Globalization of Business Schools: The Case of China

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Abstract. In line with the private sector, the business schools of the world increasingly seek to develop their relationships with China, a region they perceive as not only a tremendous growth opportunity but also a critical focal point in the global business environment, and about which their students and faculty must develop expertise to remain competitive. The authors introduce the up-and down-side exposures of launching/operating either China-specific components of MBA programs or entire programs. They review five distinct avenues that business schools can employ to deepen their China-specific MBA relationships (outlining the advantages and disadvantages/risks in each), and they provide overall guidelines for increasing the potential for success – all based on a review of the literature, the authors’ own extensive China experiences, and select interviews with seasoned veterans of China’s degree-conferring business educational environment. (Note: This paper focuses on English-language business education, which the authors consider to be the relevant language for foreign business schools seeking China interaction. Business education in Chinese is a worthy subject, but one fit for another paper.)

Keywords: China, business school, joint venture, MBA.

1. Introduction

The entire world increasingly looks to China as the most intriguing business location of the early 21st century. One of the most dramatic growth stories is the
education sector, which features a remarkable combination of macro drivers. On the demand side, the private and public sectors cry out for a more educated workforce. A now-famous McKinsey study from 2005 suggested that the country needed an incremental increase of 75,000 internationally capable managers by the end of this decade, but that China’s capacity to develop such managers was about 10% of the demand (Farrell/Grant, 2005). Also, Chinese culture traditionally encourages a high level of education. On the supply side, we’ve seen an explosion of educational initiatives in China, from all manner of suppliers: globally renowned academic institutions, the Chinese university system itself, and locally based private-sector entities of all sizes and shapes.

The MBA marketplace is no exception to the Chinese economic growth miracle. By the end of 2008, about 250 domestic MBA and EMBA programs were operating in the People’s Republic of China (PRC), double the figure of earlier in the decade. And though the growth rate in MBA program enrollment fell off a bit in 2009, enrollments were still about 20% above the 2008 figure (quanguo jiaoyu zhidao weiyuanhui mishu chubian or ‘Secretariat of the National MBA Education Steering Committee’, 2009). The torrid growth rate is a recent phenomenon, like so much else in China – the Ministry of Education first authorized the MBA degree in 1991 and the EMBA in 2002. At least 50 foreign-affiliated MBA and EMBA programs operate in the country as well (authors’ research, ongoing; PRC government sources). The trend is clear, but overseas business schools, whether they recruit for their home campuses or bring their programs here to China, face a marketplace with Chinese characteristics that they must consider carefully.

2. Specific Challenges for Foreign Business Schools

Latent vs. expressed demand: Despite the desperate need for managerial talent, many market players expect others to pay for developing such talent:

- Even before the global financial crisis, companies were indicating increasing reluctance to “vote with their wallets” by sending their managers to MBA programs, particularly the more-expensive foreign-affiliated MBA programs³, following a boom of MBA enrollments in the early part of the decade. The boom resulted in large numbers of MBA students who probably shouldn’t have enrolled, people who expected that the addition of the letters “MBA” on their CVs would compensate for weaknesses in their managerial abilities. These people

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3. Domestic MBA program tuitions are largely controlled by the Ministry of Education. Tuitions at leading b-schools in China tuitions are in the US$15,000 - $20,000 range. Domestic EMBA programs enjoy much higher tuition rates, but still much less than average the tuition rates of Western programs.
found the job market wasn’t ready to match their expectations, and, rather than looking to their own lack of qualifications, focused blame for their disappointment on the value of the degree itself. Potential corporate sponsors also lost some faith in the value of the degree.

• While recent, major changes in the national labor law confirm an employer’s right to some reimbursement of training costs from employees who leave their jobs prematurely (Squire Sanders Dempsey, 2007), the legion of eager-to-hire companies overcome such globally-established ROI guarantees as reimbursement by, for example, funding the penalty the sponsored employee faces by leaving early.

