategy. In such case the acquiring of experimental knowledge would become important priority and require more control in the foreign market entry.

Education is a unique service in a sense that it's very much linked to the actual institutions that organize operations. Since the operating institutions are so clearly tied to the actual transaction of service, different types of partnerships seem like one optimal mode for entering new markets.

Partnerships are often considered beneficial in international operations. Gaining experimental knowledge is perhaps one of the most important reasons for that. In the literature review of this study I focused on the strategic co-operation agreements. In the research of companies, strategic alliances have often been researched as representatives of strategic co-operation agreements. They are agreements between two or more institutions for gaining mutually set goals (Todeva & Knoke, 2005). The partnerships are formed in a hope for efficiencies, or accomplishing something that could not be done alone. Yet, as strategic alliances lead to benefits in terms of efficiencies, resource access, cumulative knowledge and innovations, half of them seem to be doomed to fail (Kale & Singh, 2009). According to studies, the failures are linked to very down-to-earth reasons: individuals. Issues such as chemistry mismatches and cultural barriers often lead to misunderstandings or hurt feelings. *Personal relations* seem to play a significant role in the – often so processed – context as businesses operate. Of course, failures can derive from different management policies, opportunistic behavior or performance failures as well.

Figure 9 draws together the theoretical framework that builds on literature. The framework guides the empirical part of this study that is to follow.

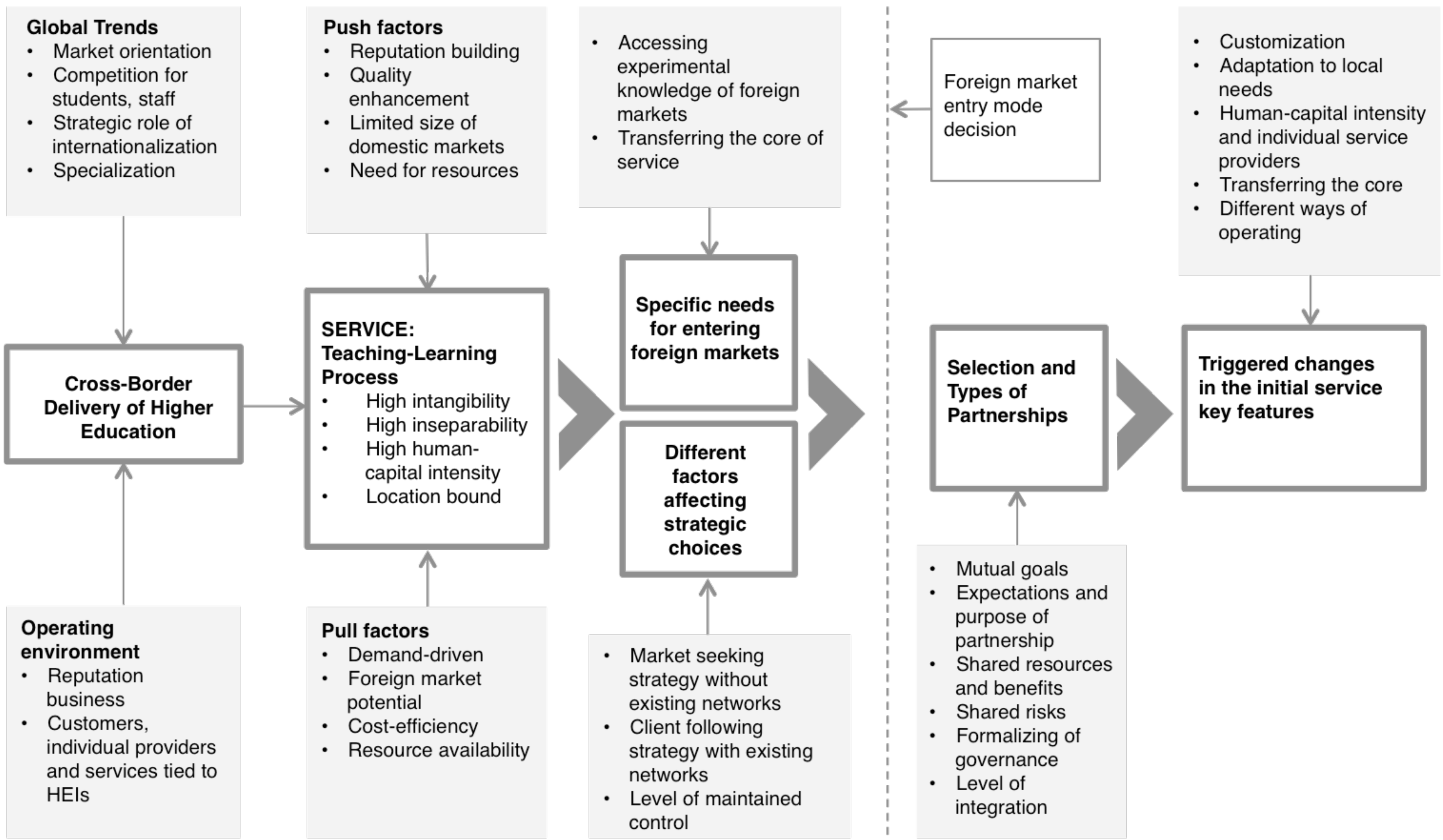

Figure 9: Theoretical framework

3 Methodology

In this section I introduce the methodology used for the empirical part of this study. The section begins with introducing research design, after which I move on to justifying the applicability of multiple-case study for this particular study. I introduce both case organizations from the viewpoint that is relevant for the focus of this study. Before moving on to data analysis, I justify the selected data sources and describe the data collection process.

3.1 Research Design

In this study I aim to explore how partnerships between HEIs can enable the delivery of cross-border education. By its nature, this study is explorative theory building rather than theory testing. In the empirical part of the study I aimed to discover, and seek for patterns in higher education export, particularly in cross-border education. I designed the research accordingly. A research design stands for the logic, which connects the collected data to the question studied (Yin, 2003). I conducted this study as a case study, which is a research strategy that suits well for understanding the dynamics within single settings (Eisenhardt, 1989). Here, the single setting is exporting HE across national borders through partnerships. Yin (2003) emphasizes multiple-case design over single-case as a stronger choice. In this study I study two cases.

According to Yin (2003, p.5) the type of research question, the required control of behavioral events, and degree of focus on contemporary events, define the decision of a research strategy. In this case, I have formulated research questions to be of exploratory sort. Yin (2003) emphasizes that having a contact – interviewing or observing – people who are involved in the researched events is defining for a case study. The level of researcher's involvement in a case study is greater than in a historical study of "dead events". On the other hand, a case study researcher has less power over events than in experiments where researcher has control the variables. In addition, utilizing a variety of data is significant in a case study (Yin, 2003).

Because there is very little research on the business side of higher education export (Naidoo, 2008), with this study I aim to generate theory around the topic by utilizing empirical evidence from two cases. While the research is designed in accordance to Yin's (2003) suggestions, the theory building process in this study follows the framework of Eisenhardt (1989). Eisenhardt (1989) suggests that building theories from case studies is an inductive process, where iteration plays an important role in connecting data with literature. The following Table 8 applies Eisenhardt's (1989, p. 5) theory building process into the context of this study.

Table 8: Applying Eisenhardt's (1989, p. 535) theory building process to this study

Theory building process steps	Activity	Application to this study
Getting started	Research question and initial constructs	RQ: In what ways do partnerships between HEIs enable delivery of cross-border education? Constructs: education as service export, market entry modes
Selecting cases	Specifying population, choosing cases that are likely to replicate	Population: Cases of cross-border education that are delivered through partnerships Cases: Aalto Design Factory, Aalto Executive Education
Crafting instruments and protocols	Multiple data collection methods	Multiple sources of data: documentation, interviews
Entering the field	Frequent overlap of data analysis with data collection	Taking field notes, adjusting data collection by opportunities and emerging themes
Analyzing data	Within-case analysis, cross-case pattern search	Analyzing each case as a stand-alone entity before generalizing the emerged patterns, dimensions rise from the literature
Shaping hypotheses	Sharpening of constructs, measuring constructs, replication	Comparing theory (emergent generalization) and data (findings from each case).
Enfolding literature	Comparison of emergent theory with the extant literature	Tying the emerged theory to existing literature enhances generalizability
Reaching closure	Theoretical saturation	

3.1.1 Multiple Case Study

I conduct the empirical research in this thesis as a multiple case study, which allows me an understanding of dynamics within single settings (Eisenhardt, 1989): HE export through partnerships. I look into two cases that represent higher education export and more specifically, cross-border education. According to Yin (2003), a two-case study is stronger than a single-case study. Indeed, having two cases of cross-border education allows me to discover patterns that are dominant for higher education as a service export despite profit-orientation differences on the case organizations' operational level. Empirical knowledge enables me to look for common patterns in cross-border education and partnerships, and through this to increase understanding of the topic. I aim to discover what to consider in the early phase of entering foreign markets with a higher education service, and how does it affect the actual content of a service.

Replication logic in a multiple-case study is comparable to using multiple experiments for instance in a laboratory setting (Yin, 2003). This means that upon a significant finding from one case, it should be possible to be replicated in another case. When cases are selected in the prediction of achieving similar results, literal replication can take place. On the other hand, when cases are expected to give contrasting results for predictable reasons, theoretical replication can be done (Yin, 2003). According to Yin (2003), having 2-3 cases would apply for literal replication and it justifies the selection of two cases for my study.

The two selected cases rise from the environment of Aalto University: Aalto Design Factory and Aalto Executive Education Ltd. I selected the cases based on their operations. Both cases export education across national borders: they take their services to foreign markets. Interestingly, both cases derive from the environment of Aalto University, which predictably leads to some similarities in the findings. However, the cases differ remarkably by one feature, profit-orientation. Naturally, profit-orientation or the lack of it influences operations, strategies, and decision-making of any organization or organizational entity. It is related with the extent and expanding of operations. This gives an interesting chance for comparison of the dynamics related to cross-border education and the role of partnerships. I will next introduce the two selected cases.

3.1.1.1 Aalto Design Factory (ADF)

Aalto Design Factory (ADF) was opened in Otaniemi, Espoo in October 2008. It is a 3200 m^2 working collaboration environment, which has been divided into three different functions: events, teamwork, and prototyping. In addition to offering spatial solutions for experimental learning, ADF's mission is to develop creative ways of working and enhance interdisciplinary interaction. "Today ADF is an experimental co-creation platform for education, research and application of product design, in a sense, Aalto University in mini scale" (Aalto University Design Factory, 2015, p.6). ADF is aimed for students, business practitioners and researchers – anyone, who shares the values of it: collaboration, open innovation policy, student-centric learning, and paradigm shifting in education and business. "The Design Factory approach combines disciplinary knowledge with design thinking and working life skills, and ability to implement theory to practice" (Aalto University Design Factory, 2015, p. 18).

