THE INTERNATIONALISATION OF ENGLISH BUSINESS SCHOOLS: A DYNAMIC CAPABILITIES APPROACH

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ABSTRACT

Since the end of the 1980s, English business schools have been expanding overseas and by the mid-2000s had become one of the UK's top 50 exporters (Economist, 2004). Some of these schools have been more successful in their international expansion practices suggesting that they may have better internationalisation capabilities. What are these capabilities and how do business schools benefit from them? These are the important questions for the top management teams of business schools and universities; yet, they have not been well explained in the strategy research. This paper aims at addressing this deficiency in prior research and makes a step towards developing theoretical foundations of internationalisation capabilities of business schools in the English context. We argue that these are dynamic capabilities.

KEYWORDS: BUSINESS SCHOOLS, INTERNATIONALISATION, DYNAMIC CAPABILITIES

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INTRODUCTION

Since the end of the 1980s, English business schools have been expanding overseas and by the mid-2000s had become one of the UK's top 50 exporters (Economist, 2004). Their commitment to internationalisation has not weakened since 2009 when, following the start of the economic crisis, the world entered into a phase of 'guarded globalisation' marked by the rise of nationalist sentiments among populations, protectionist policies among national governments, and various forms of populism such as the Presidency of Donald Trump in the USA, support for Marine Le Pen's party in France and the pro-Brexit vote in the UK (Bremmer, 2014; Murray, 2017). Instead of retreating, English business schools have become even more determined to internationalise (Murray, 2017). The inclusion of internationalisation activity into the strategic agendas of universities and the emergence of new posts related to internationalisation, such as Associate Dean (International), along with the development of extant structures (e.g. international offices) are examples of this trend (Murray, 2017).

English business schools are known for a high degree of internationalisation which is manifested by a large diversity of target markets and a large amount of international initiatives including student exchange programmes, the delivery of Bachelor and Master courses and degrees in partner universities and research collaborations. Features of 'guarded globalisation' seem to be more salient in England in the aftermath of the pro-Brexit vote in the UK (Moules, 2016; Elliott, 2016; Watts, 2016). The fact that the funding of public universities in Scotland, Wales and Northern Ireland is different from that in England provides another reason for the focus on England.

The remainder of the paper is structured as follows. In the next part, we review key literatures in the internationalisation of business schools and in dynamic capabilities. Then, we present a methodological framework and findings. The paper ends with discussion of an emerging theoretical model.

LITERATURE REVIEW

Internationalisation of business schools

Prior research suggests three generic issues underpin the extent, intensity and speed of the internationalisation processes of business schools. The first issue is *alignment* with broader university ecosystems. Apart from the need to align with external ecosystems such as professional institutions and partner business schools and governments abroad, business schools have to align with internal ecosystems—their universities (Guillotin & Mangematin, 2015). Indeed, whereas they are relatively autonomous in teaching and research activity, business schools are rarely free from the university's control in relation to their internationalisation (Bennett & Kottasz, 2011). Furthermore, in many cases, autonomy-related arrangements between business schools and their respective university centres are not fixed; instead they rely on flexible arrangements and draw on the constant alignment of strategic interests (Bennett & Kottasz, 2011).

The second issue is *value*. There seem to be different perceptions of what constitutes the value of internationalisation for business schools. The value conceptualisations may range from reputation and social value to income generation capacity (Urgel, 2007; Lejeune & Vas, 2009; Antunes & Thomas, 2007). How is this value generated and how it is distributed across the university? Echoing our discussion of the first issue, the value of the internationalisation of business schools is defined by universities. Such scenarios as 'the university in ruins – business school as phoenix' are frequently propounded (Starkey & Tempest, 2008).

The third issue is *risk*. As business schools move to new contexts, they are expected to cope with market and nonmarket risks. However, what constitutes greater risk and how business schools cope with it depends upon how they define the value of internationalisation. For instance, in some cases, launching more lucrative initiatives and the speedy closure of deals may generate greater income in the short-run but may raise quality concerns in the future and ultimately damage reputation (Antunes & Thomas, 2007). By contrast, placing a greater emphasis on the value of reputation, business schools are at risk of losing their income generating opportunities (Antunes & Thomas, 2007).

Dynamic capabilities view

The dynamic capabilities view has been applied to analyses of strategic processes and the performance of various organisations (Teece, 2007; Wang & Ahmed, 2007; Ambrosini & Bowman, 2009; Barreto, 2010). Nonetheless, theoretical boundaries of this framework have not been fully discussed suggesting the need to consider new types of organisations and new empirical settings (Barreto, 2010). Several recent studies responded to this call by extending this research to the strategies of higher education institutions (Siegel & Leih, 2018; Hayter & Cahoy, 2018; Yuan, Li, Vlas & Peng, 2018). We extend this discourse further—to business schools in the internationalisation context.