Moreover, many companies prefer to send their PRC employees to domestically run programs, thinking that the ROI is better due to (a) more China-relevant guanxi, because of the other students in the cohort, as well as the teaching faculty; (b) the relatively higher level of China-specific content in the domestically run programs; and (c) the relatively lower global marketability of degrees from such programs, which reduces the risk of the sponsored employee being poached.

Getting the balance right: Foreign-degree or foreign-affiliated programs in-country that offer little more than an augmented local faculty team may be seen by the market as so “local” that they aren’t worth the foreign price tag. But programs exclusively or predominantly taught by foreign-based faculty may be seen as not only pricey, but also insufficiently relevant to the rapidly changing Chinese environment. Getting this balance right is no easy task – it involves decisions about quality of curriculum, operating expenses and brand positioning.

End of an era for outward-bound Chinese MBA students? Western MBA programs enjoyed a steadily rising pool of applicants from China from the mid-1990s on. But a report and a survey released by the Institute of Higher Education in November 2009 suggest that the blush may be fading from that particular rose. While overall Chinese enrollment in U.S. schools grew substantially over 2008 levels (exceeding the previous peak enrollment year, 2002/2003, before US visa restrictions on international students became more severe following 9-11), the growth story is at the undergraduate level. Aggregate graduate enrollment grew only 2% YOY; nearly 60% of respondents to IHE’s survey reported either no increase or a decline in MBA enrollment (Institute of International Education, 2009). Moreover, the number of PRC nationals who took the GMAT in 2009 was down from 2008 (Wang, 2009). We don’t yet have sufficient data to draw a strong conclusion, but as China’s economy becomes more globally relevant and powerful, would-be MBA holders are likely to be increasingly reluctant to step off their China career paths for a few years to join full-time programs overseas,
particularly when overseas programs may be seen as increasingly irrelevant to China’s ever-shifting business environment.

*Globalization as a b-school management challenge:* We’ve noticed that a number of foreign b-schools seem to leave their globalization textbooks and cases at home when they attempt to enhance their China-specific relevance, recruiting and operations. (Examples appear later in this article.) Developing stronger interactions with China requires exactly the same rigor in applying the proven strategies of globalization that private-sector companies must employ when they attempt to develop China-specific business opportunities.

Therefore, while the Chinese business environment, increasingly globally integrated and powerful, requires vastly more globally capable managers than it has now as a result of all the challenges we cite above, we see that aggregate enrollment in foreign-affiliated programs here has not kept pace with enrollment in domestic programs, and countless foreign b-schools fail to achieve their China-specific goals.

Not all is doom and gloom, however:

- The ‘pond of quality’ for MBA programs in China is still small enough that foreign schools with the right strategy have potential.

- The macro factors (increasingly wealthy population, historical dedication to education, businesses with increasing need for high-quality management) will continue to drive demand, though within the constraints we list above. The rapidly increasing average per-capita GDP in the urban east alone points toward continuing, steady growth in the candidate pool.

- At least for the moment, the government is on the side of high-quality foreign educational institutions. While the PRC’s goal of 100 universities at a global standard implies that, in time, foreign programs may be forced to localize or head for the tarmac, for at least another decade the local university environment requires, and the Ministry of Education will consequently continue to seek, foreign partners to support PRC university development. So foreign institutions that make a commitment to China, specifically demonstrating support for development of Chinese institutions, gain the opportunity to be seen as a friend of higher education in China—a reputation with long-lasting benefits (and a precise analog to private-sector companies that have long come to China offering technology transfers in exchange for market access).
Foreign institutions that commit to the (huge) effort required to innovate programs and operations with China-specific appeal create strong future potential for themselves.

3. Framework for Expanding the Global Footprint in China

The basic framework we develop in this paper is based on two models: one of global business education, recently published by Alon and McAllaster (2006); the other based upon a model well known in the field of International Business, championed by Root (1987), which features the tradeoffs between risk and control for different modes of entry. We modified the latter model to fit the market entry alternatives available for educational institutions.