ADF is an interesting case for this study for several reasons. First, it is an example of cross-border education that already takes place within Aalto University. Secondly, ADF has managed to create a network around its ideology: Design Factory Global Network (DFGN). Currently DFGN includes ten hubs on five continents. Members share similar working philosophy and operate physically in DF-environment. The members of DFGN are listed in Table 9.

Table 9: Members in DFGN (synthesis of Design Factory Global Network, 2015; DF websites, Aalto University, 2015)

Name of Design Factory	Host University	Location	Opened
Aalto Design Factory	Aalto University	Espoo, Finland	October, 2008
Aalto-Tongji Design Factory http://sfc.tongji.edu.cn/	Tongji University	Sino-Finnish Centre, Shanghai, China	May, 2010
Swinburne Design Factory http://www.sdf.org.au/	Swinburne University of Technology	Melbourne, Australia	November, 2011
Duoc Design Factory http://www.duoc.cl/designfactory/	Duoc UC	Santiago, Chile	November, 2012
IdeaSquare @ Cern http://knowledgetransfer.web.cern.ch/ideasquare/about	CERN	Geneva, Switzerland	December, 2014
Porto Design Factory https://portal.ipp.pt/portodesignfactory.aspx	Instituto Politécnico do Porto, Porto	Porto, Portugal	2015
Design Factory Korea http://dfk.yonsei.ac.kr/	Yonsei University International Campus	Incheon, South Korea	April, 2015
Frisian Design Factory http://www.frisiandesignfactory.nl/	NHL University of Applied Science	Leeuwarden, The Netherlands	2015
RTU Design Factory http://www.rtudesignfactory.com/	Riga Technical University	Riga, Latvia	2015
Philadelphia University Nexus Design Factory http://www.philau.edu/	Philadelphia University	Philadelphia, USA	September, 2015

3.1.1.2 Aalto Executive Education (Aalto EE)

Aalto Executive Education Ltd is a provider for executive education and professional development services. It has three brands: Aalto EE for management and leaders, Aalto PRO for experts, and Aalto ENT for entrepreneurs (‘About us’, n.d.). Aalto EE was established in 2014, when all commercial executive development and continuing education activities in Aalto University were merged under a single company (Aalto Executive Education, 2014). Aalto Executive Education Ltd is solidly owned by Aalto Holding Ltd, which is owned by Aalto University Foundation.

In 2015, Financial Times ranked Aalto EE 47th in the annual global ranking of business schools providing executive education. (‘About us’, n.d.). Aalto EE holds so-called Triple Crown of accreditations from The Association to Advance Collegiate Schools of

Business (AACSB), The Associate of MBAs (AMBA), and the European Quality Improvement System (EQUIS). In addition, Aalto EE is involved with international networks such as The International University Consortium for Executive Education (UNICON), The European Foundation for Management Development (EFMD) and Partnership in International Management (PIM). ('About us', n.d.)

I selected Aalto Executive Education as a second case for this research because it is perhaps the most established education exporter in Finland. An interesting addition to the study is the fact that Aalto EE operates as a business: in 2014, the turnover was 17M€, profit amounting to 0.2 M€. This is a remarkable difference between the two case organizations of this study.

Aalto EE coordinates its operations from two locations: Helsinki and Singapore. From Helsinki they coordinate operations in Europe and South Korea. The Singaporean subsidiary coordinates Asia Pacific operations. Altogether, executive education programs were offered in 2014 in ten countries. ('About us', n.d.) The foreign operations are arranged with local partners. All Aalto EE locations are listed in Table 10.

Table 10: Aalto EE locations (source: ('All Aalto EE Locations', n.d.)

Aalto EE locations	Country
Aalto Executive Education Ltd	Finland
Aalto Executive Education Academi Pte Ltd	Singapore
Aalto Executive Education Ltd	Sweden
Graduate Institute of Management, Seoul School of Integrated Sciences and Technologies	South Korea
Iranian Business School	Iran
School of Business & Management ITB	Indonesia
Poznan School of Banking	Poland
Pan Asian International Education Center	Taiwan

3.2 Empirical evidence

Yin (2003) emphasizes three important principles of a case study that substantially increase the quality of it. The principles are: use of multiple sources of data, creating a case study database, and maintaining the chain of evidence. In this study I aim to follow these principles. To start off with it, I utilize multiple data collection methods: documentation and interviews.

Two data collection methods, *documentation and interviews* were selected for the following reasons. First of all, secondary data sources that documentation mainly represents provide me with background information about the case organizations and societal or economic trends possibly affecting their operations. External documentation, such as websites and printed brochures, outline the case organizations' services, their international operations and people responsible for such activities, and provide with news about recent partnerships. Further on, external documentation produced mainly by the case organizations themselves acts as a way to verify information that is acquired through other data sources.

In order to gain a deep understanding of both of the selected cases, access to external documentation is not enough. Understanding motives, risks and benefits, and decisions that have been made in relation to partnerships and delivery of cross-border education require internal knowledge. In order to access this type of internal knowledge I interviewed people who are working in the case organizations with business or partnership matters related to cross-border education. Within the context of Aalto University, a shared base organization increased trust and willingness for co-operation.

In addition to interviewing people who are actually dealing with cross-border education, I conducted also an interview on the university management level to understand the strategy and partnership models that are preferred in the Aalto University. I was also allowed with an access to an internal document, which provided me with detailed information on an issue that came up in one of the interviews.

Observation would have provided me with really interesting insights on the actual operations, discussions and decision making in both of the case organizations. However, due to the slow pace of education exporting process, it would have required several months of observation, which did not match the nature of this particular study. Thus observation was left out of data collection methods. I list the details of collected data source by source later on in this section.

Eisenhardt (1989) points out the flexibility of data collection in the context of theory-building case research. The data collection should not be too strictly limited beforehand, since the collection process itself may lead to other relevant sources. Indeed, the documentation directed interviewee selection, and interviewees gave input on naming other potential interviewees and documentation.

3.2.1 Data Collection Methods

In order to define the framing of the studied cases, I defined the units of analyses and timeframe, as Yin (2003) suggests. This guided and focused the data collection and analysis. As this is an explorative case study, focusing on market entry through partnerships in cross border education, I decided to limit the cases around the market entry and partnering operations. For both cases, I aimed to get a general view on the educator and export activities related to it, understand the possible international network around it, and look at the service itself and adjustments made to it due to exporting. Thus the focus time frame was limited to the early phase of export activities – the market research, contacting, relations building, investment, and the actual implementation. My purpose was to understand how foreign market entry through partnerships affects education as a service.

3.2.1.1 Interviews

I conducted three semi-structured interviews, which were based on initial question sets that can be found in Appendix 1. However, as Eisenhardt (1989) suggested, data collection required open mindedness in a form of further questions and un-planned topics that rose from the interviewees input. According to Yin (2003, p. 59) a good case study investigator should "be able to *ask good questions*", "*be a good 'listener'* and not be trapped by his or her own - - preconceptions", and "*adaptive and flexible*", among some other skills. Yin (2003, p. 60) highlights the importance of "listening" during the data collection process:

> "Being a good listener means being able to assimilate large amounts of new information without bias. As an interviewee recounts an incident, a good listener hears the exact words used by the interviewee (sometimes, the terminology reflects an important orientation), captures the mood and affective components, and understands the context from which the interviewee is perceiving the world." (Yin, 2003, p. 60)

In addition to active listening, taking notes, asking further questions and changing the order of discussion topics when needed, I recorded and transcribed the conducted interviews word-by-word in order to maintain a chain of evidence.

The following Table 11 concludes the background information of the interviewees for this study.

Table 11: Background information of interviewees

Viljami Lyytikäinen	
Organization:	Aalto Design Factory
Title:	Head of International Operations
Responsibilities related to education export:	Managing the Design Factory Global Network: agreeing on partnerships and trying out different ways to operate and co-operate. Has worked closely with the establishment of all DFs in the global network.
Employees is organization:	~ 25, including faculty and assistant
Hanna-Riikka Myllymäki	
Organization:	Aalto Executive Education Ltd
Title:	Business Area Director, Degree Programs
Responsibilities related to education export:	Directing business area that consists of Executive Management and Business Administration (EMBA), Management and Business Administration (MBA), and Doctor of Business Administration (DBA), Global Leader, study tours, and Aalto Executive Summit in addition to some individual projects. Background as a Secretary General for University Network and involvement in the community of system building Future Learning Finland give insight to the topic in general.
Employees in organization:	~107, in 2014 ('About us', n.d.)
Hannu Seristö	
Organization:	Aalto University
Title:	Vice President, External relations
Responsibilities related to education export:	Involvement in the formation of strategic partnerships of university has accumulated to deep understanding of the internationalization and dynamics of universities globally. In addition, Prof. Seristö was Chairman of the Board of Directors in HSE Executive Education, which was the predecessor in Helsinki School of Business before the merger to Aalto Executive Education. He has insights for both internationalization of ADF and DFGN, and operations of Aalto EE.
Employees in organization:	Over 4500

3.2.1.2 Documentation

Documentation represents four different types: online publications, paper publications, internal documents and websites. I collected majority (12 out of 16 documents) of the documentation through publicly available websites. To ensure the chain of evidence, I saved and printed the documentation from the Internet, when possible. Especially content on websites might change and to avoid unnecessary comparison I built a database of the documentation collected and saved.

The documentation is by its nature introductions targeted for stakeholders such as external audience, corporate partners, or applying students. Thus the role of documentation is mainly to provide a general view about the selected case programs and their cross-border activities. Documentation also provides with more detailed specific information such as rough time frame of foreign market entries and partners involved. I received also an internal document from Aalto Design Factory, which gives very specific information.

Appendix 2 summarizes the documentation collected for this study.

3.3 Data analysis

> **"There is no particular moment when analysis begins. Analysis is a matter of giving meaning to first impressions as well as to final compilations. Analysis essentially means taking something apart. We take our impressions, our observations, apart." (Stake, 1995, p. 71)**

Yin (2003) suggests conducting a case study analysis by incorporating a general analytic strategy. In my study I will rely on *theoretical propositions*, which is the most often used analysis strategy. The idea is, that propositions were initially directed to a case study and guided the data collection (Yin, 2003). In this study the theoretical propositions rose from the literature review, which covers the following phenomena.

Cross-border delivery of higher education is affected by *global trends* such as market orientation, tightened competition for people and more strategic role of internationalization. However, the unique operating environment of HEIs highlights the importance of *reputation improvement* in export activities.

