

WHY DO ENGLISH UNIVERSITIES REALLY FRANCHISE DEGREES TO OVERSEAS PROVIDERS?

INTRODUCTION

Franchising degrees to overseas providers, normally for-profit private companies, has developed into a major activity for English universities. The latest data from the Higher Education Statistics Agency (HESA) reveal that there are now more international students registered for the awards of English higher education institutions that are studying wholly offshore than on the universities' home campuses.

Franchising is widely regarded as a commercial, revenue-generating enterprise, which allows universities to sell degrees to foreign students who are unable or unwilling to travel abroad for study. During 2012, the UK's Minister of State for Universities and Science repeatedly stressed the financial benefits to universities of this form of transnational education.

The belief that franchising offers a route to easy profits also underpins a long-standing concern that some universities may be tempted to trade off quality against higher revenue, for example by admitting weaker students to their overseas programmes or operating from more basic premises abroad. As early as 1997, the Quality Assurance Agency was charged with auditing UK universities' overseas franchises to mitigate this perceived risk.

However, the evidence base for believing that franchising is primarily motivated by financial consideration, perhaps coupled with a secondary desire to broaden a university's international 'footprint' and so its prestige, is limited. HESA only began reporting data on enrolments in franchised programmes in 2008/09 and does not provide an institution-by-institution breakdown of the statistics. There is no official data on the revenue (net or gross) from such franchises, either at sector or institutional level, and no requirement for universities to report such information in their annual accounts.

Moreover, while there is an extensive economic literature exploring the motives for franchising (or licensing) by multinational companies, there have been very few studies that have attempted to understand the reasons why English universities franchise their degrees to

overseas partners. Most tentatively conclude that revenue is the dominant purpose, but concede that there is little hard evidence on which to base this finding, given the absence of auditable data and the understandable reluctance by universities to release commercially sensitive information.

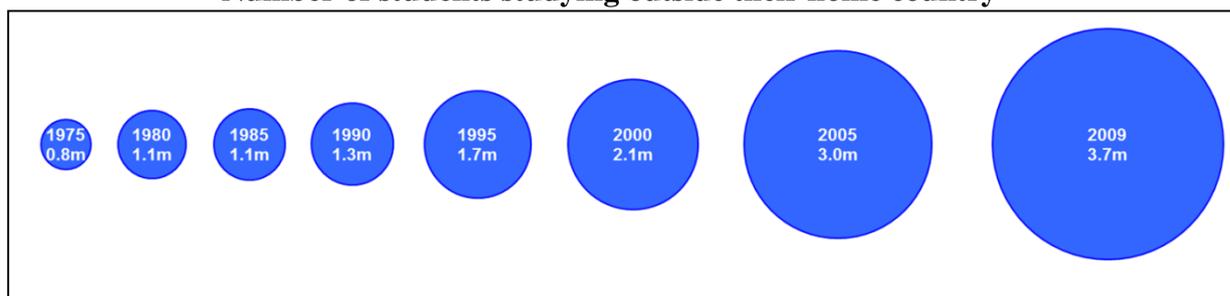
At the same time, there are numerous examples of franchise operations which are so small scale and in such remote markets that it is hard to see they could generate a positive rate of return on investment (eg, Middlehurst *et al.* 2009), suggesting that other factors may also play a role in determining why and how a university enters and sustains an overseas franchise. One telling statistic is that, in a 2011 survey, international branch campuses (IBCs) — where ‘minimum efficient scale’ is presumably much higher than for a franchised operation — reported that average (headcount) enrolments per campus was only 730 students (Lawton and Katsomitros 2012, p.33).

This study attempts to get inside the ‘black box’ of organisational decision-making, using an exploratory research methodology to investigate the motives of key actors for entering and maintaining franchising operations at four selected English universities.