Figure 1 shows the tradeoffs between six different modes of entry for schools: (1) student recruitment (importing), (2) student exchange (importing and exporting), (3) short term study (exporting), (4) faculty exchange (human capital investment), (5) semester abroad (intensive exporting), and (6) joint-venture degree programs (solely foreign, or dual degrees, for programs offered in China). We exclude from discussion two other modes: (1) franchising of a school’s brand to local agents, which we see as an inherently troubled model because of risk to brand reputation; and, (2), stand-alone initiatives (no local university JV partner) offering the foreign school’s degree for China-based programs, because this model is still too rare, and technically in violation of PRC law. With each incremental step from left to right on the graph, the school must invest more in the venture and thus take more risk. As we move from bottom to top on the graph, the potential benefits of globalization for the school increase. As schools move up and to the right over time (from modal choices one to six), they internalize more of the foreign operations with their associated costs and benefits.

Figure 2 depicts the global footprint model for a school. According to this model, developed by Alon and McAllaster (2006), a school’s global footprint divides into three sections, further divided into two dimensions. Schools can internationalize their students, their faculty and/or the interface between students and faculty. To internationalize their faculty, schools can increase the international and intra-national diversity of the faculty and/or allow faculty to travel, teach, research and present their work abroad. The longer the period of exposure to foreign environments, the more impact the international activity will have on the faculty and, in turn, on students. The students’ international dimension mirrors that of the faculty in the sense that they, too, can be internationalized via diversity in the classroom and the potential for foreign experiences (study abroad, international internship, etc.). The interface between teaching and learning occurs when students learn new languages, on the one hand, and when an overall curriculum is put into place that emphasizes global aspects, on the other. The global footprint model for universities is multidimensional,
offering opportunities for schools to measure, benchmark, and strategize their international expansion from multiple perspectives.

*Figure 1: Exchanges: Cost/Benefit*

Source: Alon and McAllaster (2006)
When Figure 1 is combined with Figure 2, we are able to link modal choices of a university international expansion with the potential for global footprint expansion. The numbers in Figure 2 correspond to the numbered modal choices. For example, modal choice 4 (faculty exchange) affects faculty global experiences and cross-cultural diversity. In contrast, JV degree programs affect all the global footprint model’s dimensions. In this context, the reader will be able to better evaluate the different alternatives that MBA schools have taken in their operations in China, described in the next section.

4. Selected Strategies for the MBA Market in China

We outline below five strategies for entering China’s MBA market space with their associated risks and benefits, along with measures of success and cases for each.

STRATEGY 1: RECRUITING MBAs IN CHINA

Recruiting is the oldest approach that foreign institutions have taken in China. Charlie Soong, whose family became intricately linked with the development of 20th century China, became a student at Vanderbilt University in 1881, and he sent his daughters (one later married Chiang Kai Shek, another later married Sun Yat Sen) to Wesleyan University 25 years later. The earliest MBA students from modern China graduated from Western schools in the mid to late ’80s, and the trickle became a flood by the end of the following decade.

Foreign universities that have developed their MBA recruiting in China for their home-school programs know that such recruiting is a fairly simple, direct way to increase the diversity of students in the classroom. Moreover, having PRC citizens in the class provides at least some insight to the school and its students on the world’s most populous nation and biggest emerging market. Such recruiting offers the lowest risk and highest control for schools seeking a China play.

However, recruiting solely for home-campus programs does little to help the school internalize China, and this option offers the lowest potential impact on a university’s global footprint. Moreover, a recruiting-only presence in China provides the lowest presence in one of the world’s most important markets, and any school adopting this approach risks being at long-term competitive disadvantage against schools that have made a stronger commitment to China. Numerous private sector companies have concluded that the question of whether to engage with China is driven in part by the risk of not doing so, and therefore missing out on what is likely the biggest growth story of the early 21st century.