Likewise, some authors call for research into the role of context in the dynamic capabilities-strategic processes link (Ambrosini & Bowman, 2009; Barreto, 2010; Teece, 2018). They argue that major shifts in the external environment increase internal and external contingencies—complexity, uncertainty and munificence—which, in turn, moderate dynamic capabilities (Ambrosini & Bowman, 2009; Barreto, 2010). In this study we unpack contingencies which influence the internationalisation-related dynamic capabilities of English business schools.

METHODOLOGY

We followed a case study approach (Eisenhardt, 1989; Guercini, 2004; Sinkovics *et al*., 2008; Yin, 1994; Yaprak *et al*., 2018). The major procedures included developing a research question, selecting cases, crafting instruments and protocols, amending the protocol to probe into some emerging constructs and relationships, analysing data, and enfolding literature. At this stage, our sample comprises 12 business schools and our data comes from semi-structured interviews with Associate Deans (International), Heads of Business Schools and Deans of Faculty. In this proposal, we report initial findings coming from within-case and cross-case analyses.

DISCUSSION

Within-case analysis: what are internationalisation-related dynamic capabilities?

How business schools sense and seize opportunities and transform in the international context is shaped by the value, risk and alignment concerns of their respective universities. In our sample, the value concerns are income and reputation. Income is important as it guarantees the financial viability of universities. Likewise, reputation is of great concern to universities because it generates various privileges for the university (e.g. easier access to external funding) and its students (e.g. higher employability); yet, its development requires high investments of time, financial resources and human capital and, therefore, if damaged, it cannot be restored easily.

Sensing: The value concerns are pertinent at all stages of an internationalisation process. However, they seem to be particularly salient in sensing processes at pre-deal stages. In the internationalisation analytical systems, they determine filters for selecting opportunities. For instance, some interviewees suggest that initiatives which bring greater income and which help to maintain or even to enhance the academic reputation of the business school may be preferred. Furthermore, the value concerns underpin processes (e.g. networking, working with alumni, and market research) needed to identify key markets, target academic segments and target partner institutions. For instance, one interviewee stressed that, despite a large student base, a potential partner institution may have a poor reputation in its country and launching teaching and research exchange programmes with this institution may have negative spill-over effects on the business school's reputation. Another interviewee gives an example of lists classifying countries into target markets and markets to avoid based on their commitment to ethical practices—an important factor of reputation. Some interviewees highlighted the importance of university strategy documents and international strategy documents as internal filters of opportunities that may be relevant to the business school. For instance,

> *We have a scoping document that we produced actually, which enables staff to see if a partner is measured against certain criteria. And so we look to see if there's a match in strategic terms, and values, and so on.*

Apart from these internal filters, there may be external indicators of attractive institutional partners. For example, an interviewee stressed the role of accreditations (e.g. EQUIS) as signals of reliability of potential partner business schools. However using this criterion may be problematic in markets like Vietnam where very few business schools have been accredited and where rankings are in their infancy.

Seizing: Business schools seize internationalisation opportunities by weighing their value against risks. At this stage, business schools rely on various structures (e.g. academic, financial and legal teams; senior management members such as Associate Dean (International), Heads of Business Schools and Faculty Deans; and International Offices), procedures (e.g. due diligence and feasibility study) and designs (e.g. academic mapping exercise). An interviewee speaks about due diligence procedures:

> *We ensure that the institution we're proposing to work with has the appropriate accreditations, approvals, or licenses. We would probably instruct our own legal team to investigate whether the appropriate insurances, the appropriate health and safety, the appropriate things were done…So we'd ask for three years of bank accounts, bank statements, to check the financial stability.*

It follows from our analysis that seizing an internationalisation opportunity includes four major processes: building a business model, internal and external approval processes, delineating roles, and developing loyalty. The business model includes how income will be generated (e.g. student fees and research funding) and how reputation (e.g. collaboration with leading researchers) will accrue from a specific internationalisation activity are major issues in developing business models. For instance, should these be franchising agreements to teach one of the degrees or 2+2 exchange programmes? These are questions pertinent to the design of internationalisation business models. According to one interviewee, some business schools build dynamic capabilities around a specific mode of internationalisation and may be unable to use other modes.