The exporting is affected by *push and pull effects*. In home market, a need for reputation improvement and revenue generation, or limited domestic markets, push for exporting. In host market, huge demand and potential cost-efficiencies pull education for exporting.

If we consider the actual service of HE export being in the front-end activity, teaching-learning process, we can identify *education as a soft service*. Characters such as high intangibility, inseparability, and human-capital intensity, and location bound nature set specific needs for entering foreign market. There is a need to transfer the core of a service and access experimental knowledge from foreign markets. Thus *high control over core activities* and features that lead to competitive advantage becomes a requirement for foreign market entry. At the same time, strategic choices are affected by motivations to internationalize. Market seeking and client following strategies differ by *existing networks and access to experimental knowledge* in the foreign markets.

In the context of HEIs high control requirements suggests to looking closely at different co-operation and partnership arrangements between institutions. The literature suggests that goals, expectations and purpose influence the selection and type of partnership. In addition, partnerships are described by shared benefits and risks, and some level of formalization of governance and integration. These theoretical propositions directed my focus in analysis.

As mentioned earlier in the methodology section, the research process has followed Eisenhardt's (1989) theory building process. She points out the importance of overlapping data collection and analysis, which gives some prerequisites for the analysis: The cases need to be first considered as separate entities and data must be analyzed first only within the case. After becoming familiar with each of the cases, patterns can start emerging through cross-case search.

Thus, I chose *cross-case synthesis* as a complementing strategy, which applies well for multiple-case studies (Yin, 2003). In this technique each case is first treated as individual. Aggregating findings across the two cases happened by comparison of themes, which allowed arraying a set of features for each of the cases. Because the purpose of this study is to explore and find patterns in the types of partnerships, factors that have affected the partner selection, and adjustments that are made to the services due to the type of partnership, cross-case synthesis helped to find similarities within the two individual cases. The challenge of this approach is to develop strong arguments that rise from the data. To tackle that, I utilize quotes as examples.

Next, I move on to analyzing evidence source by source.

3.3.1 Interviews

In this section I specify the analysis process of conducted interviews.

3.3.1.1 Coding and categorizing

I started off the data analysis process with transcribing conducted interviews word-by-word. By the time I had not only been actively present in the actual interview, but also listened the recordings carefully several times in order to capture every word in writing. This made me really familiar with collected data. After reading through the interview transcripts started the first phase of analysis: data coding. Coding included underlining words and sentences keeping in mind the general analysis strategy, theoretical propositions, which were presented earlier in the section 3.3.

After the first round of coding for each of the transcripts I moved on to categorizing the codes. Individual interviews required some variation in the categories – one set didn't seem to fit all. Categorizing took place through color-coding, and the following categories emerged:

- Interviewee background information
- Higher education export background information
- Purpose of the organization
- Characteristics of product / service, value proposition of it
- Experienced benefits of partnerships / networks
- Experienced risks and challenges in partnerships / networks
- Money transactions (profit generation, revenues flows, costs)
- Interaction with partners / inside a network
- Characteristics of partnership
- Transferring the core of product / service across borders and cultures
- The process of forming a partnerships

At that point, I still handled both of the cases and all three of the interviews individually, as Eisenhardt (1989) suggests. Every phase of the analysis was saved to individual documents in order to maintain the chain of evidence.

3.3.1.2 Themes

I searched for more focused themes from each of the interviews, which were first transcribed, coded, and categorized. Interestingly, within each case, themes seemed to emerge across categorizations. The following table 13 concludes the emerged themes in each of the interviews.

Table 12: Emerged themes in interviews

Interviewee	Emerged themes
Viljami Lyytikäinen, Aalto Design Factory	Defining the product and value: organizational culture
	Experienced benefits are intangible: inspiration, opportunities
	Core is related to organizational culture, which is difficult to transfer
	Experimentation has driven the internationalization and building the network
	Partner selection is based on gut feeling at its bottom
	No active selling in the expansion
	Chance plays a role in partnership forming
	Transferring the core requires face-to-face interaction and experiences
	Communication and personal relations are valued high
	Role of revenues is to cover the costs
	Network is action-based
	Trying out different types of partnerships: gradually internationalized
	Partnerships are currently priced and formed on a case-by-case method
Hanna-Riikka Myllymäki, Aalto Executive Education	Defining own value in quality, and role of accreditations
	Benefit of partnerships: reputation building
	Benefit of partnerships: Practically, Going alone is very difficult
	Risks, stealing the business
	Risks, misusing the brand
	Risks, different targets
	Unpredictability of partnership formation
	Role of personal relations
	Selecting partners has to be a win-win for both parties
	Thoughts about standardization
	Finnish teaching methods are sometimes difficult to transfer
	Quality management in partnerships through training, focus on faculty and processes organized according to accreditations
	Individual kinds of partnerships: academic leadership in Finland

Hannu Seristö, Aalto University	Defining own value in multi-disciplinarity and unique features
	Reputation building is important benefit in partnerships
	Design Factory and DFGN as Aalto brand builder
	Challenges in partnerships are related to different scales
	Dating process takes time and effort
	Forming partnerships is unpredictable
	Importance of personal relationships
	Systematic way to selecting partners includes criteria
	Proof of concept is efficient in marketing
	No deviation from the core of service in order to have good partners
	Franchising doesn't work

Only after handling each interview individually and identifying the themes, I moved on to the complementing analysis strategy, cross-case synthesis. During that I compared themes in each of the cases and looked for patterns that may have been similar in them. I will next present that part of analysis together with findings in more details. I will utilize quotations to demonstrate and communicate the findings in the best possible way.

3.3.1.3 Cross-case synthesis

In this section I will go through the themes that rose form interviews regarding cross-border education and partnerships.

Defining the core and uniqueness of a service

Both Lyytikäinen (ADF) and Myllymäki (Aalto EE) seemed to be able to define the unique features of their offering: how do they perceive their services. The features can be interpreted to represent the attractiveness of the services abroad: why do they arouse interest in other higher education institutions. At the same time, they reveal the soft nature of higher education as a service. For ADF the uniqueness and core seems to be in tacit knowledge, such as organizational culture and learning environment, and for Aalto EE in measurable quality of services, which requires high human-capital intensity.

> "The goal of the Design Factory here in Aalto is to think how we could educate the world's best product developers or product designers. And the Design Factory is then the solution - - in thinking what do we need in order to support something like that. Both from the physical perspective, so what kind of supporting technologies and infrastructures - - but then also from the mental or the kind of non-physical side of things, so what kind of ways of working, or philosophies, or attitudes, or practices are needed to support learning product development." (Lyytikäinen, 17.11.2015)

> "…the core it's very much about organizational culture. So the physical environment is important and definitely necessary because you need a central place or some place that brings the people together - - what actually makes the Design Factory is the community, or the people that are there, and the culture." (Lyyikäinen, 17.11.2015)

> "Well, we have actually the best executive MBA [in Finland], the only program which has been for example ranked in the Financial Times ranking…" (Myllymäki, 30.11.2015)

> "They [accreditations] have a huge impact especially in this field where there are accreditations for the degree programs - - what we accredit is the degree programs in executive MBA and MBA - - we want to have a quality stamp to guarantee that we are together with the top universities in a world. - - The accreditations have a huge impact since the only 0.4 % of all the business schools have the triple-crown accreditation so we are really among the best…" (Myllymäki, 30.11.2015)

Uniqueness, quality, multi-disciplinarily, and organizational culture features seem to be perceived as attractive characters more generally, when talking about how Aalto University perceives itself as a HEI partner. Aalto University, after all, is the environment to which both Aalto Design Factory and Aalto Executive Education are tightly linked.

> "…we are really pro-actively working on students and researchers and faculty crossing the borders [of disciplines] and doing things together. So that's the difference. It's not rocket science but it's relatively rare. - - The introduction of

> design and art into the business-technology combination. Again, not rocket-science but it's not really done that much in the world. - - And then, the third factor would be new initiatives that we have done. And I think the Design Factory is by far the most visible and most interesting new learning platform." (Seristö, 22.1.2016)

> "I would claim that in Aalto we have better students than we often realize. In the sense that… If we take the best 20% of our students I think they are comparable to the students in Ivy League universities." (Seristö, 22.1.2016)

Thus it appears to be that core of the case organizations' services, in the environment of Aalto University, is dependent on tacit knowledge and high human-capital intensity. According to literature, this directs the suitable foreign market entry modes with high control requirements.

Experienced benefits in partnerships

Both case organizations export education through different kinds of partnerships. The experienced benefits in partnerships seem to differ between the examined cases. It is worth noting, that ADF which is not profit-oriented organization, perceives the benefits mainly in intangible matters such as learning, inspiration and new opportunities.

> "What the network brings to us is a very good source for additional inspiration - - possibility for us to learn and develop our own activities" (Lyytikäinen, 17.11.2015)

> "…the opportunities that that they might open for Aalto and for other Finnish Stakeholders" (Lyytikäinen, 17.11.2015)

However, the global network that ADF has built around it, and the unique features of ADF, have gained a lot of attention. Even though not mentioned in the interview with Lyytikäinen, it appears to be perceived in the Aalto University management level as very important way to improve reputation.

> "The value of Design Factory to Aalto reputation has been immense. It got so much exposure and so much coverage, media like Financial Times, Business

> Week, Economist - - And the awareness of Aalto has benefitted from Design Factory activities just immensely. And we have followed the media coverage and then we have other very down-to-earth measures, how many heads of state have visited the place, and I guess it's in tens. Probably more than in any other places in this country." (Seristö, 22.1.2016)

Meanwhile Aalto EE, a profit-oriented Ltd, appears to perceive the benefits of partnerships from a more market-oriented view: growth, reputation improvement, and gaining visibility and market share in foreign markets.

> "…to be remarkable player in the Financial Times ranking - - that's one main reason why we are seeking some partners who has been really like ESADE and Yonsei - - we want to have better position in the different Financial Times ranking areas." (Myllymäki, 30.11.2015)

> "…to be visible there it's important, that was the reason. - - it's also difficult to sell education to Asia from here" (Myllymäki, 30.11.2015)

> "…double degree is the one we want to proceed because it also makes us in our customers eyes quite attractive if we can say for example that we have double degree with ESADE." (Myllymäki, 30.11.2015)

For Aalto EE, the experienced benefits from partnerships seem to include also more practical issues, such as gaining experimental knowledge and diminishing market-uncertainties. The importance of internationalization strategy, in Aalto EE case market seeking rather than client following, seems to influence on the experienced benefits of delivering cross-border education with a partner.