Schools can measure their performance in this area by tracking the change over time in the percentage of their students that are from the PRC. One needs to
remember that urbanized PRC citizens represent more than 5% of the total world population. Therefore, we recommend that schools that may want to mirror the world’s population should aim for about a 5% Chinese-student presence on their campuses. Schools also need to evaluate their recruitment performance against peer groups. Finally, schools need to ask themselves if they have created specific initiatives to capture the diversity and learning opportunities afforded by having PRC citizens attend their schools.

Rollins College’s Crummer Graduate School of Business has routinely attracted Chinese students because of its strong academic reputation (ranking in Forbes and US World and News Report and AACSB accreditation) and because of marketing through lists of students taking the GMAT. Such efforts have attracted Chinese students, but the flow of incoming students has been inconsistent. Some years yielded too many students from China, which was counterproductive to the inter-cultural diversity of the classroom, while other years yielded too few students – sometimes only one. Focusing on a targeted number of students using multiple sources for recruiting may yield a more continuous supply of qualified students that will enhance cultural diversity in the classroom.

STRATEGY 2: STUDENT EXCHANGE PROGRAM IN CHINA

The student exchange approach to interaction with China is also a traditional approach used by many universities. As with direct recruiting, exchanges are relative simple to manage and rather low in cost, since students typically pay for their exchange programs at their home institutions or out of their own pockets. Sometimes they also are funded by third parties, such as the Freeman Fellowship program. Unlike a recruiting-only presence in the PRC, though, this approach brings home-school students to China, which (if managed properly) increases the school’s relevance in, and ability to learn from, the Chinese market. Finally, such exchanges often permit the foreign university to develop a long-term cooperative relationship with a PRC university, which can foster further growth in the foreign institution’s China relevance.

Schools find though that these exchanges can be difficult to schedule for fixed-term courses, particularly if they are short. Institutions may find that they need to lengthen the duration of the total course. Further, making the exchange component a requirement will ensure maximum student participation, but may elicit complaints from some students who are not sufficiently interested in China to want to bear the extra cost. And to be truly an exchange, the PRC institution must participate in some way; exchange programs that bring PRC students to the US are vastly more expensive as a percentage of those students’ tuition or China’s per capita GDP. There is one recent development that institutions must keep in mind – Shanghai’s immigration authorities report that X-visa entrants (longer-
term study) were down nearly 30% in August 2009, compared with the previous year, the first decline in four years. Shanghai’s Fudan University reports a 30% decline in their overseas enrollment as well (Liang, 2009), while other b-schools have seen double-digit declines in outbound student populations for their exchange programs. These recent declines, partially a result of the global economic downturn, emphasize that institutions seeking to establish study-abroad programs need to redouble their efforts to prove value and attract students.

Also, the better b-schools in China have an embarrassment of riches in terms of suitors. Schools here report that, for basic student exchange programs, the number of outbound students is far lower than the number of inbound students. If foreign b-schools seek to have a dynamic balance in their exchanges with their Chinese partners, they must do more than just sign an exchange agreement; they must do the spadework to ensure that the exchange is truly an exchange. Foreign b-schools that fail to do so may find that their opportunities to sign exchange agreements with Chinese b-schools are declining as Chinese b-schools become more selective.

Schools can measure performance by asking the following questions: What percentage of the student body is visiting China in exchange programs? How do we perform against key academic competitors in terms of PRC student-exchange programs? Have we created specific initiatives to capture the diversity and learning afforded by having such exchange programs?

Exchange agreements can be written flexibly and provide opportunities for future cooperation based on the changing mutual needs of the partners. Furman University, for example, has partnered with Suzhou University in China to provide a solid Liberal Arts education program for their students. The exchange includes a student semester-abroad program and a faculty exchange. Furman sends a group of undergraduate students for a semester accompanied by two Furman professors. Students enroll in Chinese language classes and may stay with Chinese roommates. Furman sends some graduates to Suzhou to teach English as a second language, and Suzhou sends some faculty members to Furman for a semester or a year to teach China-related classes. Such agreements are good examples of schools that combine both faculty and student component within their exchanges, enlarging their global footprint in more than one way.