LITERATURE REVIEW

Higher education institutions (HEIs) have been internationalising in many countries. As Altbach and Knight (2007, p.290) note, ‘initiatives such as branch campuses, cross-border collaborative arrangements, programs for international students, establishing English-medium programs and degrees, and others have been put into place as part of internationalization’. The most striking dimension of this internationalisation has been the rise in the number of students studying at HEIs outside their own country. Figure 1 shows that this market has grown from 0.8m in 1975 to reach 3.7m by 2009.

FIGURE 1
Number of students studying outside their home country



Source: OECD Education at a glance 2011

English HEIs have been amongst the most successful national systems in terms of attracting foreign students. Table 1 shows the number of students enrolled on English campuses in 2010/11. It shows that compared with the 1,746,065 UK students enrolled, there were a total of 351,155 foreign students (102,700 other European Union, 248,455 non-European Union) or 16.7% of the total. This is the second highest proportion of any national system, after only Australia, with approximately 22% international enrolments.

TABLE 1
Students studying on campus at English HEIs (2010/11)

	Level of provision		
	Postgraduate	Undergraduate	Total HE level
UK	316265	1429795	1746065
Other European Union	40855	61845	102700
Non-European Union	134270	114185	248455
Total	491395	1605825	2097215

Source: Higher Education Statistics Agency

The rapid increase in the number of students studying for a foreign degree without leaving their home country has, however, attracted less attention. The UNESCO/Council of Europe define transnational education (TNE) as ‘all types of higher education study programmes, sets of study courses, or educational services (including those of distance education) in which the learners are located in a country different from the one where the awarding institution is based’ (*Council of Europe* 2002).

The World Trade Organization (WTO), through the General Agreement on Trade in Services (GATS), defines four categories of cross-border trade in services, depending on the location of the supplier and the consumer at the time the service is traded (see Table 2).

TABLE 2
Definition of Services Trade and Modes of Supply

Mode 1 — Cross border trade	From the territory of one Member into the territory of any other Member
Mode 2 — Consumption abroad	In the territory of one Member to the service consumer of any other Member
Mode 3 — Commercial presence	By a service supplier of one Member, through commercial presence, in the territory of any other Member
Mode 4 — Presence of natural persons	By a service supplier of one Member, through the presence of natural persons of a Member in the territory of any other Member

Adapted from *World Trade Organisation* 2012

Mode 2 represents traditional ‘export education’, in which universities recruit foreign students to study on their home campuses. In the higher education context, mode 1 embraces virtual forms of cross-border supply where the university has no physical presence in the country of the consumer — for example, offering distance or on-line education.

Mode 3 refers to the delivery of educational services through a third party, the ‘service supplier’, so that the supplying university does not have its own staff teaching at the foreign location; such arrangements typically entail a private college offering degrees awarded by a foreign university, which is responsible for quality assuring the qualification. Mode 3 therefore relates to franchising, where the degree delivered by the private college may be wholly or closely based on the same degree taught on the home campus of the foreign university. Alternatively, the private college may have been ‘validated’ to offer a degree of its own design, which is awarded by the foreign university (see Middlehurst and Campbell 2003 for an extensive discussion of terminology).

Finally, mode 4 involves the presence of ‘natural persons’ from the university being based in the foreign country to deliver the teaching; this physical presence stretches from the ‘fly-in’ model, in which university staff travel to the foreign market to deliver short periods of

intensive teaching, possibly in rented conference accommodation, to full-blown IBCs, in which the university has a 'bricks and mortar operation.

In WTO terms, TNE includes supply modes 1, 3 and 4. Table 3 shows the number of TNE students studying wholly overseas, either by registering directly with an English HEI (via mode 1) or studying for the award of an English HEI offered through a third partner (mode 3) or, more rarely, IBC (mode 4). The data collected by HESA do not distinguish between mode 3 and 4 supply. In 2010/11, the total had reached 459,415, with the majority (58.5%) studying via modes 3 and 4 rather than directly with the English HEI. Over the period 2008/09 to 2010/11, the number of students studying wholly overseas for awards of English HEIs has grown 31.5%, twice as fast as the 15% increase in foreign students studying on campus at English HEIs.

