EDUCATION AS AN EXPORT:
The Globalization of U.S. Higher Education and the Emergence of the Overseas Branch Campus
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trends and Opportunities</td>
<td>2</td>
</tr>
<tr>
<td>Meeting the Challenges</td>
<td>3</td>
</tr>
<tr>
<td>The CFO’s Role: Looking Through the Financial Prism</td>
<td>4</td>
</tr>
<tr>
<td>Assess Demand, Proceed Cautiously, Examine Alternatives</td>
<td>6</td>
</tr>
<tr>
<td>Leaders, Movers and Shakers</td>
<td>7</td>
</tr>
<tr>
<td>Best Practices</td>
<td>8</td>
</tr>
<tr>
<td>The Road Ahead</td>
<td>9</td>
</tr>
</tbody>
</table>
Globalization—the process by which regional economies, societies, and cultures become integrated through a network of information technology, transportation, and trade—is having a profound impact on U.S. higher education as the world continues to shrink and international barriers continue to fall.

One of the key outcomes of globalization is the way in which higher education institutions interface. Evolving beyond the legacy forms of engagement—studying abroad and exchanging international students and scholars—institutions are forging global footprints. By establishing a physical presence overseas, they offer the benefits of a western education to foreign students in their home nations.

The U.S. is a leader in this regard. Our country’s higher education system, long envied around the world, has become a valuable export as a growing number of American universities—along with those from Australia, Great Britain and other countries—compete to set up cross border operations in developing and emerging economies where there are limited opportunities in higher education.

The natural evolution is the establishment of the overseas branch campus. According to the Institute of International Education, the overseas campus represents a bricks and mortar presence in a host country (library, laboratory and research facilities and classrooms), is wholly or jointly owned by the degree-awarding institution and has a student body where the majority are either residents of the host country or a third country.

Branch campuses are a direct response to the growing needs of global higher education. In many countries, especially those classified as emerging markets, demand is exceeding the ability of those countries to deliver higher education to their students.

This white paper will provide chief financial officers and treasurers at U.S. colleges and universities with insight, financial strategies and best practices to help capitalize on the trends, challenges and opportunities impacting the rise of the overseas branch campus.

The entourage that accompanied President Obama on his state visit to India in 2010 included a delegation of Presidents from six leading American universities looking to establish a physical presence there—offices, research facilities and campuses. While the Indian government has stepped up its efforts to recruit U.S. schools like Yale and Duke to help educate its 550 million people under age 25, it represents just one of many countries with similar ambitions.
Trends and Opportunities

According to the Observatory on Borderless Higher Education, there are 162 branch campuses currently operating globally. Nearly 50 percent of them are branches of American universities that largely serve residents of the host country, international students seeking an American education but unable to come to the United States, and American ex-patriots and study-abroad participants.

Who is behind this accelerating trend? The countries that have taken the lead in internationalizing higher education are identified in the charts below.

Emerging market economies such as China and India are committed to leveraging the economic benefits of an educated population. Both are working to boost enrollment—either by developing their own world-class institutions or importing the resources from the U.S. and others.

Host countries like Singapore and the United Arab Emirates (UAE) have invested heavily to attract top-tier foreign universities staffed by top professors and researchers to create “hubs of excellence” in order to:
- Improve educational infrastructure and increase capacity on a local level
- Counter the migration of domestic students
- Enhance ability to attract foreign students who provide sources of intellectual currency, hard revenue and the potential to remain after graduation as skilled members of the workforce

International Academic City in Dubai—the world’s only free zone dedicated to higher education—defines the hub concept. Established in 2007, the facility aims to develop the talent pool across the Gulf region and firmly establish the UAE as a knowledge-based economy.

Singapore intends to draw 150,000 international students by 2012. Through November of 2010, they had taken major steps to achieve that goal by attracting Stanford, MIT and the University of Chicago Graduate School of Business.