STRATEGY 3: FACULTY EXCHANGE

While the large majority of the students will, by design, end their active relationship with their institution after a brief few years, faculty members have a longer-term presence and vastly more impact on the institution’s long-term development. Focusing attention on faculty exchanges can have a much deeper and more extensive impact on the institution’s China relationship. Faculty exchanges capture the exchange value longer-term and at a more organic level.
Faculty exchange fosters not only case or other research development, but a more profound relationship with the PRC institution. Too, when compared with student exchange, such professional interactions bring increased potential for even more substantial relationships, such as joint-degree programs. The foreign partner’s faculty gain powerful perspectives on the leading economic story of the 21st century, and they can share it throughout the institution. Finally, these participating faculty enjoy broader career potential (e.g., consulting for PRC-based enterprises), making a faculty position at the institution more attractive.

We advise institutions to spend time working with individual faculty on their participation – some will not be interested at all, and some will not share the institution’s vision about China. Faculty selection can easily slip into the political realm, which may spell death for the program’s larger goals. And since a faculty-exchange program may be an “add on” for those faculty who are judged by their domestic research output or teaching loads, organizations need to adopt program deliverables and guidelines, as well as processes guaranteed to ensure results.

The issues that schools face working with their home-school faculty pale in comparison to issues in China itself. The educational environment for business schools in China remains troubled as a legacy of communism, the Cultural Revolution, and a rapidly increasing enrollment without sufficient attention to faculty development – the student/faculty ratio rose from about 10:1 in 1997 to about 18:1 in 2006 (Wu, Zheng, 2008). One manifestation, reported by China’s national news service in 2006 (and therefore obviously placed by national-level government leaders who seek to drive improvement) is that the majority of faculty research in China is plagiarized, and the majority of journal publications are paid for (Xinhua, 2006). More recently, the Lancet made public their urging of the Chinese government to take action against rampant plagiarism (Ewing, 2010). Perhaps only one in twenty of the faculty on the PRC partner’s side will be capable of adding value in a faculty exchange program, and selection of faculty in China for such programs is fraught with political entanglements, so the foreign institution must define, from the first day of discussion, the faculty selection process, the deliverables that will be expected of the Chinese faculty, and how their participation will be evaluated. The Chinese partner institution may not be happy with such an approach, but without it the exchange program risks becoming a Potemkin village. One key point: the best initial participation from the Chinese faculty will likely be from those who have earned a graduate degree overseas.

Schools need to ask themselves the following questions: What percentage of the faculty participate? How representative of the faculty team are the participants? What specific program deliverables have been met (research published in Western journals, cases written, Chinese faculty achievement well evaluated by the foreign institution’s faculty and students)? Has the program developed organic longevity? Has it moved beyond dependence on one or a few zealots?
Early in this decade, a Western business school and a Chinese business school launched an MBA program in China. The partners sought development opportunities for the Chinese partner’s faculty (in line with the Ministry’s preference for such partnerships, and with an eye toward enhancing the China-relevant content of the program), but the agreement specified no metrics for selection or performance of the Chinese partner’s faculty, nor for commitment of the faculty from the Western partner. The schools subsequently recognized that, without such metrics and commitments, the faculty exchange concept wasn’t able to deliver any value. The concept was allowed to languish as a result, a net loss for both partners. Fortunately for the two schools, and due to better leadership on both sides, the faculty exchange was later resuscitated and is now promising.

STRATEGY 4: DEVELOP A STUDY-ABROAD PROGRAM

If the institution is eying a study-in-China program, it has a few choices: short- or long-term, as well as do-it-yourself vs. outsourced.

Short-term vs. long-term: the advantages and risks inherent in this decision are obvious. Short-term programs are less expensive, easier to launch and run, and relatively conflict-free in relation the home-school’s curriculum, but the shorter the program, the less China-specific value for the students and the institution.

