Crossing Educational Borders
An examination of educational and business entry strategies focusing on the Russian market

Master thesis
Business Administration – International Management

A.F. Aarntzen
University of Twente, Enschede, the Netherlands
School of Management and Governance
Emmen, September 2010
Crossing Educational Borders
An examination of educational and business entry strategies focusing on the Russian market

Master thesis
Business Administration – International Management

UNIVERSITEIT TWENTE.
School of Management and Governance

Consultant Trainee
André Aarntzen
s0177407

Date
September 2010

Supervisors University of Twente
Prof. Dr. J.J. Vossensteyn
M.R. Stienstra, MSc

Contact Address
Mantingerbrink 129
7812 MC Emmen

Supervisor Stenden
Drs. S. Dousma
# Table of contents

Abstract ................................................................................................................................. 1  
Preface .................................................................................................................................. 3

**Chapter 1: Introduction** .................................................................................................... 4  
1.1 Background .................................................................................................................... 4
  1.1.1 Stenden University of Applied Sciences, an introduction ............................................. 5  
1.2 Objectives ..................................................................................................................... 5
1.3 Problem statement and research questions ..................................................................... 6
1.4 Research strategy and structure .................................................................................... 8

**Chapter 2: Theoretical Approach** .................................................................................. 9  
2.1 Introduction .................................................................................................................... 9
2.2 Strategies to enter International Markets ....................................................................... 9
2.3 Entry Modes .................................................................................................................. 14
  2.3.1 Entry Modes – Non Equity Based .............................................................................. 15
  2.3.2 Entry Modes – Equity Based .................................................................................... 17
2.4 Entry Modes for Service Firms ..................................................................................... 18
2.5 Offshore-, Transnational- and Cross Border Education .............................................. 20
  2.5.1 Entry Modes of Cross-border education .................................................................... 21
2.6 Matching Entry Modes for Conventional Production Firms and Higher Educational Institutions 26
2.7 Theoretical Framework ................................................................................................. 30
2.8 Conclusion .................................................................................................................... 31

**Chapter 3: Approach and Methodology for the Empirical Research** ............................. 32  
3.1 Focus .............................................................................................................................. 32
3.2 Approach ....................................................................................................................... 32
3.3 Instruments .................................................................................................................... 33
  3.3.1 Primary Data : Case Studies and Benchmark Factors ..................................................... 33
  3.3.2 Secondary Data: Desk Research and PESTEL Framework .......................................... 35
3.4 Units of Analysis for the Empirical Research ............................................................... 36
3.5 Reliability, Internal Validity and External Validity ....................................................... 38
3.5 Research Limitations .................................................................................................... 39

**Chapter 4: Findings** ...................................................................................................... 40
4.1 Introduction .................................................................................................................... 40
4.2 Elaboration of PESTEL .................................................................................................................41
4.3 An Analysis of four Cases using Benchmark Factors .................................................................47
  4.3.1 Analysis of Stenden University of Applied Sciences ............................................................47
  4.3.2 Analysis of Russian Higher Educational Institutions ............................................................48
  4.3.3 Examples of Cross-Border Entry Strategies used by German Higher Educational Institutions .................................................................................................................................54

Chapter 5: Conclusions and Recommendations .................................................................................55
  5.1 Introduction .................................................................................................................................55
  5.2 Conclusions ...............................................................................................................................55
  5.3 Recommendations ......................................................................................................................58
  5.4 Discussion ...................................................................................................................................59
    5.4.1 Theoretical implications .........................................................................................................59
    5.4.2 Practical implications .............................................................................................................60
  5.5 Suggestions for future research ....................................................................................................60

References: ...............................................................................................................................................62

Appendices .............................................................................................................................................65
  Appendix I: Selection of undergraduate and graduate programs that Stenden UAS offers ..............65
  Appendix II: Semi-structured questionnaire for Russian higher educational institutions .............66
  Appendix III: Semi-structured questionnaire for Mr. Van Dam, member of the Nijmegen – Pskov city partnership .............................................................................................................................................68
  Appendix IV: Russian Federal Document for Recognition of Dutch Diploma’s by “The Federal State Organ, Centre of International Educational Activities” .................................................................................................................................70
Abstract

The aim of this master thesis research is to find a good entry strategy for Dutch higher educational institutions to offer their international programs in the Russian Federation. Stenden University of Applied Sciences, an institution with a lot of know how in the field of cross-border education, was contacted to find out about its strategies and its experience on the international educational market. Stenden is interested in the possibilities of offering its educational programs in Russia. Consequently, this study will explore the opportunities and most suitable entry strategies for Dutch higher educational institutions that would like to set up cross-border educational activities in Russia, and what type of offshore education is most appropriate in that context. Hereby, Stenden University of Applied Sciences is used as a case study.