The scale and growth of this market has attracted less attention because it is so hard to regulate and measure. In a study of the growth of TNE for UNECSO, Martin (2007, p.21) noted that 'in many countries, data on transnational provision was not readily available and needed to be collected from advertisements and the Internet.' In most cases, information on the number students enrolled in TNE is recorded by neither the country of the HEI or the country of the student, a situation akin to the 'Eurodollar' market where banks which operate in foreign currencies evade control by both their own national regulators and those of the currencies in which they operate. Data for UK HEIs, for example, has only been collected by HESA since 2008/09, with previous estimates of the size of the market using proxies, like the number of overseas examinations invigilated by the British Council on behalf of UK HEIs (eg, Kemp 1994).

TABLE 3
Students studying wholly overseas at English HEIs (2010/11)

	Level of provision			
	Postgraduate	First degree	Other undergraduate	Total HE level
Within the European Union				
Students registered at a UK HEI	16985	19310	2030	38325
Students studying for an award of a UK HEI	2300	22465	625	25395
Total	19285	41775	2655	63720
Outside the European Union				
Students registered at a UK HEI	46310	97610	8590	152510
Students studying for an award of a UK HEI	2795	239210	1180	243185
Total	49105	336820	9770	395700
All locations				
Students registered at a UK HEI	63295	116920	10620	190835
Students studying for an award of a UK HEI	5095	261680	1805	268580
Total	68395	378595	12425	459415

Source: Higher Education Statistics Agency

Not only has the growth and scale of HEIs' involvement in TNE been more opaque than trends in international student mobility, there also has been less research into the reasons why HEIs internationalise in this way. This is in contrast to work on the internationalisation of companies, where there is an extensive literature (eg, Vernon 1966, Johanson and Vahlne 1977, Agarwal 1980, Dunning 1980, 1981, Durrieu and Solberg 2006, Dunning and Lundan 2008).

Much of this literature emphasises the importance of experiential knowledge (ie, learning) in influencing companies' behaviour, suggesting that companies internationalise their activities

in distinct 'stages': starting with exporting, moving onto licensing (franchising) and finally foreign direct investment in the foreign country. Franchising is regarded as being a way of exploiting a company's ownership-specific advantages in a location that cannot otherwise be reached through exporting, where it is more profitable to serve this market through a local partner than internalising the activities through foreign direct investment in its own production and distribution facilities. The relative attractiveness of foreign direct investment may increase over time as the company learns cumulatively more about the foreign market, so that franchising may also be a stage on the road from exporting to operating a foreign production facility.

Within the literature on higher education, there are very few studies which have sought to investigate the reasons why universities engage in franchising. Writing in 1993, the Director of Quality Assurance at the Higher Education Quality Council noted, '[a]lthough there is an extensive - if often uncritical - literature on franchising in the business world, there is relatively little on educational franchising...There is virtually no public information regarding franchising to private institutions within the UK and to organisations beyond the UK, though this is hardly surprising given the sensitivity of commercial information about an activity conducted with a significant interest in its capacity to generate income' (Yorke 1993)(Yorke 1993, p.168).

In considering the possible motives for franchising, Yorke distinguished between franchising to domestic further education colleges in the UK, which he ascribed to the university's educational mission of widening participation, and franchising to foreign, for-profit colleges, which he judged to 'have a strong revenue-generation component and developmental potentials ranging from the (re-)enthusing of staff to the strengthening of the franchisor's internationalist orientation' (Yorke 1993, p.169).