DIY vs. outsourced: Interestingly, this choice mirrors what many private-sector companies in China have faced – form a JV or a wholly foreign-owned enterprise (WFOE), or outsource. Companies have found what educational institutions have already discovered: i.e., that the outsource option provides more of a turn-key solution, with faster start-up and ready-made connections in China, but that outsourcing limits the home-school’s control of the program, limits brand enhancement, and may have unsolvable structural conflicts. One alternative is to start the program by outsourcing to get it going quickly, with the understanding that the institution will bring it in-house within a specified period of time. One US institution that originally outsourced management of an in-country EMBA program, and eventually suffered from the potential drawbacks of such a model, has recently brought management back in-house. With clear, dedicated leadership inside the US institution, and a track record of success in China, this institution’s future is brighter. Measurements for study-abroad programs include the following: What percentage of students participate? Is the number growing? How does your program compare to key competitors? Have specific initiatives been created to capture the diversity and learning opportunities afforded by having such exchange programs?

Many schools offer study-abroad programs for their students, and China is becoming a popular area for such programs. The Crummer Graduate School of
Business at Rollins College, for example, has integrated China field trips into three of its courses: Global Research and Study Program (GRASP), Emerging Markets, and Global Consulting Projects. In the GRASP and Emerging Markets courses, students learn about the environment of a foreign market and then visit the country to get first-hand experience. The Global Consulting class involves doing experiential exercises or consulting projects to give students not only the experience of being in and interacting with the culture, but also working with and experiencing the business environment of the country. All three programs are short term and are led by Crummer faculty. Longer programs are under consideration, but implementation is difficult since the courses are often taken by cohort and significant time away from the home campus is difficult both for the curriculum and for the working student.

STRATEGY 5: OFFER AN MBA IN CHINA

Offering one’s own program directly in China is the most substantial commitment an institution can make to the market. As we mention above, we see more than 50 foreign institutions already offering their programs in China, so while b-schools choosing this path will not gain any first-mover advantages, they can also avoid first-mover disadvantages. (See Appendix I: Table of Selected English-Language, Western-Degree-Granting MBA Programs in China.) B-schools have a variety of options: issuing the foreign partner’s own degree vs. that of the local partner, the balance of home-school vs. local faculty who teach in the program, and the extent to which the institution localizes not only the curriculum, but also operations functions such as admissions and recruiting. Again, as we mention above, b-schools worldwide teach the risks and opportunities associated with globalizing; the experiences of private-sector companies doing so in China are a great source of learning for b-schools to follow as they themselves consider whether or not to bring an entire program here. Kotter’s work on change management (Kotter, 1995) should be required reading for any institution contemplating such a major initiative.

Appendix I illustrates the dramatic differences in tuition for various mainland-based, foreign-affiliated programs: from less than US$20,000 to US$80,000. Tuition is strongly correlated with two factors: the brand reputation of the partnered schools (especially the foreign partner) and the percentage of coursework taught by the foreign institution’s own faculty.

Bringing an entire program to China is a major commitment and a dramatic expansion of the global footprint. The school’s China relevance will increase by an order of magnitude. Plus, a China-based program can enhance the at-home recruiting substantially – not only for students, but for faculty. A China-based program proves that the institution is a growing, global player, and MBA
candidates or faculty considering whether to join such institutions are favorably impressed.

But launching a program in China has by far the highest risk of all the options we outline here – risks go beyond the legal/financial and encompass the entire brand. All aspects of the operation will prove much more challenging than the counterpart operations at the home school, and Chinese law requires the institution to have a local university partner; this mandatory JV structure will bring all the perils that China-based JVs have demonstrated in the case literature. B-school leaders must be aware of an additional regulatory factor: the Ministry of Education has not approved any new JV MBA programs for two years now – they are becoming more selective as the market has become more and more crowded.

With lots of competition for share of mind among China residents seeking MBA education, unless the program has a clear value proposition that distinguishes it from the crowd, it will be investing massive resources to chase a finite set of candidates, all of whom are accosted by options from competitors. Finally, maintaining program quality that justifies having the brand attached is a greater challenge than the institution will have faced in any home-country initiative. In virtually all cases, it will need to invest more resources than originally anticipated (senior leadership time, money) to keep the program within quality specifications.