U.S. institutions considering cross border activities stand to gain materially on a number of fronts, and are discovering that an overseas presence:
- Provides a sound strategy to raise their profile and build their brand
- Helps secure and build international relationships
- Increases revenue by tapping a new pool of college age, tuition-paying students
- Expands their alumni base and ensures future centers of influence
- Creates enhanced opportunities for student, faculty and staff mobility
- Adds to the cache of international prestige and achievement

### Branch Campus Exporters

<table>
<thead>
<tr>
<th>Source Country</th>
<th>Number of Campuses</th>
<th>Percentage of Total</th>
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<tbody>
<tr>
<td>U.S.</td>
<td>78</td>
<td>48.1</td>
</tr>
<tr>
<td>Australia</td>
<td>14</td>
<td>8.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13</td>
<td>8.1</td>
</tr>
<tr>
<td>France</td>
<td>11</td>
<td>6.8</td>
</tr>
<tr>
<td>India</td>
<td>11</td>
<td>6.8</td>
</tr>
<tr>
<td>Other</td>
<td>35</td>
<td>21.6</td>
</tr>
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### Branch Campus Hosts

<table>
<thead>
<tr>
<th>Source Country</th>
<th>Number of Campuses</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>40</td>
<td>24.7</td>
</tr>
<tr>
<td>China</td>
<td>15</td>
<td>9.3</td>
</tr>
<tr>
<td>Singapore</td>
<td>12</td>
<td>7.4</td>
</tr>
<tr>
<td>Qatar</td>
<td>9</td>
<td>5.6</td>
</tr>
<tr>
<td>Other</td>
<td>76</td>
<td>47.0</td>
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Meeting the Challenges

Success or failure is relative to the level of planning, research and due diligence invested in the process. It is incumbent upon university decision makers to clearly articulate their understanding of the cultural, demographic and political issues presented by a potential host country as well as the educational needs and goals of students. Aside from the prerequisites of demand assessment, site location, organization and financing, there are a number of issues that must be considered. For example, will your presence be perceived as a benefit or as an act of cultural imperialism? Is the government stable? Are there signs of political unrest? How strong is the economy? How mature are the financial markets? Are there experienced partners to meet your daily and longer-term cash management, credit and liquidity needs?

Authenticity and Student Recruitment

As the expectations of foreign governments, accreditation bureaus and foreign students continue to rise, calls for the experience of a home campus grows louder. In response, forward-thinking U.S. institutions will have to find ways to fundamentally provide the same high-quality course curriculum, world-class facilities and expert faculty to attract and retain more students.

This concept of authenticity—replicating the core strengths of the home campus—is beginning to change operating philosophies as institutions search for fresh methods to recruit a student body of similar quality to the home campus, deliver an equivalent education and maintain core academic standards.

Achieving this is potentially problematic for attracting, engaging and enrolling students. Foreign governments have fast-tracked programs to upgrade, expand and improve the quality, reputation and prestige of their universities and related facilities. The education hub in the UAE is a case in point as the number of branch campuses there offer local and regional students more choices.

In his article The Branch Campus Bubble?, Professor Philip G. Altbach, Director of the Center for International Higher Education at Boston College, provides a fundamental definition of the true overseas branch campus. According to Professor Altbach, an institution must be able to replicate conditions inherent on its home campus for its overseas campus to be considered authentic. Students, in essence, should receive the same—or close to the same—educational experience, reinforced by equivalence in the quality of instruction, and taught and supported by professors and staff recruited from the home campus whenever possible.

It is not enough to simply stamp a university’s name on a degree. “The actual quality and at least a semblance of the academic experience and culture at the home campus must be provided for a branch campus to deserve to offer a university’s degree. Anything less “dilutes the brand” and should not be called a branch.”

Recruiting Faculty

In a perfect world, the professors teaching at overseas campuses would all come from the home university—but achieving this scenario is unlikely. In many cases, senior faculty actively engaged in research projects, especially in the science disciplines, are hesitant to leave their work for any extended period of time for an overseas assignment. Plus, entry-level staff often view overseas positions as counterproductive to their chances for advancement.

These feelings are often magnified by concerns over educating their own children,
finding work for spouses and other core lifestyle issues making it difficult to recruit top-quality educators, senior administrators and staff members. Efforts are currently underway in China, Singapore and Saudi Arabia to create world-class research universities to attract top educators and students. To gain a competitive advantage, U.S. universities will have to plan creatively to design benefits packages that are substantive enough financially and that meet quality of life requirements to offset competitors. To offset staffing shortfalls, many American institutions often recruit professors with no affinity or work experience with the home campus. Candidates are sourced from within the U.S., from among Americans based in the regional footprint of their overseas branch, or from among locals whose resumes include some level of experience in the U.S.