Like Yorke, most subsequent researchers have been cognisant of that the fact that the vast majority of English universities are quasi-public bodies, whose mission is educational not profit-maximisation. Universities carefully couch their internationalisation goals in terms of teaching and research, rather than income generation, and there are clearly major benefits for the curriculum and research productivity of being internationally engaged. On the other hand, English universities are required to generate financial surpluses (in order to underpin their continued investment in estates and capital equipment) and their key stakeholders (staff,

students and governing councils) are likely to be hostile to the suggestion of cross-subsidising a loss-making franchise operation in a foreign country. And in England, the last two decades have been characterised by declining real *per capita* tuition subsidies and enrolment caps on domestic students, encouraging universities to venture into the unregulated international market for additional financial resources (Alderman 2001).

A major study of UK and Australian universities in 2003 concluded that ‘for most universities, the primary motivation for establishing OVCs [overseas validated centres] has clearly been financial... gross revenue per OVC student was in the region of £500 (which for most degree courses was only around 10% of the tuition fees for full time overseas students)’ (Bennell and Pearce 2003, p.224). Noting that some universities may engage in TNE as part of a ‘pseudo-development agenda’, Garrett (2004, p.6) nevertheless argues that ‘given the absence of detailed evidence to the contrary...income generation is the dominant motivation, and other rationales remain under-articulated’ although he concedes that ‘there is virtually no data indicating the financial viability of different forms or specific instances of transnational delivery’. Other commentators have taken a wider view and emphasised that, apart from financial goals, there may be reputational, or academic objectives for franchising (eg, McBurnie and Ziguras 2009). One survey reviewing the literature concludes that a significant motivation for some universities establishing offshore campuses is ‘to broaden their portfolio including prestige and brand name by extending to foreign markets’ (Shams and Huisman 2012, p.108).

While these explanations may account for some aspects of TNE, notably IBCs, it is hard to see the reputational and academic gains from franchising degrees to small, private colleges in developing countries. The recent case of the University of Wales, which was effectively closed in October 2011 after it was revealed that poor quality assurance practices meant that its degrees were being offered by dubious foreign partners, provides an extreme example of the reputational risks of franchising. At its peak, the University of Wales had 20,000 students studying in 130 foreign partner colleges. It was brought down by a series of scandals, including the revelation that the director of one college in Malaysia had fake qualifications and that Accademia Italiana in Bangkok had been operating illegally.

While the literature on educational franchising concedes that universities have a broader educational mission, so that ‘the motivations for internationalization include commercial

advantage, knowledge and language acquisition, enhancing the curriculum with international content, and many others' (Altbach and Knight 2007, p.290), there is a general consensus that when it comes to franchising, the dominant motive is income generation. Other possible motives like building international brand awareness and strengthening the university's internationalisation agenda appear to be much less evident in practice.

This view that TNE is big business is widely held by policymakers. In a speech on 18 April 2012, the UK's Minister for Universities and Science, David Willetts, urged universities to seize the global opportunities available and make TNE one of the 'great growth industries of the future'. In the speech, he argued that 'increasingly, emerging economies want to educate their students at home, and the UK – a global pioneer in developing educational facilities – is well placed to help... We not only have strengths in teaching and research but in design and construction of universities, mobilising finance, curriculum development, qualification accreditation and quality assurance' (Willetts 2012).

There is, however, an important gap in the literature. Studies of universities implicitly take the organisation as the 'unit of account', examining the corporate motivations for engaging in international franchising. However, the decisions within universities are taken by shifting alliances of powerful individuals operating in highly politicised committee structures. As Gore (2012, p.10) notes, universities 'tend to have complex and distributed power and authority structures with considerable autonomy vested in individuals'. Salancik and Pfeffer (1974) showed that organisational subunits compete within a university to acquire power over resource allocation (see also Pfeffer and Salancik 1974). Bess (1988) provides a comprehensive analysis of the processes and structures of decision making within university from an organisational behavioural perspective, exploring the interplay of bureaucracy, collegiality, authority and vertical power relations. While the decisions in relation to overseas franchising that are taken within universities may be rational and commercially sound, there is the intriguing possibility that other motivating factors, beyond those publicly espoused at institutional level, may come to dominate.