In such programs, recruitment numbers and consequent tuition paid are arguably the most important short-term metrics. Most business models for bringing programs to China aren’t based on making substantial profit, but virtually all must at least cover costs or they bleed the home school to an intolerable degree. Key secondary or longer-term measures include minimal faculty turnover, growing enrollment, and follow-on initiatives (e.g., case publishing and other research, non-degree programs). Ultimately, the institution will be ranked to some degree on the value of its China program.

The total enrollment in 2009 of many Western-affiliated programs declined substantially, reflecting the global economic downturn, with some E-MBA programs reporting a decline of as much as 50%. We caution foreign institutions that the supply-demand ratio, which like many other sectors in China looks promising to wide-eyed foreigners, is in fact not nearly so enticing, for the reasons we cite earlier in this paper. But we also believe, as we also stated earlier, that the market has room for initiatives that offer demonstrable ROI.

A recent high-profile market entrant is the Tsinghua/ INSEAD E-MBA collaboration, which they call TIEMBA. The partners provide substantial internationally based study and one degree is conferred by each institution. This collaboration has the market advantage of being at the top in terms of the brand reputation of both of the partners. The program’s tuition, US$80,000, makes TIEMBA the most expensive program north of Hong Kong, where the decade-old Kellogg-HKUST collaboration and the just-launched Columbia-LBS-Hong Kong University program cost well above US$100,000. The TIEMBA program
merits close monitoring: is the mainland market willing to accept such a program at such a price point? Does the dual-degree offering deliver sufficient ROI? Do the Chinese faculty teaching in the program truly perform at global standards?

Another Western-affiliated program, operating in China for several years now, has a clear market advantage based primarily on value for money, but their recruitment had suffered for many years due to weakness in marketing strategy and execution. For the 2007 cohort they improved both strategy and execution, and raised cohort size by more than 40% without a corresponding increase in marketing investment, demonstrating that programs offering real value gain market acceptance, but also that solid strategy and execution are a key component for success. The program’s 2008 enrollment grew by another 15%, and though enrollment declined by about 20% in 2009, the decline was less than that faced by other programs in the same space.

The University of Iowa’s Tippie School presents one example of risk. They attempted to launch a second E-MBA program in mainland China, in Shanghai, in 2005. (They had launched a program in Beijing, focused on agribusiness management, in 2004.) Whether because the program had no particularly valuable market angle, or lacked leadership, brand power or marketing resources, Tippie was forced to abandon their Shanghai plans after an expensive launch campaign. Yet another US-affiliated program has just suspended recruitment for the coming cohort, having suffered for several years from low enrollment and the consequent red ink – this program too was plagued by a lack of a coherent, market-appropriate strategy, combined with leadership issues.

Another risk example in the sector – a few years ago, a Western-affiliated program hit a substantial “sophomore slump.” In its second year, the home institution placed an unqualified faculty member in a supervisory role. This person’s presence exacerbated an institutional weakness: the home school had not sufficiently mapped out resources and processes for admissions of a cohort with a substantial portion of PRC nationals. The combination of weak leadership and bureaucratic barriers cost the program nearly ten qualified candidates, who eventually enrolled in other programs, and put 20 more at risk. The program missed out on nearly half a million US dollars in tuition, and suffered substantial reputation damage.

5. Conclusions and Discussions

Regardless of which of these five approaches an institution takes to enhancing its MBA relationship in China, some success factors are at play.

- Conducting a China readiness assessment, an evaluation including not only market research but aggressive introspection, given the at-home institutional barriers that b-schools usually face, is a proven winner,
just as such assessments have proven their incalculable worth in the private sector. Perhaps the most important element is ensuring organizational buy-in – including confirmation of the right resources, faculty, administration team and budget. Without such an assessment, stay at home.