Funding the Enterprise
In exchange for committing to set up shop, providing a quality education and conferring degrees upon their students, many foreign governments often present American universities with a financial offer they cannot refuse. Incentives and subsidies aside, you cannot depend on the host country to fund the lion’s share of your operating costs.

Accomplishing the financial mission of securing commitments to long-term funding means cultivating relationships with government agencies, local partners, private investors and other sources within the host country.

The prudent management of day-to-day financial operations should include local resources that offer similar products and services to the ones you use to ensure liquidity, access to credit and steady cash flow for the home campus. A foreign exchange risk management program to protect against exchange rate volatility is also a must since you’ll likely be dealing in multiple currencies.

The CFO’s Role: Looking Through the Financial Prism
As the chief financial decision maker, your active involvement and oversight in the branch campus planning, vetting, implementation and management processes is an operational imperative.

As you put these pieces in place, having a financial resource that can assist at both a strategic level with planning efforts from the home campus along with the tactical launch of the overseas branch can be invaluable.

Your checklist for sourcing potential partners should include a financial institution with a proven track record and has the ability to provide:

- Comprehensive funding strategies
Information and insights on local business practices in the host country

Local financing options and regulatory compliance

Global cash and treasury management

Consider a combination of the following financial products:

**Treasury Services**
Core cash management solutions that allow you to:

- Manage liquidity by making the most of your idle cash for improved cash flow
- Manage bank account information using timely transaction reports to track activity in local accounts
- Speed collection of tuition and fees by supporting the preferred payment methods of international students

A layer of fraud prevention solutions can be added to the mix as needed to protect balances and ensure accurate payments.

**Credit Services**
Knowing your ability to borrow locally for working capital needs is a key ingredient for your cash flow forecasting. Additionally, depending on your time horizon and expectations for local government funding, long-term debt may be needed to build out your branch campus, and allow you to purchase real estate to expand your campus footprint over time.

**International Services**
Choosing a financial institution that has a strong focus and experience in the international markets is important for success in today’s global landscape.

Access to global Foreign Exchange (FX) risk management services and hedging tools can help reduce costs associated with managing the overseas enterprise and mitigate risks associated with fluctuations in foreign currency rates.

Work closely with your financial partner to help identify, reduce and pre-empt FX risk by:
- Forecasting cash flows in varying currencies
- Utilizing all the prudent hedging tools, including forwards and options
- Determining the success of hedging activity on locking in your operating budget

You will also face new regulatory requirements, foreign currency bank accounts, and different payment best practices, so choose a financial institution that can help you navigate the various options.

**Commercial Card Programs**
As a preferred payment method for all types of transactions, financial decision makers often view card payment solutions as the cost-effective tool of choice. They rely on the practical advantages of commercial card programs to deliver better working capital management practices and greater control of procurement and travel spend by:
- Centralizing the purchasing function
- Improving payables management, tracking and control
- Optimizing spend visibility
- Enhancing card acceptance strategies for accelerated collections
- Developing disciplined auditing and compliance practices
- Reducing cost by cutting reliance on paper-based processes
- Increasing working capital and improving liquidity
Card programs can also help control and track low-value, high-volume, indirect spend transactions on goods and services not core to your operation.

Assess Demand, Proceed Cautiously, Examine Alternatives

Successful implementation of an international branch campus initiative is rooted in three basic principles offered by educators Kevin Kinser and Jason E. Lane of the Institute for Global Education Policy Studies at the State University of New York at Albany. Kinser and Lane conducted a study of over 40 overseas branch campuses in 10 countries and have boiled the results down to a trinity of sound advice:

- Carefully listen to and assess student demand within the host country
- Start slow and proceed cautiously through the due diligence process
- Examine all alternatives to optimize chances for success

Based on increased global competition for international students, plus the analysis of results from successes and failures, peer institutions have become acutely aware of the long-term costs and risks involved in establishing a branch campus. This has created the need for alternatives that include the search for potential sponsors, negotiating with host governments to secure space by either leasing it at a significant discount or rent-free, and entering into public-private partnerships to share and reduce financial and reputation risk.