Most long-serving university administrators can point to examples of franchises that were driven by powerful champions or interest groups, with little obvious alignment to wider organisational strategies and objectives. To understand the motivations behind franchising, which is now such a major enterprise for English universities, it is instructive to open the

‘black box’ and understand how and why ‘champions’ choose to sponsor and nurture franchises.

This review of the literature leads directly to the research question: why do English universities franchise degrees to overseas providers? For the investigation, this research question is reframed to focus on the motivations of key decision-makers in franchising their university’s degrees. The focus of the following analysis is accordingly on answering the question: why do individuals closely associated with overseas franchises at selected English universities believe that these franchises were started and maintained over an extended period?

METHOD

This study is based on interviews with eight senior members of staff (Participants A-H) from four English universities (one pre-92, three post-92), all of whom managed overseas franchises. To protect the participants, who were interviewed on the basis of strict confidentiality, both the participants and their institutions have been completely anonymised. An exploratory research methodology was adopted. Semi-structured interviews (60-90 minutes each) using open questions were carried out with the eight participants. A loose structure was deliberately chosen, to give participants the greatest scope for revealing motivations and incentives which depart from the official messages set out in university plans and documents. ‘The goal is to learn “what is going on here?”’ (Schutt 2006, p.12).

Participants were not asked direct questions (eg, what was your motivation for entering the franchise?), but a narrative interview approach was taken, with participants asked to talk about the history and development of the franchises they managed and to reflect on what they saw as the benefits and costs and how these had unfolded over time relative to their expectations. The results were coded, with the aim of identifying a small number of key themes which were reported as motivating the key decision-makers within each university to engage and support franchises.

During the interviews, they were invited to reflect on what they believed to have been the motives of the key decision-makers; that is, either their own motives or those of their line

managers. This resulted in a rich mix of responses which included both what the participants believed to be their own motives for championing the franchises with which they were most closely associated and what they believed to have been the motives of previous decision-makers. While the following section seeks to categorise these broad motives, it must be acknowledged at the outset that, in practice, they may overlap and they are certainly not mutually exclusive.

RESULTS

Quasi-development aid

A number of participants reported that an early motive for engaging in franchising was to support educational development in developing countries. In the early years after the end of the Cold war, the European Commission made large grants available (eg, Tempus, Tacis) for networks of European Union (EU) universities to assist universities in central and eastern Europe to revise their curricula and retrain their staff in market economics and finance.

Several of the franchises with the participants were involved had their origins in such projects, with new curricula being developed for their central European partner. These partnerships led to the English universities validating the new programmes, to help establish them in an increasingly competitive local market and give potential students a guarantee of quality. The funding environment within which such developments took place seems to have created an overtly non-commercial approach to these franchises, which the participants involved regarded as a contribution to the development of management education in central Europe.

Other franchises outside central and eastern Europe had similar non-commercial origins. In one case, a university helped to establish a government institute in South Asia, with United Nations funding. Later, an offshoot of this institution, which had been set up to provide vocational training at sub-degree level, approached the same university to validate one-year 'top up' programmes to allow students with two-year diplomas to obtain a degree. As participant B noted, 'while it was a financial arrangement, it was also motivated by the desire to help the development of higher education in [South Asia]'.

Opportunistic internationalisation

For the participants from the three post-92 universities, there was a widespread consensus that, when their institutions acquired university status in 1992, the then senior administrators were keen to build their international profile. However, with the exception of Erasmus partners, such universities in the early 1990s had very few international students and lacked the organisational infrastructure and managerial capability to develop international markets.

As private colleges around the world began to sense the opportunities presented by a sudden increase in the number of UK universities with degree awarding powers after 1992, these universities began to receive approaches from private entrepreneurs to franchise or validate their degrees and these were seized opportunistically. Participant H reported that in the early 1990s, many franchises started with a ‘cold call from abroad, contacting many universities’. Participant E noted that there was ‘no evidence that [the University] scanned the market and was proactive...[we] stumbled into a model of internationalisation that was not a conscious strategic choice...[We] took the deals that were offered.’