> "…they [partners] have their network there and they have their client base there, they know what is the area like. In Iran especially... It is difficult, almost impossible to go alone to new areas in executive education. We tried Sweden, Stockholm, it didn't work out." (Myllymäki, 30.11.2015)

> "But we are in business, in technology, so in these areas we need, the competition is… we don't have such advantage like these educational institutions [University of Helsinki, University of Jyväskylä] have when they sell teacher education. It's so Finnish, the PISA results and everything… - - And

> they don't have a match so they can do it alone, but for us it's not an opportunity to do it like that. Although the good reputation of Finnish schools and education is of course crucial to us as well." (Myllymäki, 30.11.2015)

So it seems that in the context of HEIs reputation and credibility are dependent very much by the one you play with. Partnerships, in the form of delivering education, can thus have an effect to the whole university level, not only to a program or a platform, but even influence some rankings.

> "…the collaboration, reputation, it's hard to measure but it's really valuable. If you honestly say that we do great things with MIT, in this industry reputation value is sky high. This is reputation-driven activity." (Seristö, 22.1.2016)

> "Because some rankings are partly questionnaire, and survey, and reputation based. Some are factual. You get the citations and applications, but some are surveys, thousands of academics are asked which are the good universities, how would you rank these, and there it has an impact. If you hear ok, that Aalto collaborates a lot with Stanford, they must be a good university even though I don't know much about it." (Seristö, 22.1.2016)

The experiences benefits of cross-border education activities through partnerships appear to be several. On an intangible level, matters such as learning and inspiration are considered as benefit for ADF whose core is in organizational culture and in development of education. The business benefits for Aalto EE come from diminishing market insecurity. For both of the organizations reputation improvement is a clear common benefit from operating with foreign partner institutions.

Experienced risks and challenges in partnerships

Again, it seems that AFD and Aalto EE experience the risks in partnerships partly very differently. For non-profit-oriented ADF the risks are related to transferring and maintaining the core of their operations: organizational culture, low hierarchy and learning.

> "Students are quite often open for new ideas and let's say collaborating or working in an inter-disciplinary context, faculty is usually the challenging point.

> I think that also applies quite much everywhere, that in every organization in every culture where you are so you will always identify those few people that are open for experimenting and trying out new things. - - the companies work really closely with the universities [in Finland], whereas elsewhere the companies typically perceive students as cheap slave labor where you give an assignment and you come check up half a year later what they have done, have they done something beneficial, if not, it's ok, because under no circumstances will we pay for that. So that kind of mindset is probably the kind of - - That it only works in Finland. - - The companies are not used to doing such things. So I think that changing mindsets is probably the most difficult thing to transfer. So engaging the faculty and the companies." (Lyytikäinen, 17.11.2015)

For Aalto EE the experienced risks in partnerships are more related to business opportunism.

> "…there is risk that they are taking, you know, the most of our for example program planning and we have some elements in our executive MBAs which doesn't happen anywhere else - - If we think about for example customized programs. They [partners] might start to negotiate with us and just contact directly the client. So it's a bit different if we talk about customized programs, or open enrollment programs, or our executive MBA. - - For example service design, the risk is that they [partners] might take our contacts, our faculty, and start operating with them individually and then leave us out." (Myllymäki, 30.11.2015)

However, everyone seemed to think that they are not willing to compromise the core of service in order to form a partnership. Both Lyytikäinen from ADF and Myllymäki from Aalto EE, as Seristö from Aalto University pointed out that if partners' targets or values don't match, then it's better not to co-operate.

> "We were involved for a few months, so they hired a few of our students for an summer internship but then it became evident that they were doing the projects... So they were doing on a general level the same things, they were bringing together students to work on projects and problems given by companies. But they were jeopardizing it from the perspective that that it was more like consultancy work or cheap labor for the company so it was not first and

> foremost a learning project. In a way our involvement there ended." (Lyytikäinen, 17.11.2015)

> "…somebody might contact us and say that 'We want to have an executive MBA but we just want to do it with let's say 20 credits' so basically buying the degree and in these kind of situations we have to say of course no, we are not doing that. So certain kind of ethics has to be there." (Myllymäki, 30.11.2015)

The experiences risks in partnerships seem to vary depending on the core of service and purpose of partnership. For ADF, maintaining the low-hierarchy organizational culture and offering first and foremost learning experiences is the core of their service. Thus the risks are mainly related to threatening of those. Aalto EE, which operates as a business, risks appear through opportunism. What was common for both of the cases is that if involvement in a partnership leads to a direction where the core of a service – organizational culture or high quality – is threatened, that is considered as a great risk.

Influencers on the partnership selection

Both ADF and Aalto EE seem to have the core of their operations tightly linked to tacit knowledge, such as organizational culture and knowledge within individuals. Considering this, it is not surprising that the role of values and culture in choosing a partner become evident in the interviews.

> "We have a certain kind of question or check list that we also send out and that we use as a kind of structure for discussion - - we're meeting and learning about them and trying to a bit more deeply understand that what do they hope to get out of it - - I mean it's a conversation starter but - - it has a set of questions and few questions related to the values that are driving the activities here." (Lyytikäinen, 17.11.2015)

> "If we believe that this sort of open, transparent, egalitarian culture of the Design Factory is valuable, which it is, and if the potential great partner would be very hierarchical, and very different I think we need to say no thank you, this is the way we believe in and we are not willing to compromise much." (Seristö, 22.1.2015)

> “…a lot of our teaching is based on a dialogue. It’s quite traditional, like in a classroom, but it’s based on a dialogue. For example in Asia, they might have difficulties in doing group work or discussions… So we cannot take it for granted that in all over the world it can be so. It can be like that, but we have to realize and work more to get them to realize that ‘look, this is good for you’.” (Myllymäki, 30.11.2015)

Both ADF and Aalto EE seem to have relatively clear stands whether their international operations are profit-oriented or not. ADF operates on an annual Aalto University budget, and Aalto EE is a limited enterprise. Money, in terms of revenues, costs, and profits seems to have very different influence when considering a partnership depending on the profit-orientation.

> “I think the revenue or generating profit from the network or what we do, has never been the prior objective or goal.” (Lyytikäinen, 17.11.2015)

> “…it has to be win-win situation for both - - In the bottom line it has to be possible to operate as business, - - so the business has to be there, a business possibility for both.” (Myllymäki, 30.11.2015)

However, especially in the interviews with Myllymäki and Seristö, the role of rankings became evident when selecting partners. Reputation building appears to guide the scanning of potential partners.

> “…when we look at the long term perspective so definitely we are trying to choose partners which are a bit better than we, if we look at for example the rankings.” (Myllymäki, 30.11.2015)

> “It is valuable as such that we do many things with Stanford. Period. - - That’s an investment in the kind of quality enhancement of ourselves, we learn from the best ones, but there is also this brand and image effect. If we can say to our stakeholders, that we are, there are six things that we do with Stanford University, they respect us.” (Seristö, 22.1.2016)

Not only the expected profits and reputation improvement drive the partnership selection. The partnership should add value for both parties – enable something that can’t be done alone.

> “We are looking at the rankings and from subject’s side, which would be the sort of good match. We want to provide together our customers something that would be more than just one and one.” (Myllymäki, 30.11.2015)

> “We wish to see whether there would be something mutually seen as value for collaboration.” (Seristö, 22.1.2016)

Partnership selection is influenced by three factors: matching values and culture, improving reputation and rankings, and adding value for both parties. The financial aspect seems do differ depending on the role of profit-generation: Aalto EE is always also looking for a business potential in partnership selection.

Partnership formation process

Uncertainty and unpredictability in partner formation process appeared to be evident in all of the interviews and in both case organizations. The uncertainty is related to many factors: unpredictability of success or consumption of time.

> “Well, you can never know how long it takes to start, what prices there might be, you might work for one year and then see that ’Oh, it wasn’t just going to happen this time’.” (Myllymäki, 30.11.2015)

> “Of course, sometimes you just keep dating and nothing happens. And there are a couple of European universities that we have dated and tried to be attractive and all that, five years and nothing has happened.” (Seristö, 22.1.2016)

The human-aspect and subjectivity seem to be surprisingly powerful in the partnership formation process. They seem to be present in evaluating partners’ desirability.

> “…we’re not fully subjective because it’s not only me, it’s also my colleague who’s the other, but it’s very much based on some gut feeling and our interpretation of partner’s plans.” (Lyytikäinen, 17.11.2015)

> “More about the gut feeling - - Of course if it would be a partner we don’t know, but when operating with certain universities it’s kind of is there already” (Myllymäki, 30.11.2015)

> "It takes two to tango. So we could have a plan or ideal partners but the reality is that many of those ideal partners to us might not have a slightest interest in collaborating with us. So inherently, and this is important by the research of the companies as well, chance always plays a role." (Seristö, 22.1.2016)

Not only guides the subjective evaluations the first interpretations of a potential partner, but the role of personal relations seems only to increase the closer the interaction becomes. Even in making the first contact, existing relations and personal chemistry can influence the proceeding a lot.

> "…the Design Factories they always start with certain person within the university or institution is what you can also call a bit like a trouble-maker, so a person that wants to develop things a little bit." (Lyytikäinen, 17.11.2015)

> "So Yrjö [Sotamaa] was already physically there in Tongji in Shanghai for parts of the year and he had direct contacts to the president in Tongji and also in Aalto. And Yrjö was also familiar with the Design Factory initiative and they knew - professor Kalevi Ekman, who runs the thing here - - But then from the Tongji University side, the president was interested in setting up a strategic partnership with Aalto University - - Design Factory was seen as a good platform both to function as a home base for the planned joint activities between the universities there in Shanghai, but also as a tool for the transformation of the Tongji University." (Lyytikäinen, 17.11.2015)

> "Well Pekka Mattila has been teachning in Yonsei and he has network there. It was easier to contact them because they already have a kind of positive feeling toward Aalto and towards our GMD." (Myllymäki, 30.11.2015)

Another human-factor, real experiences, and proofs-of-concept, seem to be more effective ways than for instance distance marketing, in awaking the interest for co-operation or partnering.

> "We host a lot of visitors and quite many of them, as they get to see the place and as they get to understand and experience and see what students are doing and taught, so quite often they get inspired. So then for instance we might say that 'Ok, the Boot Camp is coming, so we can send more information'. But no,

> we don't market or sell it in the way that we would send the information so someone we have not had a prior connection." (Lyytikäinen, 17.11.2015)

> "Whenever we have had visitors, whether they are foreign university presidents or leaders of countries and so on, I think in the visits to Finland the most exciting thing has been talk with the students in Design Factory, multinational student teams and like presidents and prime ministers, you can see that the most compelling thing is when they hear from the students themselves that they have learned more over these nine months than they have ever in their lives. So then they believe. And this is like ten times more powerful than our president saying that this is good stuff we do. So this is credibility stuff." (Seristö, 22.1.2016)

> "And it really builds a lot to the personal relationships between people so you have to think carefully who would be the person discussing with the potential partners and trying to also to adjust to those kind of situations that we are not trying to push…" (Myllymäki, 30.11.2015)

Later on, in the dating, familiarizing, or discussing phase, the human aspects such as personal relations and credibility through academic rank continue to influence.