Partnering With Overseas Institutions

Developing collaborative relationships with like-minded overseas partners represents a prudent strategy for risk-averse American universities. There is no “one size fits all” definition of partnership. However, it often includes the sense that the relationship extends to general departments at each university partner, involves faculty members, graduate and undergraduate students, and is multidimensional with research, teaching and possibly, even service components.

Partnerships can help make internationalization more cost effective. While bearing less financial risk, developing strategic international partnerships is not without challenges. The discovery process is the first step towards identifying a potential partner. This process is often susceptible to false starts, and since each opportunity is uniquely different, there is no set model to emulate.

Should a potential partner with a shared strategic vision and mutually compatible mission emerge from this trial period - expect to invest significant quality to get to know each other, build confidence and establish a relationship based on trust and other common bonds. Differences in institutional philosophies and cultures will also have to be acknowledged and accommodated. Working together through these challenges will reveal where the true fit is between both organizations.

The University of North Carolina at Chapel Hill (UNC-Chapel Hill) has demonstrated that partnerships can be as bold an initiative for internationalizing as setting up an overseas campus.

An institution’s success is grounded in its mission and core values, empowering it to project its brand identity onto the global stage. In their article “Partnerships: An Alternative to Branch Campuses Overseas,” UNC-Chapel Hill professors Peter A. Coclanis and Ronald P. Strauss provide a fair and balanced assessment of the successful collaboration between UNC-Chapel Hill and the National University of Singapore (NUS).

Considered one of the best universities in Asia, and ranked among the best in the world, NUS is a public institution with a:

- Wide range of schools
- Prolific and ambitious set of research goals
- Commitment to graduate and undergraduate teaching
- Sense of service to society

These attributes reflect DNA compatibility with UNC-Chapel Hill. Today, both universities are actively involved in "joint research and teaching projects, host respective faculty
members for short- and long-term visits, exchange students, share institutional information, and have even attempted some joint fundraising."

The Ohio State University is pursuing a very different approach. In early 2010, the school opened a liaison office in the central business hub of Shanghai, China, as the first step in the implementation of its “Gateway” strategy to create a truly global presence.

The Shanghai office—modest rented space in a high-rise—represents the first of at least six “global gateways” to be established in countries that are of cultural and economic importance and where Ohio companies have already staked out a major presence. As the pilot program, the Shanghai gateway office will be measured by how effectively it is able to:

- Secure and strengthen partnerships between Ohio State and Chinese universities
- Encourage teaching and research collaborations between faculties
- Build international institutional partnerships
- Identify international educational experiences for students
- Recruit international students and scholars
- Create networking opportunities for international alumni

Concurrently, Ohio State hopes to win approval from the Chinese government to operate as a foreign-owned enterprise and obtain the licenses required to offer specialized executive-training programs to both business leaders from Ohio-based companies and foreign multinationals to help them compete on the global stage.

Since its inception, the school’s efforts to forge relationships in Shanghai have begun to generate results. Ohio State has seen a significant increase in alumni activities in China, the number of Chinese students applying for undergraduate and graduate admissions is on the rise, and there has been a significant jump in faculty collaborations.

Leaders, Movers and Shakers

Having established branch campuses in the Middle East and China, American institutions are turning to India as the next logical destination to export their system of education. The list of schools includes some of the most prestigious names in higher education:

- Duke, Brown and the University of Chicago are planning offices, research facilities and campuses.
- University Presidents from Stanford and Cornell have traveled to India to raise money for collaborative efforts.
- Yale University is setting up a joint program to educate India’s educators.

The UAE, a leading catalyst for internationalizing higher education has achieved success by attracting world-class universities to their region through generous financial offers and other incentives. Students in the UAE have their choice of attending the branch campuses of several top-tier U.S. institutions based on their chosen field of study:

- Medicine at Cornell’s Weill Medical College
- International Affairs at Georgetown
- Journalism at Northwestern
- Engineering at Texas A&M

The icon of the current wave of global expansion is New York University (NYU). The school positions itself as a global university linked by global technology and taught by global professors. NYU has established itself in Buenos Aires, Shanghai, Singapore, Tel Aviv, and Abu Dhabi, with more growth expected.