Critically, participants noted that the increase in the number of franchise partners in the early and mid-1990s predated the recruitment of significant numbers of international students, which at several of the universities concerned only began after 2000. This is an interesting contrast to the hypothesis of the stages model, namely that universities would enter international franchises only after becoming established in terms of export education.

Regulatory capture

Most participants stressed the importance of close personal relationships between the champions of the franchises and the private entrepreneurs who owned the private colleges. The relationships were maintained by the academic and administrative staff who attended examinations boards and were responsible for writing the quality assurance reports, and senior staff who took part in graduation ceremonies.

The generous hospitality bestowed on visiting staff helped to develop strong personal loyalties between university staff and the private colleges, in a process akin to ‘regulatory capture’ (Stigler 1971), which occurs when regulatory bodies get too close to the industries

they are supposed to regulate. Participant D observed that the relationship between her colleagues and the staff at a foreign partner was ‘very unhealthy and close, there wasn’t the scrutiny’.

Participant B also observed that the president of a foreign partner ‘built his relationships on staff going back and forth, getting invited to his home. It all got a bit too close...There are dangers of a long-term relationship between two institutions when the quality assurance people stay the same’. Participant A similarly described one partner as a ‘family business’, where the children of the founder have a very close relationship with the university staff ‘based on friendship’.

Self-serving personal agendas

Participant C attributed the early enthusiasm of a particular key senior manager for franchising as a way of enhancing his local political power, noting that the manager’s ‘ulterior motive was that he saw it as a way of getting resources into the centre and his empire...they [the franchise activities] gave him a fighting fund for his own use.’ In other words, poor organisational design and control allowed some key individuals to take decisions which benefited their own part of the organisation without reference to the wider implications for the university.

Some participants reported cases of more junior staff developing a very strong personal interest in maintaining the relationship which went beyond simple loyalty to a good host. Participant D reported that one academic quality assessor would go abroad each year at the busiest time of the academic calendar and spend five weeks visiting foreign partners. Participant D also reported that another individual frequently holidayed with the CEO of an Asian partner and, when external examiners’ reports began to raise concerns about the quality of provision, this person brushed off concerns and ‘buried the reports’.

Participant A was particularly critical of the way in which university procedures were subverted by individual staff for their own personal gain, noting that ‘people engaged in academic tourism’ and that there were all kinds of things going on that we would not tolerate [today]...There were people pursuing their own agendas, I don’t think [we] had a handle on it’.

Once the franchises were established, there was a general consensus that none of the staff who were most actively involved in managing the relationship had any personal incentive to either maximise the revenue from the franchise or broaden the pool of staff involved to provide staff development opportunities. Their own interests were served by the opportunity for expenses paid visits which took them away from the humdrum routine of teaching students on the home campus. Participant B confirmed that staff involved in these visits 'didn't really think about the time and money'.

Technocratic self-perpetuation

In their accounts of the history of internationalisation at their universities, some participants described the important role of the central quality assurance team of administrators (technocrats) in sustaining the franchises as their universities developed beyond the early phase of 'ad hoc opportunistic early stage internationalisation' (participant E).

Like the academic quality assessors and senior staff, they regularly visited the partner colleges and developed strong personal relationships. Unlike the academic group, however, their career prospects depended critically upon maintaining and expanding the network of franchise partners. Predictably, as participant E noted 'they become highly protective of the foreign partner's interests'. Participant A said that 'it was almost as if they were working for the [foreign] colleges, not for the University'.