> "This is no my valuation or view, but just what I have learned is that… It's awfully hard work like the kind of marketing personnel of programs to do this job. Because university sandbox just happens to be that, if you are not a doctor, many professors don't even listen to you much." (Seristö, 22.1.2016)

> "It's very important that we take our students also in to the process of meeting potential partners and we've done so, because our students are so good - - It's like country image issue. So having sort of support from the government and industries is very important. And often when we are abroad we get this sort of a prestige service support from ministry of foreign affairs - - And if we can get some of our partner company leaders to participate, that's extremely valuable, it adds to the credibility. I think it is so much a credibility issue that having all the kind of parties involved is very important. Students, public sector, industry, all helps." (Seristö, 22.1.2016)

Similarly as literature suggested, it become evident that personal relations play a significant role in whether the partnership succeeds.

> "In business collaboration and in university collaboration, of course you have a rational criteria, but then it's so much about the people and personalities. Whether the leadership of universities, whether they like one another, and whether there's kind of a culture that has a good match. Those are very, very important factors. And then chance always plays a role - - And this human dimension determines the sort of success rate." (Seristö, 22.1.2016)

The actual formation process of partnerships thus appears to depend on several issues. First, it is characterized by uncertainty, which is mainly affected by the following reasons. The scanning for potential partners appears to be somewhat subjective. The role of personal relations is important in order to make any interaction realize. That kind of human factor is difficult to predict. In order to look appealing in potential partner's eyes, real life experiences and personal connections have proven to be efficient. The human-dimension seems to also influence whether the partnership succeeds. Thus unpredictability exists in every phase of partnership formation.

Case-by-case approach to partnerships

As partnerships have become a way to deliver cross-border education, both ADF and Aalto EE appear to have experimented several types of partnerships. Gradual increase in international involvement and gaining experimental knowledge seem to have changed the types and ways of partnering.

> "Since Design Factory is an experimental platform, so we experiment things to see which does and does not work, so in terms of the partnership models we've also experimented with few different approaches." (Lyytikäinen, 17.11.2015)

> "After the Shanghai thing we then took the approach that we establish few different partnership models, in in essence meaning, that we had two or three different price categories. So a university X gives us certain amount of money, which then we can use to support them in the development. So the money was used to cover our expenses. And that model was used for setting up two Design

> Factories [Duoc Design Factory, IdeaSquare @ CERN] - -. In the case of Swinburne Design Factory they covered our expenses of going for a visit there and they hired our alumni to work there, - - That model was discarded because we saw that maybe it's not the best way if we want to grow the network." (Lyytikäinen, 17.11.2015)

> "And apart from that [the Boot Camp], then we can help universities when they are setting up design factories, but then we do it more on a case by case way. - - From the growing of the network perspective I think that has been very beneficial." (Lyytikäinen, 17.11.2015)

> "We have a project of going through all the partnerships, and in the long run we want them to be more coherent. Because now we, more or less, have individual kind of partnerships in all kinds of countries… in all countries we are working in." (Myllymäki, 30.11.2015)

The type of partnership, for both ADF and Aalto EE seems to be first and foremost defined by how to deliver the core of their services. The core of ADF is in the certain kind of community and non-hierarchical, experimental way of teaching and learning, which requires similar kind of mind-set and activity from every partner in the network. Every interviewee felt strongly against contractual delivery arrangement such as franchising or licensing, which can be interpreted to support the soft nature of educational services.

> "We don't have a trademark nor we even want to have a trademark for the Design Factory. So it's very much based on what those institutions want to do." (Lyytikäinen, 17.11.2015)

> "The Design Factory Global Network is very much based on the action that the individual Design Factories do." (Lyytikäinen, 17.11.2015)

> "We don't sell licenses. So we wouldn't like to do like franchising, it's kind of out of the question in our environment." (Myllymäki, 30.11.2015)

> "There are some like licensing… contractual based of things like franchising, but I think in education that's awfully difficult to do. Because in order to

franchise you need to productize the service product really well. Producing hamburgers, you can have format for the restaurant, manuals for how to make the big mac and procedures and so on, quality controls and so on, and you can teach anybody to flip the burgers. But to teach somebody about strategic management, you just can't franchise it to somebody if you are on business school, you have like twenty, thirty years of accumulated knowledge in the professor, and it's his views that are valuable. Can't just sell the manual and say, teach as well as I do." (Seristö, 22.1.2016)

When looking at the control in the partnerships, it appears to be relatively high for both ADF and Aalto EE in the core of their services. This is managed in a way that for example application of students in Aalto EE is handled fully from Finland. Further on, in ADF, there are basically two people who manage the activities and partners in Design Factory Global Network.

"Basically the academic leadership we keep here in Finland, even though in Korea or in Indonesia they can quite individually operate with faculty, but the faculty has to be such that it fills the requirements of the accreditations and they report to us. So the academic responsibility and ownership is within our board of studies here in Finland." (Myllymäki, 30.11.2015)

"We don't have our own personnel but for example in Singapore the program director visits regularly Taiwan and Indonesia and also they help with the partner with all kinds of daily operations. To Iran we actually coordinate the program from Helsinki, so they have their staff there - - So we help them with the program management, marketing and sales, so basically we coordinate the program from here. - - Right now I'm planning how we are actually building up the partnership management system, so that we, for example, we know how they report to us, how we report to them, how we interact with them, so that it would be more alike in all with all our partnerships…" (Myllymäki, 30.11.2015)

"The thing has been that how could we better share, or get the information, or the best practices or the inspirations that are coming from the network, from the people that mainly we two [Viljami Lyytikäinen and Päivi Oinonen] meet, to benefit the ADF community or Aalto as a whole. - - I mean, it's very much the two of us, and much of the information is transferred to face-to-face and personal connections." (Lyytikäinen, 17.11.2015)

In the delivery of cross-border education through partnerships, and managing the quality seems to be more standardized for Aalto EE than ADF. In practice it appears to mean quite standardized operational design for all of the partners involved. In addition, keeping academic leadership fully in Finland communicates about the control over core operations. Many of the quality requirements are fixed to accreditations.

> "There has to be a certain amount of Aalto faculty because of the quality standards, so we are trying to help some of the partners. Some can manage themselves but some to find good faculty." (Myllymäki, 30.11.2015)

> "So they [students] have to meet the standards and we actually approve all the students to all these executive MBA programs. We approve them here in the Board of Studies, which means that our Academic Director Mikko Laukkanen and myself, we go through all the papers beforehand and before they go to the Board of Studies. And then we have some rules that certain amount of modules has to be delivered in English, the students all over have to be able to speak English, so that they can take part in the study program in Helsinki and also to follow the English modules given there. - - we don't have to invent these ourselves because they are mainly from the accreditations." (Myllymäki, 30.11.2015)

> "There has to be certain amount of working hours, certain amount of contact hours, the curriculum has to be looking like this, and the grading has to be done according to our system so quite standardized processes as well." (Myllymäki, 30.11.2015)

The core of a service is where unique features and competitive advantage lay. Based on my understanding, it could be stated that for both ADF and Aalto EE the competitive advantage comes from tacit knowledge: organizational culture, or quality through accreditations. To transfer such knowledge to their partners, both seem to rely on experiential learning in the form of training.

> "Once a year, we organize what is called a Design Factory Boot Camp, every spring. One week long training program, so to say, that has a fee, to which then universities that are interested in adopting or starting something like Design Factory, can send a small team. And that's quite clear because that's something that is quite close to a sellable product." (Lyytikäinen, 17.11.2015)

> "We have program director training, which is the core. So if we have a new partner, so the program director and some other staff, they come to Finland and then we have training where we go through these processes. As a part of our partnership management system we are creating an info package with the certain materials like concept marketing, or sales, for example." (Myllymäki, 30.11.2015)

To keep up a feeling of mutual belonging, and being able to foster network, both ADF and Aalto EE have annual gatherings, which they value high.

> "That's an important thing to have that all program directors from each of these partners visit Helsinki once a year." (Myllymäki, 30.11.2015)

> "Once a year all the design factories, their representatives meet face-to-face. And that is every fall and that's for the International Design Factory Week" (Lyytikäinen, 17.11.2015)

To conclude, neither of the case organizations seems to have certain typology for different partnership types in action. Partnerships appear to be formed on a case-by-case approach. ADF had tried a three-stage model, "inspired by", "powered by", and "partnered by", but discarded it in order to grow network faster. As for Aalto EE, they have different kinds of partnerships in all countries they are working in based on differing needs. However, a more coherent approach seems to be a goal in the long run. Thus, delivering the core of a service without deriving much from it seems to define the partnership type. Nevertheless, franchising is out of question. This again highlights the soft nature of education as a service and relatively high control requirements for entering foreign markets. What is common for all the Aalto EE partnerships is maintaining the academic control in Finland. Also, there is some standardization on operations due to accreditations. The roles and responsibilities of local staff differ case by case. In order to transfer tacit knowledge, which is the core for both case organizations, trainings are utilized.

3.3.2 Documentation

In this section I will go through the themes that rose form interviews regarding cross-border education and partnerships.

Documentation was collected mainly through publicly available sources and the purpose was to provide background information and general understanding of the education export and partnership activities within the case organizations. However, I aimed to look for meanings and support for the themes that rose from interviews as well. “In reviewing documents, listening takes form of worrying whether there is any important message *between* the lines; any inferences, of course, would need to be corroborated with other sources of information, but important insights might be gained this way.” (Yin, 2003, p. 60)

Because there was a huge amount of information available online, I decided only to “listen” as Yin (2003) suggests, instead of actually *coding* the text. The listening, however, helped to point out some themes that are in line with the presented findings from interviews. I will next present the supporting findings.

Defining the core and uniqueness of a service

Looking at the external documentation of DFGN, the organizational culture appears to be the core of the service, as was founded out in the interviews. Of course, considering that the organization is run by a relatively small amount of people, the key message of organizational culture is predictably clear and transferred into communication materials.

> “DFGN is on a mission to create change in the world of learning and research through passion-based culture and effective problem solving. Shared understanding and common ways of working enable Design Factories in the network to collaborate efficiently across cultures, time zones and organisational boundaries fostering radical innovations.” (‘What is Global Design Factory

> Network?’, n.d.)