Then, some internationalisation activities require internal and external approvals. Experience in these processes facilitates organisational learning and factors success in subsequent internationalisation initiatives. External approvals may be challenging in the case of abrupt changes in the host country context. One interviewee discussed their work on a Master programme in Vietnam. The Master programme failed to gain approvals from the national government when a new minister of education was appointed.

Finally, the seizing of opportunities involves delineating roles and developing a desire for agreement. Clear roles help to ensure control over the financial and academic quality dimensions of internationalisation initiatives. The loyalty comes from contributions of resources such as time, intellectual and emotional involvement, and financial assets. An interviewee suggested that the two sides become more committed to the collaboration when they engage in academic co-design activities (e.g. a mapping exercise). An interviewee commented on the role of financial contributions in international collaborations:

The parties have to work well together…the expectation is that there will both parties will generate incomes and revenues and contributions.

In sum, the more the two parties contribute the greater is their commitment to the agreement.

Managing threats/transforming: These processes involve continuous alignment of the business school to internationalisation ecosystems. Our findings suggest that this alignment occurs at intra-organisational, inter-organisational and institutional levels.

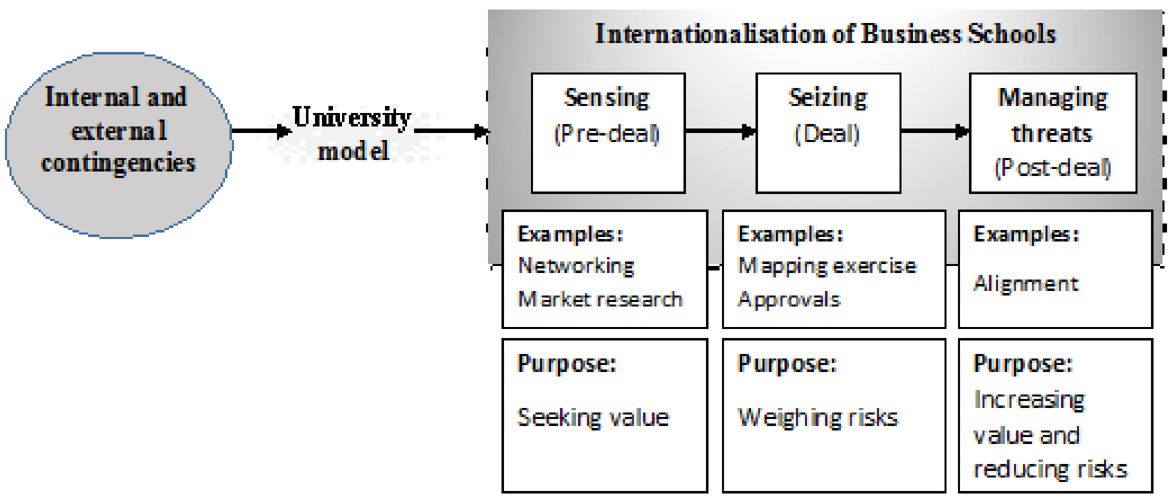
Cross-case analysis: what are contingencies?

Business schools in our sample seem to be not as affected as might be expected by external contingencies such as the latest economic crisis and the forthcoming exit of the UK from the EU. Many are not overly dependent on the EU market; so their internationalisation may not be scuppered by the post-EU referendum changes.

Nonetheless, the internationalisation of English business schools may be affected by internal contingencies. One of them is related to university models. They seem to be the reason why some business schools navigate faster through internationalisation processes whereas others adopt more cautious approaches. In Universities which are younger and historically prioritise teaching over research (e.g. post-1992 universities), business schools internationalise through teaching activities. As many markets of teaching products are highly saturated, being able to come first to new markets and being able to fill in remaining niches fast in the existing markets are important objectives of these business schools. To this end, switching fast from one context to another and from one internationalisation initiative to another demands agility from these business schools. Therefore, their dynamic capabilities are related to their potential to be fast in sensing opportunities at pre-deal stages and seizing them at deal stages. For instance, market research at pre-deal stages and approvals at deal stages run fast as they rely on external guidelines (e.g. Quality Assurance Agency) and on standardised university-wide procedures. Nonetheless, post-deal implementation of projects receives less attention and this is one of the most frequent causes of termination of teaching agreements.

Business schools from older universities with a strong research function and emphasis on reputation (e.g. a red-brick university from the Russell Group) adopt more cautious approaches to internationalisation. Multiple verifications of the value of certain opportunities and their reputation impacts at pre-deal stages and multiple quality assurance procedures to weigh possible reputation risks at deal stages may make internationalisation slower. An emerging model is shown in Figure 1.

Figure 1: Emerging model



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