'Easy money'

Most of the participants did not feel that there was a strong financial dimension to the decision to enter franchises. Participant A was particularly forceful, asserting that 'we have undersold ourselves for a pittance'. Participant E expressed the view that, once established, the university 'did not have to do much for the money...[It was] easy money, low maintenance, low investment'. The widespread view amongst all participants was that there is no real money in the franchises, but they do not cost much to operate. Participant H reported that the costs of the franchise were limited to 'just [quality assurance] visits and someone at the graduation ceremony'. Participant A agreed that 'the costs are the servicing costs. We don't employ many people in this area, so it doesn't cost us much'.

The general consensus was that the franchises had not been set up with a financial motive in mind, but as the original champions moved on, the fact that the franchises generated modest annual returns for a very low direct cost accounted for the unwillingness of subsequent decision-makers to end the relationships. As participant C observed, ‘it was a revenue source that gave the university some spare cash...it was never an institutional priority to get rid of these relationships’.

Several participants noted that, while there was a modest gross revenue stream once the franchises were established, the university’s accounting procedures did not take account of the full costs of the franchises. ‘The management hours spent on these centres was enormous’, claimed Participant C, also noting that some franchise partners were notorious for failing to ‘pay their bills.’ He concluded that ‘it wasn’t run in a business-like way...the model is so fundamentally flawed.’

Staff development

Most participants reported that staff enjoyed managing and supporting the franchises and gained professional development in the process. Participant G described how the senior management of one university had broken up the small clique of quality assessors who had jealously guarded their relationship with a foreign partner to give more staff the development opportunity of visiting the country. Participant B confirmed that ‘the staff who we directly involved [in supporting the franchise] had amazingly enriching experiences.’

In other cases, however, there is little scope for staff development. Some franchises operated in the local language, where the syllabus was written by the foreign partner and validated by the English university. Participant E concluded that there is ‘no staff development value, meetings all ran in foreign languages and quality assessors had to work through translators’. Participant F asserted that one partner actively discouraged the involvement of university staff who could speak the local language to prevent overly intrusive quality assurance.

Motivating factors which did not feature

Very significantly, the participants did not feel that the franchises offered either reputational gains or represented an interim stage of internationalisation. There were two aspects to the absence of reputational benefit. The first was that several of the colleges were small, new and did not have strong reputations nationally, so that their limited benefits of being seen to be associated with them in their own country. Participant E reported that some former partners in one country had actually been suspended by the Ministry of Education, making any continued association with those partners reputationally damaging.

The second was that the bigger, more successful colleges were intent on developing their own brands. While they needed an English university to validate their degrees, they emphasised their own brand in their marketing. Participant G noted that ‘there is a real paradox here: the stronger the reputation of the partner, the less they need to use [our university’s brand] to promote themselves.’ The perverse result is that only the weakest partners use the university’s name prominently in their marketing material and promotional campaigns. Participant E confirmed that at one college, ‘the graduation ceremonies play down the [University’s] presence...they are very quiet about the fact that their degrees are awarded by a foreign university’.

Participant A argued that the reputational benefit of the franchise partnerships had never been a factor. He pointed out that ‘when they [the franchises] were set up, we were not conscious of reputation and image. Then there wasn’t the quasi-market for students, no league tables or competition for students.’

As a stage of internationalisation, none of the participants mentioned that the franchise served as a means of developing market knowledge with the intention of moving to a ‘bricks and mortar’ presence in-country. Participant E noted that ‘if you wanted an offshore campus, you wouldn’t pick [any of the partner’s home countries] to set up shop’. He described the franchises as ‘trade creation, not trade diversion’, explaining that the franchise allowed the universities to earn a modest revenue from students in markets where they would otherwise never recruit international students.

DISCUSSION

The analysis of the interview data reveals a rich and complicated web of motives, either being claimed by decision-makers or attributed to them by other actors. Most accounts of universities' internationalisation tend to frame developments in terms of a published, carefully prepared international plan, underpinned by robust and comprehensive business cases. This study suggests a much less rational approach to franchising.