The Abu Dhabi campus is NYU’s showcase. This new facility was built and paid for by the local emir. Positioned as “the world’s honors college,” it includes a large American faculty attracted by subsidized housing, school tuition coverage for dependents, and business-class travel.

Similarly, Florida State University (FSU) opened its Panama City branch campus more than 50 years ago to educate U.S. service personnel stationed in the Canal Zone. When control of the Canal was transferred to the Panamanian government in 1999, FSU opened its program to foreign students. Today, over 400 of them—including nearly 100 Americans—are working toward undergraduate degrees in computer science.
science, interdisciplinary social science and environmental studies.

While recent history has blessed branch campus expansion, the trend is not fail safe. Since the mid 90s, a dozen campuses have ceased operations. Most recently, two leading U.S., institutions were forced to reduce or terminate their overseas campus activities. Their decisions were driven by downward financial pressure rooted in the global economic instability and the inability to reach critical mass among tuition-paying students.

Best Practices

Consider these prudent steps to enhance your chances for success:

- Perform due diligence to help identify how the operation will be built, organized, managed and funded.
- Research the depths of the host country’s regulatory and financial landscape for a clear picture of compliance issues, lending practices, tax laws and other fiscal impacts. Too often, lack of initiative leads to an inaccurate, clouded picture of these important issues.
- Directly assess the demand for your services through face-to-face conversations with potential students to gauge goals, interests, aspirations and expectations. This will give you an honest appraisal of how you are perceived and avoid depending on input from government and academic sources in the host country.
- Avoid overconfidence when planning degree programs. Take a disciplined approach to limiting the number of programs offered. It is better to start small and add based on real demand than to cut courses due to a lack of students available to fill them.
- In the control vs. autonomy debate, remember that what is good for the home campus is not necessarily good for the overseas campus. Craft clearly delineated oversight and control policies. These will enable you to maintain established standards at the overseas branch while ensuring it retains some flexibility to make financial decisions based on circumstances, opportunity, or timing.

Failing to enact the proper financial controls can result in granting the branch too much autonomy while overly restrictive controls can limit the branch’s freedom to act and ultimately succeed. Strive for balance.

There are approximately 3.3 million students currently studying outside their native countries.

hire good people, set reasonable ground rules, and stay in the loop.

- Your brand is everything. Disciplined marketing practices can help build it, communicate its value proposition and reinforce what it represents. Increasing brand awareness with clearly defined messaging and strong offers will elevate the perception of your institution and pre-dispose targeted market segments at home and in the host country to your unique selling proposition.

The Road Ahead

The financial mapping process for internationalization will be influenced by many factors, including the needs, regulations and financial support available in the host country, the prevalence and willingness of potential partners, and the core strengths, capabilities and fiscal commitment of your institution.

The ongoing uncertainty in the global economy is another component as it creates headwinds that are affecting student supply and demand overseas and ultimately the decision for U.S. institutions to pursue a global footprint. Here at home, schools confronting financial issues could be less inclined to expand abroad. Even if there was support for moving ahead, some universities may view the mandatory requirements of time and effort, plus the unavoidable commitment to incurring costs as a deterrent.

Syracuse University in Florence began as one of the first study-abroad programs in Italy and has seen its branch campus evolve with the times. What better place to offer study options in Architecture, Art History, Humanities, Social Sciences and Business, Italian Language and Culture, and Studio Arts. Today the school has over 80 faculty and administrative personnel on site to serve a student body of approximately 320 undergraduates—30 percent of whom are from the University’s home campus.

Consider the case of public universities. They face multiple fiscal constraints inherent in this time of economic uncertainty and the struggle for state government-sponsored funding. These challenges would appear to make it more difficult to endorse the luxury of international expansion at the expense of adequately funding the main campus here at home. Conversely, city-based institutions come up against a different challenge. Limited by their geography and a limited number of opportunities to expand contiguous to their urban footprint, many often view going global as the best chance to grow their student body and revenue base.

At the end of the day, it comes down to opportunity vs. risk. Faced with uncertain financial circumstances, you, your peers and the university’s centers of influence might agree that this is not the time to take on this type of venture.

On the other hand, you could decide that these times present unique opportunities that should not be ignored.