However, the importance of shared values and ways of working within the network is visible in external documentation as much as it was in the interview.

Case-by-case approach to partnerships

Similarly when it comes to the typology of partnerships, the case-by-case approach was communicated in the online publications of DFGN.

> “Every partnership is formed in a way that best supports and fulfills the needs and aims of both parties” (Aalto University Design Factory, 2015, p. 53)

However, the earlier version of ADF website, which no longer exists, used to categorize three types of partnerships: inspired by, powered by, and partnering. For example Duoc Design Factory still keeps the partnered by –label on their website. The difference between the typologies was the following. Being inspired by Design Factory was the easiest form of co-operation – the inspiration could rise either from physical space or mental side. The carrying idea was to spread culture and working ways of Design Factory. Powering, on the other hand, meant closer co-operation through helping universities develop their own design factories. The driving force in this kind of collaboration was to provide mutual interest and benefits to the host university and Aalto Design Factory by developing education and research collaboratively. The closest form of collaboration was partnering, which was only done with the strategic partners of Aalto University. In this case both parties invest in the development and management of jointly established Design Factory in the host university. (‘We partner with, n.d.) The categorization, which differentiated mainly by price and degree of involvement, was discarded in order to grow the network more quickly (Lyytikäinen, 17.11.2015).

For comparison, Aalto EE doesn’t state anything about the types of partnerships they are utilizing in the cross-border education activities. Only the list of contact information communicates about partnering HEIs.

Partner selection

The internal document of Aalto Design Factory, *Design Factory 101: deep-divers' preparation sheet*, which is utilized for discussions with potential partner, appears to focus on values. Half of the document focuses on "strategy, structure, and administration" ('Design-Factory 101: deep-diver's preparation sheet', n.d.). It is possible to interpret, that for Design Factory it is important to understand and discover the motives of potential partner for joining the Design Factory Global Network. The questions on document aim to reveal what is the benefit or improvement joining to network is expected to give, and how much value to the initiative is given from the university management side. Another half of the document, explicitly, focuses on the basic assumptions, values, and norms that Design Factory has incorporated. They are listed as follows:

> Assumption 1: All people have value
> Value set 1: Student/user centricity
> Norm set 1: Freedom and responsibility, low hierarchy
>
> Assumption 2: Passion enables better learning & innovation, Co-creation improves outcomes
> Norm set 2: Leaving one's comfort zones, risk taking
>
> Assumption 3: Creativity of processes
> Value set 3: Experimentation, fun ('Design-Factory 101: deep-diver's preparation sheet', n.d.).

I understand this supporting my interpretation of the message of interviewed Lyytikäinen, that the core of Design Factory is actually in the organizational culture and learning experiences. Thus match in organizational culture seems to be guiding criteria for evaluating potential partner.

In 2011, Aalto EE signed a strategic partnership agreement with Bandung Institute of Technology (ITB) in Indonesia. Looking at the press release, it can be interpreted that the match in disciplines, targets, and culture, in addition to rankings, are drivers for the selection of a partner. This supports the interpretation from the interview with Myllymäki.

> “The joint Executive MBA Program will commence in 2012 in Indonesia and it is designed for business professionals and companies based in Indonesia. ‘ITB’s profile, culture and ambitions are very similar to Aalto’s. We are pleased to partner with a best in class University. The signed agreement is a great opening for a deeper relationship between the schools’, says Dr. Jari Talvinen, Managing Director, Aalto EE (Asia Pacific).“ (Aalto Executive Education, 2011)

Thus, external documentation seems to communicate about similar criteria in partner selection as was founded out in the interviews. For ADF values and organizational culture are essential, while for Aalto EE highlighting matching targets and opportunity for reputation improvement is clearly visible.

Importance of personal relations in partnerships

The interviews were quite clear communicating about the importance of human factor – the match of personal chemistries and ways of working – in predicting the successfulness of a partnership. Similarly, ADF had stated that in their publication as well.

> “Regardless of the numbers and statistics, at the end of the day collaboration is done mainly and mostly between individual people” (Aalto University Design Factory, 2015, p. 53)

The so-called human-factor is so clearly visible in every interview and many of the documents, that is must be understood as one of the key factors in the formation and successfulness of partnerships between HEIs. Human-factor also underlines the unpredictability of partnership formation process.

Experienced benefits from partnerships

In 2013, Aalto EE signed a cooperation agreement with Yonsei. Comments from Group Managing Director Pekka Mattila support the findings from interview with Myllymäki. The experienced benefits from partnerships can be interpreted to be strengthening the foreign market position:

> “’We have been present in South Korea for as long as 18 years and our local Executive MBA program has a total of 3,000 alumni. Our cooperation with Yonsei will further strengthen our position in this dynamic market while expanding our offering and supporting our overall growth in Asia. This also creates new opportunities for so-called Three Party Programs with other top universities,’ explains Pekka Mattila, Group Managing Director of Aalto University Executive Education and Professor of Practice at Aalto University” (Aalto Executive Education, 2013)

As analyzing interviews showed, also the documentation points out differences in experienced benefits of partnering. For profit-oriented Aalto EE market-related benefits are obviously more important than for ADF and DFGN who operate with totally different goals and funding base.

The analysis of empirical evidence has revealed several common areas for both case organizations in delivering cross-border education though partnerships. However, there seems to be great differences as well. I will discuss the meaning of these similarities and differences in the following section.

4 Discussion

In this chapter I will discuss the relationships and meanings of the findings presented in the analysis section in the context of higher education export. I will proceed with the structuring help of research questions. The research question of this study was:

In what ways do partnerships between higher education institutions enable delivery of cross-border education?

In order to understand the role of partnerships in the education export process, I divided the research question into four sub-questions. I will next aim to answer those questions based on the empirical two-case study I conducted.

What kinds of partnerships are utilized in the delivery of cross-border education?

The empirical two-case study showed that in the context of higher education, standardization for contractual foreign market entry agreements is out of question. This is in line with the theoretical proposition, that education is a soft service, which does not benefit from standardized approach. None of the interviewees thought that having a trademark for licensing purposes nor productizing for franchising agreements would work in their industry. The reason for that lies in two factors: the importance and role of individual teachers in the teaching-learning process, and the need to customize offering according to situational changes. That is, as literature suggested, high human-capital intensity (Bouquet et a, 2004) and inseparability (Erramilli, 1990) in the service transaction.

The problematic in standardization affects potential partnership models. The solution in both case organizations was to utilize somewhat different models depending on the partner and location. For instance, ADF had tried three different partnership categorizations, i*nspired by, powered by*, and *partnered by*, which differed by price tag and level of involvement. However, the decision to discard the model in order to grow network more quickly communicates about the difficulty to play by a book when it comes to partnerships. Instead, they have ended up to a case-by-case approach to define more accurately what kind of support and involvement is needed to take Design Factory concept to new foreign location. Similarly, Aalto EE is utilizing different partnership models depending on the location and partner, but is planning to make it more coherent in the future.

Despite the different partnership models, both case organizations showed that maintaining control over the core of a service is desirable. For both ADF and Aalto EE organizational culture, certain individuals, and ways of working build the core and competitive advantage of their services. In addition, Aalto EE relies a lot on the triple-crown accreditations it holds. Identifying the core is important in order to evaluate the requirements for control when entering new markets. It is worth noting, that cross-border education of both ADF and Aalto EE include both front-end and back-end services, that is, education design and teaching-learning process.

In practice, Aalto EE for example has kept the academic leadership totally in Finland, and acts as a coordinator for their foreign partners depending on their individual needs. Many of their key education design operations are standardized because the requirements that accreditations as a quality stamps set. The actual transaction that takes place in a classroom can't be standardized. Only some characteristics of the setting can be. Examples of such would be teaching language or working hours.

In similar way, ADF is the one who manages the global network building process from Finland, and wants to ensure that everyone joining it shares the same values as they do. ADF is a physical space, which means that it could be understood as coded knowledge (Brown et al, 2003), if the service was only that. However, the core is identified to be in the culture and community aspects. The control is maintained over culture that supports the teaching-learning process.

Indeed, the core of the services for both case organizations was in tacit knowledge. Tacit knowledge is very difficult to transfer in simple documental formats (Brown et al, 2003). Thus both ADF and Aalto EE had ended up to utilizing trainings and proofs-of-concepts as a way to teach ways of working and transfer organizational culture through real life experiences.

What influences the partnership type selection?

The findings from case studies showed that two aspects drive selection of a partner: criteria and chance. Criteria means scanning for partners that look good, and make the organization look good. Rankings and reputation are basically the two most important factors of such, alongside with matching disciplines. For profit-oriented Aalto EE, attractive business opportunities also direct the selection of potential partners. Chance, then, appears to complicate the selection and formation of a partnership. First, values and organizational culture need to match. This was evident in the cases of ADF and Aalto EE, whose core of services is in intangible factors such as culture and ways of working. Second, the evidence shows that actual action in the partnership requires always matching personal chemistries, which is something that also literature suggests (Elmuti & Kathawala, 2001). Personal chemistries and personal relations appear to partly define the success rate of a partnership, not only the beginning of it. Thus, word chance is utilized for the second aspect affecting partnership selection, as it is something that criteria can't predict. Only experiments will tell.

In partnerships, two or more organizations share mutually set goals, risks and benefits (Todeva & Knoke, 2005). The evidence showed that there has to be a win-win situation for both. Not necessarily in terms of money, but in terms of added value. Partners should be able to achieve and provide together something more than they could do alone. For one it might be practicalities and gaining experimental knowledge, for another improving teaching methods, and for someone better reputation and numbers under the bottom line. Since the partners' expectations for a partnership may vary a lot, there doesn't seem to be a systematic way for defining the type of it. As it is, both case organizations have continued with a case-by-case approach to weight the presented aspects for each of the potential partners. However, the type of partnership depends at least on the following factors:

- Targets and goals for forming a partnership
- Expected benefits out of partnership
- Matching personal chemistries and organizational cultures
- Transferability of core of a service

What are the experienced benefits and risks in the delivery of cross-border education?

Again, the evidence shows that benefits from delivering education through partnerships can be experienced in many different ways. First, gaining experimental knowledge can be interpreted to have been a benefit for both ADF and Aalto EE. For ADF partnerships with foreign HEIs have exposed opportunities for company stakeholders: a way to enter markets with learning projects. For Aalto EE the experimental knowledge has materialized in the form of knowledge of local markets and somewhat existing student base.

Moreover, reputation improvement has been a clear benefit of partnerships. The global media exposure and attention that ADF and DFGN have received has improved the reputation of Aalto University as a whole. For Aalto EE, co-operation with carefully selected partners may have been one reason behind better positions in Financial Times rankings. Partnering has also helped to increase brand visibility in foreign markets. Partnering with prestigious institutions also improve customer's perceptions of them.