• Substantial spadework on not just finding the right partner (verifying fit), but developing the right long-term working relationship, has proven its value as well, just as the private sector has found, to its benefit or detriment by turns, that rigor in selecting and working with JV partners is essential to success.

• Developing a strategy based on a sound, research-based grasp of the marketplace is much more important now. Years ago, b-schools could more easily just dive in and expect to swim. With increasing market sophistication, such an approach is now much more likely to produce drowning victims.

• Opting for steady development, rather than ill-considered, big-plunge initiatives, is usually wise – again as the private sector has demonstrated. Institutions that have taken the time to cement relationships with partner institutions and other partners, and develop their brand strength, are in much stronger positions to respond when the inevitable difficulties surface.

References:


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Appendix I: Table of Selected English-Language, Western-Degree-Granting MBA Programs in China.

We cite above what we consider the essential reasons for the wide disparity in tuition costs: relative brand strength of the partners (especially the foreign partner), and degree to which the programs are taught by well-respected faculty (either foreign, or having done their post-graduate work overseas).

<table>
<thead>
<tr>
<th>Foreign partner</th>
<th>Domestic Partner</th>
<th>Tuition (US$, approx.)</th>
<th>Location</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENPC Paris</td>
<td>Tongji</td>
<td>$18,000 local, $24,000 foreign</td>
<td>Shanghai</td>
<td>Part-time, MBA</td>
</tr>
<tr>
<td>Webster University St. Louis</td>
<td>SUFE</td>
<td>$18,000</td>
<td>Shanghai and others</td>
<td>Full-time, MBA</td>
</tr>
<tr>
<td>UT Arlington</td>
<td>BUST, Tongji</td>
<td>$18,000</td>
<td>Beijing, Shanghai</td>
<td>Part-time, EMBA</td>
</tr>
<tr>
<td>BI Norwegian School of Management</td>
<td>Fudan</td>
<td>$26,000</td>
<td>Shanghai</td>
<td>Part-time, MBA</td>
</tr>
<tr>
<td>Euromed Marseille</td>
<td>Antai College, SJTU</td>
<td>$26,000</td>
<td>Shanghai</td>
<td>Part-time, MBA</td>
</tr>
<tr>
<td>UBC/Sauder</td>
<td>Antai College, SJTU</td>
<td>$32,000</td>
<td>Shanghai</td>
<td>Part-time, “IMBA”</td>
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<td>Rutgers</td>
<td>Dalian University of Technology</td>
<td>$48,000</td>
<td>Shanghai, Beijing</td>
<td>Part-time, EMBA</td>
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<tr>
<td>Euromed Marseille</td>
<td>Antai College, SJTU</td>
<td>$52,000</td>
<td>Shanghai</td>
<td>Part-time, EMBA</td>
</tr>
<tr>
<td>Wash. U./Olin</td>
<td>Fudan</td>
<td>$62,000</td>
<td>Shanghai</td>
<td>Part-time, EMBA</td>
</tr>
<tr>
<td>USC/Marshall School</td>
<td>Antai College, SJTU</td>
<td>$70,000</td>
<td>Shanghai</td>
<td>Part-time, EMBA</td>
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<tr>
<td>INSEAD</td>
<td>Tsinghua</td>
<td>$80,000</td>
<td>Beijing</td>
<td>Part-time, EMBA</td>
</tr>
</tbody>
</table>

The China European Business School (CEIBS) is not technically a Western-degree-granting program, but it is a powerhouse in China, so we show data here for their English-language programs:

<table>
<thead>
<tr>
<th>Foreign partner</th>
<th>Domestic Partner</th>
<th>Tuition (US$, approx.)</th>
<th>Location</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>SJTU</td>
<td>$55,000</td>
<td>Shanghai, Beijing</td>
<td>Part-time, EMBA</td>
</tr>
<tr>
<td>European Union</td>
<td>SJTU</td>
<td>$30k local, $45k foreign</td>
<td>Shanghai, Beijing</td>
<td>Full-time, MBA</td>
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</tbody>
</table>