Most strikingly, all three of the main reasons advanced for franchising in the literature find little support in the data. First, the stages model of internationalisation does not fit at all with the pattern of development. Rather than moving into franchising to build on a successful experience of directly recruiting students from international markets, the universities studied moved into franchising and validation as part of an immature, reactive and opportunistic approach to internationalisation, in an attempt to develop an international profile in the immediate aftermath of attaining university status. Franchising predated the expansion of export education, rather than following from a period of sustained export education.

Nor is there any evidence that franchising was a stage prior to setting up an overseas branch campus. None of the four universities has plans to establish branch campuses and several of the franchises are in countries where there is no commercial advantage to establishing a branch campus — for example, in countries where provision is almost all in the local language or in countries where the legislation on foreign universities remains antithetical to establishing a branch campus.

Secondly, despite believing that maintaining the franchises is 'easy money', there was no evidence to support the view that original motivation for entering the franchise arrangements was financial. In the early years, most franchises do not appear to have even covered the costs of the staff employed by the central quality assurance teams. More critically, there was no mention by any of the participants of the wider costs of the franchise, notably the salary costs of the quality assurance team, the management time devoted to quality assurance, university overheads, opportunity cost, the cost of organising 'teach out' if the franchise ended or the cost of reputational damage if a partner college collapsed or brought the university into disrepute. Repeatedly, participants reported that the costs of the franchise

were limited to ‘just [quality assurance] visits and someone at the graduation ceremony’, suggesting that there was little institutional culture of fully costing such partnerships.

Thirdly, there was no evidence that the university entered the franchise arrangements for reputational gain. While it appears that some senior decision-makers in the 1990s felt that they needed to develop some international partnerships to reposition themselves as serious universities, the partnerships themselves were not chosen for their reputational value. Indeed, the interesting paradox is that, while franchise partners were often acquired in a reactive, opportunistic fashion, the partners which most actively promoted their association with the English universities were the weakest and reputationally most risky; the partners which had, or developed, prestige in their home markets and could have helped raise the universities’ profile did not need to do so and, instead, focused on building their own brand identity.

The most interesting finding from the investigation is not that universities entered a number of franchise partnerships in the 1990s in an opportunistic fashion, for a mixture of motives which included building international profile and helping the development of other countries. The real insight is the way that, as time moved on, the operational management of the franchise partnerships fell into the hands of less senior academics and administrators, who appear to have maintained and controlled the development of the franchises in their own interests.

The flow of modest but ‘easy money’ discouraged senior managers from looking more critically at the real benefits of continuing these partnerships, while the significant financial returns to the private entrepreneurs of the franchise arrangement gave them a very strong incentive to nurture their relationships with their key academic and administrative contacts. The result was that the scale of the franchises grew organically, as the private colleges expanded, without ever being a strategic objective of the universities at a corporate level.

CONCLUSION

This research challenges the conclusions reached in the limited literature on university franchising, which presumes that the motivations are primarily commercial and corporate in nature. It finds that, in many cases, franchise partnerships have been started for a mix of non-

commercial motives and that the partnerships endure because they align with personal agendas of key staff, often at lower levels in the organisation, rather than meeting an overarching strategic need.

The franchising of university degrees has been something of a shadowy business over the last two decades. QAA did not begin to examine the quality of franchise provision until 1997, but only has the capacity to audit a subset of universities, investigating provision in one country each year (eg, China in 2012, Singapore in 2011). HESA only began collecting data on institutions' overseas provision in 2008/09 and this is still not available publicly at institutional level. Continuing scandals with the quality of overseas franchises, which started in the 1990s with Derby University losing its licence to operate in Israel and hit international headlines with the decision to wind up the University of Wales have meant that many universities keep their franchise provision low profile.

For this reason, there are very few studies of the scale and motivation for university franchising. This exploratory study suggests that this is a fertile area for a much larger study. There are almost 460,000 foreign students studying overseas for the awards of English HEIs and, now that the data are starting to become transparent, there is clearly merit in more rigorously investigating what is driving such a major industry sub-sector.

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