In terms of market efficiency and knowledge, delivering cross-border education through foreign partners has not only opened new and bigger markets for Aalto EE outside Finnish borders, but also eased selling. It appears to be so, that in the context of business and technology education, there is a lot of competition. Under market seeking international expansion strategies role of local partners becomes significant. Then, there is also someone sharing the risks. Looking at other than market-related benefits, ADF has experienced global network as a way to enrich knowledge.

Not only benefits, but also risks are closely linked to delivering cross-border education through partnerships. If forming partnerships seems to be unpredictable, the same applies for the success of them. For Aalto EE as a profit-oriented company, opportunistic behavior from the partner's side can jeopardize the collaboration totally. If partner tries to utilize the existing concept and content, and sell it directly to a client, Aalto EE can be lead out of the whole deal. The risks are a bit different depending on different kinds of programs: degree programs are tied to the name of Aalto EE and accreditations that they hold, meanwhile open enrollment programs can more easily become victims of opportunistic behavior. It appears to be that maintaining control over core of the service is one way to mitigate risks with partners.

However, not all risks are of that sort. Differing targets and cultures are another stream of possible risks. ADF for instance had experienced differing attitudes towards student work – some partners may perceive them as slave labor and that undermines the core of service, learning experience. Also Aalto EE had experiences with bargaining for degrees. Once again, the difficulty and unpredictability in transferring organizational culture from location to another becomes exposed.

In what ways does education as a service change depending on partnership through which it is exported?

There was one common aspect for both case studies. Neither of the examined organizations was willing to deviate much from their original services in order to form a partnership. Thus, it appears that maintaining control over core of a service is strongly considered already in the partnership formation process. If it is threatened, no partnership will be formed. Supporting practicalities, then, seemed to be more likely to be adjusted.

Both ADF and Aalto EE utilized trainings to transfer the core of their services, as well as seemed to value active communication within the network. Annual gatherings and tools for daily communication were mentioned as a way to control and follow the direction to which services might be going in foreign locations. Myllymäki from Aalto EE mentioned that the processes must be suitable for international operations from the very beginning. This is in line with the requirement of maintaining control over core of a service.

However, Lyytikäinen from ADF had also experienced network to have an affect on their services here in Finland. The change in service doesn't necessarily take place only to one direction, but depending on the type of partnership and the power relations between them, influence can come from host to home institutions. If the culture between partners is similar as in the core of service, in the case of ADF low in hierarchy, then ideas and inspiration are free to bounce back and forth within the network.

The findings from two similar cases with difference in one remarkable feature were surprisingly similar. A profit oriented Ltd, and an experimental learning environment operating mainly on an annual university budget differed mainly by the role of money – Aalto EE operates as a business, but ADF is content with having their expenses covered. Otherwise the industry, higher cross-border education, in the form of face-to-face delivery, appears to, basing on the examined cases, set quite consistent prerequisites for foreign market entry. Indeed, the nature of a service, internationalization strategy and operating environment seem to set the basis for higher education export.

5 Conclusions

An outsider might think that centuries old institutions, universities, would remain unchanged. However, they are facing similar kind of turbulences in the ever-globalizing world as any other institutions. Higher education institutions, such as universities, have become more market-oriented during the passed decades (Knight, 2002). The change has been driven by decrease in public funding and tightened international competition. For instance in Finland, University of Helsinki and Aalto University have laid off altogether 1300 employees in the change of years 2015 and 2016 in the pressure of cuts in public funding (Yle, 2016). At the same time, universities operational environment has become more international and mobility of people globally is bigger than ever, which has speeded up the competition for students and faculty (Chan, 2004).

In this setting universities have faced a new kind of need for finding alternative ways to create revenues (Altbach & Knight, 2007). The operating landscape in Finland is changing, as legislation has changed to allow charging tuition fees from foreign students coming outside EU and ETA areas. This study focused on understanding business aspects in *internationalization abroad*, which excluded tuition fee matters out of this research. Instead, the interest was on *cross-border education and delivering it through different kinds of partnerships*.

In order to understand what is the role of partnerships in higher education export process, I needed to understand what kind of service export education and especially teaching-learning is. Only then I was able to explore in which ways partnerships could enable the delivery to foreign markets. In order to do this, I conducted an empirical two-case study. I studied Aalto Design Factory and Aalto Executive Education, two very extreme cases in terms of profit-orientation from the same influencing environment of Aalto University.

This study has two main contributions. First, in this study I clarified the understanding of higher education as a service export and the complexity of it. Having focus on delivery of cross-border education, and especially the *teaching-learning process*, I defined it to be a *soft service* by nature (Erramilli, 1990). Also, teaching-learning process is highly human-capital intensive (Blomstermo et al, 2006). Understanding the difference between different types of services sets prerequisites for foreign market entry mode decisions. Soft services often require higher level of control in foreign market entry mode (Erramilli, 1990).

Incorporating also the gradual internationalization aspect (Johanson & Vahlne, 1977; 2003), which seems to be typical in the operating environment of higher education institutions (Bennet & Kane, 2011), different strategies for internationalization (Majkård & Sharma, 1998) and importance of gaining experimental knowledge (Johanson & Vahlne, 2003) came to be linked to the meaning of networks and relationships in a foreign market entry.

Second, the empirical part of the study did not only support the theoretical propositions, but also added the understanding on the important role of partnerships in education export process. As mentioned, higher education export doesn't operate under the laws of free markets, instead, the operating environment of universities is unique. National laws set specific limitations and purposes for many of the institutions. Moreover, students, if understood as customers, are tightly linked to the institutions. Thus offering services alone to a potential customer base would require setting up a branch campus. That kind of exporting was not the focus on this study. The focus was on cross-border, face-to-face delivery of higher education.

To conclude the contribution of the study, it would be in understanding the delicate nature of partnership formation: it's not only about what looks good in theory or by criteria, but first and foremost about personal relations between people that make partnership happen.

I conducted the multiple case study within two similar cases, who differ remarkably by their profit-orientation: Aalto Executive Education and Aalto Design Factory. Predictably, some clear patterns emerged in their cross-border education activities and execution. Partnerships were most favored way of delivering the services across borders. It doesn't only lead to gaining experimental knowledge of the markets, but also other sorts of benefits such as inspiration, reputation improvement and quality enhancement. Partnerships, however, appeared to require case-by-case approach: one solution doesn't fit all. Moreover, individual people and the match in personal chemistries add unpredictability in the formation process. Thus, the partnership type selection is, at the end of the day, driven by both criteria and chance. The expectations for forming a partnership drive the type of it. The criteria for partnership type selection can be on organizational culture, disciplines, rankings, and business opportunities. However, there is no systematic way to forming such relations. Moreover, different targets within partners generate the greatest risks for partnerships: opportunism and exploiting are part of higher education scene as any other “industry”. Thus the dating process between potential partners needs to be long enough, so that the best and the worst sides of a potential partner could be exposed and evaluated.

Higher education and especially teaching-learning process seems to be, at its core, tied to tacit knowledge (Brown et al, 2003). As theory suggested, soft services often require higher control over core activities when entering new markets. Indeed, identifying the core and competitive advantage – the features that make a service unique – and maintaining control over such matters, emerged from both cases. Despite the control requirements, organizational culture aspects and ways of working need to be transferred to partners in order to maintain the key characteristics of a service as little changed as possible. In order to do so, experimental learning in the form of trainings and proofs-of-concepts is a good alternative.

This study shows that the scene of international higher education comprises of a variety of activities. In cross-border education, which is a part of internationalization abroad, partnerships between HEIs appear to be a relatively good approach for delivering services. This study has contributed to the understanding of which factors to consider in the process of starting HE export activities. Especially this study has focused on what kind of approach an institution can have on negotiations with a potential partner in order to maintain the service to be exported unchanged.

6 Limitations and Evaluation of the Study

This thesis was done as a commission for Information Technology Program (ITP). ITP is an academic summer program at the School of Business, Department of Information and Service Economy. In the search for internationalization abroad I was commissioned to understand and explore critical steps for starting an international expansion in program-level higher education. This commission obviously limited and directed the possible focus areas in the field of service exporting.

To be able to evaluate the successfulness of this study, the purpose and goals need to be set (Yin, 2003). As stated earlier in this paper, the purpose of this study is to contribute to the knowledge of higher education export, particularly market entry through partnerships in program level cross-border education. Through a multiple case study my aim was to understand what kind of benefits and risks are experienced in delivering higher education through partnerships. Moreover, I aimed to understand what kinds of partnerships are utilized for such activities. Having this in mind, the study would be judged successful if it managed to add understanding about the business dynamics of education export.

There are four common tests for establishing the quality of a social research. The tests are: construct validity, internal validity, external validity and reliability (Yin, 2003). I addressed the problem of construct validity, as Yin (2003) suggests, by using multiple data sources, which provides several views on the same phenomenon. However, multiple meant in this case two: interviews and documentation. Observation as a third data collection method would not have only formed the triangulation of data sources (Eisenhardt, 1989), but also would have potentially lead to deeper understanding and perhaps even contrasting findings than interviews and documentation alone could produce. In addition, establishing and maintaining a chain of evidence is another factor in building construct validity (Yin, 2003). Chain of evidence exists if the links between this thesis are traceable. Case study database, citations and questions are clear and allow a reader to follow the derivation of each data.

Evaluating the internal validity of a study was not valid for this study, because the focus was not on causal relationships (Yin, 2003). External validity, on the other hand, is related to generalizability of study's findings (Yin, 2003). In case studies the generalization takes place through analytical generalization, in relation to some broader theory (Yin, 2003). In this multiple-case study, use of replication logic was a tactic that was taken into account during the research design phase. The interview questions, for example, were planned keeping replication in mind. Following data collection protocol and creating a case study database helped to ensure reliability.

Another question for evaluation is, whether this study was well designed in the first place. A multiple case study method is, according to Piekkari, Welch and Paavilainen (2009), a very common way to do research in the discipline of International Business (IB). More precisely, a convention seems to be in "exploratory, interview-based multiple-case studies based on positivistic assumptions and conducted at single point in time" (Piekkari et al, 2009 p. 578). This study will position partly to the convention, despite the criticism it faces by Piekkari et al (2009). As many other studies done in the field of IB (Piekkari et al, 2008), this study as well relies mostly on the work of Eisenhardt (1989) and Yin (2003). However, I justify the choice of a multiple case research design because of explorative purposes. The number of cases was two in this study. It is less than Eisenhardt (1989) suggested (4–10), however, it doesn't exceed that suggestion, which seems to be typical in the IB research (Piekkari et al, 2008). In order not to stumble on the interview dominance that seems to define IB research (Piekkari et al, 2008) the data collection in my study was balanced by documentation. The number of interviews for each case, however, ended up being low (1–2).

Considering that both of the cases rose from the environment of Aalto University, they are similar in terms of discipline and history. However, the cases differ in a sense that one operates as a profit-oriented limited company meanwhile the other operates on an annual university budget.

In the data collection phase language is an obvious limitation. All three interviews were conducted in English, which is not the native language for any of the interviewees or myself. Thus there is a margin for interpretations in the question setting and answering. Yin (2003) suggests allowing key informants to review the draft of a case study report, which was used in this study to diminish the possible impact of language barriers.

Evaluation of the reliability of my interpretations is based on two factors. First, I have been working in the university context, which has given me an insight to some of the organizational matters. Second, I was kindly supported by Prof. Hannu Seristö, who has a deep understanding on the dynamics of internationalization in universities. He has not only been involved with the establishment of Aalto University's strategic partnerships, but discussed several times with top management of some top universities and the accumulated knowledge has remarkably added my understanding of the topic as well.

Throughout my study I have followed with my best ability the ethical principles and guidelines that are related to academic research (Eriksson & Kovalainen, 2008).

7 Suggestions for future research

This study focused on understanding the prerequisites that higher education, especially teaching-learning process has as a service export. Closer attention was given to partnerships and how they possible enable the delivery of cross-border education. Internationalization in the context of higher education, and even more scoped internationalization abroad, includes several interesting topics for further research. Business aspects have been researched very little. To continue the contribution that this study gave – the examination of issues to consider when planning higher education export in the form of cross-border education and with the help of partners, I will next present some topics for future research.

Observation study of the partnership formation process, with focus on decision-making

This study focused mainly on historical events and experiences from a limited number of case organization representatives. A study with participant-observer in the actual partner formation process would add deeper understanding of the decision-making process and weighting of risks and opportunities, than a study with this setting could possibly do.

Comparative study of the evolving of business models in the early phases of higher education export

Personally, the original interest to start off with this thesis came from the interest to understand in which ways business models of higher education programs evolve in the education export process. This approach would require identifying different variables of education exporting business models and their possible adjustments before and during the export process. Longer-term study would also add credibility to the matter.

Productizing of higher education programs for cross-border education services

The study would take understanding the setting defined by soft service characteristics, international operating environment, and inter-cultural elements further in order to understand a more systematic way to productize higher education services. Operators such as Aalto Executive Education or Aalto Design Factory could be an interesting experimentation platform for observation, to understand how customization and standardization could be balanced to more efficiently manage export operations without giving up the core, such as quality requirements or organizational culture.

Co-creation of double degree programs from the scratch: business possibilities for third parties

How could a design-business-oriented organization act as a middleman between two potential partner universities in the formation of joint or double degree program? The study could try to understand what kind of role the middleman would have in the process considering the credibility and reputation requirements that are, according to this study, tightly linked to the co-operations between universities. What kind of business opportunities there might be for third parties?

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Appendices

Appendix 1. Conducted interviews and question sets

Interviewee	Organization	Title	Date and duration
Viljami Lyytikäinen	Aalto Design Factory	Head of International Operations	November 17th, 2015 1:14

The following set of questions acted as a conversation starter for a semi-structured interview. Some of the questions become answered in earlier phase of interview and some further questions rose during the discussion.

1. Could you introduce yourself, your education background and the current position in Aalto Design Factory?
2. Could you tell me about the partnership models that you have?
3. What are the motives and rationales behind building the network?
4. What was the main idea for starting to build a network? When was it and who had the idea? What were the main steps taken in the beginning?
5. What are the benefits for you in it? Are there any risks related to the network?
6. What are the objectives of having such network?
7. How have you adjusted the operations due to network?
8. How do you choose the partners?
9. How do you interact with your partners?
10. What's the level of integration with them?
11. How does it affect your decision-making?
12. Are there any experienced down-sides in the network?
13. What are the major costs in your operations and related to network? Do you create any revenue?
14. What is the role of ADF in relation to other Design Factories?

Interviewee	Organization	Title	Date and duration
Hanna-Riikka Myllymäki	Aalto Executive Education	Business Area Director	November 30th, 2015 1:17

The following set of questions acted as a conversation starter for a semi-structured interview. Some of the questions become answered in earlier phase of interview and some further questions rose during the discussion.

1. Would you introduce yourself, your education background, work history briefly and your position in Aalto Executive Education?
2. Aalto Executive Education is a Ltd. When was it established and for which reasons?
    a. What is the ownership base for Aalto University?
    b. Did Aalto University join in 2010 or later?
    c. What was the name of AEE originally?
3. AEE has three remarkable accreditations (AACSB, AMBA, EQUIS). When was AEE accredited and how big an impact it has on revenue, reputation and operations?
4. AEE is involved in international networks: (UNICON (International University Consortioum for Executive Education), EFMD (The European Foundation for Management Development) and PIM (Partnership in International Management) + CEMS).
    a. What's the benefit of belonging? (branding, improving quality, gaining and sharing knowledge)
    b. What does it require from AEE?
5. AEE is the most remarkable education exporter in Finland. How would you define your export product(s)?
    a. What are the brand traits associated with them?
6. What was the first cross-border education product and where?
    a. What were the main rationales for such export?
    b. What were the most important steps taken in the beginning?
7. Looking at AEE offices internationally, I got an image that many of them are linked to local education institutions. Could you describe what kinds of partnership models you utilize in your international operations (education export)?
8. Helsinki is the headquarters for European and Korean (YonSei) operations. (Poland, South-Korea, Swedent, Baltia, Russia, Iran?)
    a. Could you tell what has led to keeping management of Korea operations in Finland?
    b. What functions you have locally in the offices outside Finnish borders?
9. Singapore office manages other Asian and Pacific operations. (Taiwan, China, Indonesia,)
    a. So in Singapore you have a Ltd. Who owns it?
    b. Could you tell a bit about the background, why did you end up having this kind of arrangement?
    c. Are you utilizing licensing agreements?
10. Years 2012 and 2013 seemed to be very active years in international expansion. What lead to this?
11. Could you describe what is the role of partnerships in your operations?
    a. What is the level of integration and governance in your international operations? (ownership, decision making)
12. What are the experienced benefits from partnerships?
13. What are the risks and hindrances associated with partnerships?
    a. What kind of adjustments (for example standardization, customization) has international expansion required from you?
14. How do you manage and control quality in your global operations?

a. How do you interact with local branches?

15. When planning for expansion in new market areas, which are the most important factors to consider?
    a. How do you usually proceed? Local partner finding? Meetings? Agreements?
    b. How do you choose your partners?
    c. What is the product you usually offer and why? A branch or a licensed/franchised programme?
        i. What is the level of customization?
16. What have been the main lessons you have learned from international expansion in regards with partnerships?
17. Who formulates the education design such as syllabus and teachers?
18. What kind of marketing arrangements you have within the partnerships?
19. How detailed concepts AEE has and how do you transfer it?

Interviewee	Organization	Title	Date and duration
Prof. Hannu Seristö	Aalto University	Vice-President, External relations	January 22nd, 2015 0:49

The following set of questions acted as a conversation starter for a semi-structured interview. Some of the questions become answered in earlier phase of interview and some further questions rose during the discussion.

1. Could you start with introducing yourself briefly?
2. Based on what criteria Aalto University selects its partners?
3. How would you describe the value of co-operating with Aalto University? As Aalto is relatively small and new university, where do you see the greatest potential lying here?
4. Is there some kind of categorizing or labeling of different partners or universities that Aalto is co-operating with?
5. How do you evaluate the balance between partner's reputation and for example expenses, when forming partnerships?
6. How do you evaluate the value to branding and reputation by having a platform like ADF and that there is this DFGN around it?
7. When I interviewed Viljami in November, he told me the story how collaboration with Tongji started. Is it very common that partnerships start a bit by accident? Are there any shortcuts, or does it always require the input of two people knowing each other beforehand?
8. How long a process it usually is to start from the scratch with negotiating with someone and building the trust, and so on?
9. Looking at Aalto Executive Education, what's your role in it?
10. When they start looking for new foreign partners, since Aalto is the owner of company, how much you or other Aalto people have to say in the process?
11. Since you are involved with management from many different universities, do you have any insights or have you noticed any trends in the higher education export, or in the collaboration between universities?
12. Thinking of situations, when something has been taken to Aalto, for example this ME310 program *[from Stanford]*. Were you involved in the process then? Which factors are mainly discussed in that kind of negotiations and what has been for example for that case the reason for proceeding? What's the benefit for Aalto in that?
13. What factors in your opinion might help or influence the partner formation process? What's the

role of personal relations in that?

14. If we move on to talking about the actual service. For instance Design Factory, which of course it's a platform but then again they have really strong organizational culture there. We were discussing with Viljami that maybe some of the ponteial partnerships have failed due to not finding the good match on the cultural level. How do you evaluate that, how much in your opinion it's good to adjust the actual service or the brand of certain program in order to form partnerships?
15. How big of an impact having initiatives such as Design Factory or IDBM, these kinds of programs that represent Aalto values outside the Finnish borders, in foreign universities? What kind of an impact do they have on the university?
16. In your opinion, what's the most efficient way to start negotiations? How important you consider being able to productize a program into some kind of concept model or book? Or is it more important to take interested people to actually see the experience?

Appendix 2. Collected documentation

Type of document	Details
Online publications	DFGN Atlas 2015 (http://issuu.com/aaltodesignfactory/docs/dfgn_atlas)
Paper publications	A year at Aalto Design Factory. Publication 2015.
	Together… Global Design Factory Network. Fall 2013.
Internal documents	Design Factory 101: deep-divers' preparation sheet
Websites	Design Factory Global Network website (http://dfgn.org/)
	Aalto-Tongji Design Factory website http://sfc.tongji.edu.cn/
	Swinburne Design Factory website http://www.sdf.org.au/
	Duoc Design Factory website http://www.duoc.cl/designfactory/
	IdeaSquare at Cern website http://knowledgetransfer.web.cern.ch/ideasquare/about
	Porto Design Factory website https://portal.ipp.pt/portodesignfactory.aspx
	Design Factory Korea website http://dfk.yonsei.ac.kr/
	Frisian Design Factory website http://www.frisiandesignfactory.nl/
	RTU Design Factory website http://www.rtudesignfactory.com/
	Philadelphia University Nexus Design Factory website http://www.philau.edu/
	Aalto Design Factory website (http://adf.fi)
	Aalto Executive Education website (http://aaltoee.com/) • About us • Newsroom