In order to find the most suitable strategy for setting up cross-border programs in Russia, entry modes for both manufacturing and service firms have been analyzed. The analysis showed that some entry strategies for both modes are quite similar and can therefore be combined. Besides, empirical research was carried out in the Russian Federation, whereby the similarity and application of the combined entry strategies were tested. For this reason interviews were conducted with several stakeholders of three Russian higher educational institutions that appear to be interesting counterparts for Stenden UAS. An external analysis of the factors that are of influence on the Russian higher educational system was performed to explore the chances and limitations of the combined entry strategies. Success factors of, and existing strategies used for cross-border programs were evaluated by means of a benchmark comparison.

This study shows that it is possible for Dutch higher educational institutions to offer international study programs in the Russian Federation.

Taking into account strict Russian governmental regulations, extensive and time consuming procedures to set up cross-border educational programs, as well as the results of the analysis of existing cross-border educational programs in Russia, three combined entry modes were selected and researched empirically. These three modes are: (1): Non Equity based “Franchising” combined with Cross-Border Mobility Program “Franchising”, (2): Equity/Non Equity based “Strategic Alliance” combined with Cross-Border Mobility Programs “Twinning”, “Double/Joint Degree”, “Validation”, and “Articulation” and (3): Equity based “Joint Venture” combined with Cross-Border Mobility Provider “Branch Campus”.

The stakeholders of the Russian higher educational institutions that were screened for this research were very positive about cooperation with Dutch institutions. Since Russian higher educational institutions know how to deal with governmental procedures, they might share their expertise with Dutch institutions that lack experience of the Russian educational market.

In theory, all three combined entry modes that were selected and researched can be put into practice. However, a branch campus with a majority interest by a Dutch higher educational institution is hardly feasible. Moreover, twinning cannot be seen as a positive entry mode either, because the Russian higher educational institutions fear loss of revenues and the degree is not issued by them. The findings of this research furthermore show that out of the three entry modes defined, the most suitable one is the combination of the equity and non-equity based “strategic alliances” and the cross-border mobility programs “double/joint degree” and “articulation”. The reason for this is the combination of a relatively high control over the program for both parties, cost sharing, a Dutch and a Russian diploma will be awarded to the students and a relatively easy recognition and accreditation of the program by the Russian authorities.

For Dutch higher educational institutions, it is important to build personal long term relationships with prospective Russian partner institutions, which might lead to better mutual understanding and more knowledge about culture and governmental regulations.

In addition, it can be of great help that many activities, like visa invitations, city registration, traveling in Russia, and accommodation can be arranged by the Russian partner institution. They are best equipped and experienced to deal with these issues.

Key words: Cross-border education, Educational program, Russian Federation, Entry strategy, Service firm.
Preface

In the framework of the Master of Science in Business Administration – International Management – study programme at the University of Twente, I carried out research on the best entry strategies for Dutch higher educational institutions with ambitions to offer educational programs in the Russian Federation.

For a long time, I have had a great interest in Eastern European countries. This thesis gave me the opportunity to further expand on my previous experience and interest in this region. Therefore, the whole process from the very beginning of collecting and analyzing literature until the empirical research in Russia and the processing of all data for this study has been very valuable to me.

Without the supervision and help of several persons, this master thesis would not have been what it is now. Therefore, I first would like to thank my three supervisors, Prof. dr. J.J. Vossensteyn, M.R. Stienstra, Msc, and Drs. S. Dousma for their comments, instructions, and valuable feedback. Secondly, I would like to thank all people in the Netherlands and Russia that have helped me during my research project and gave their free time in answering my questionnaires and additional questions that have strengthened my thesis. Last, but not least, I would like to thank my parents and brother for all their support, that goes beyond this study of business administration and my master thesis.

Emmen, September 2010

André Aarntzen


Chapter 1: Introduction

1.1 Background

Based on the author’s longstanding interest in Central and Eastern European developments, and several conversations with the head of international relations of Stenden University of Applied Sciences, this report is written to give insight in the different strategies to enter the Russian market with a special focus on the higher educational sector. Stenden UAS is interested in broadening their cross-border / transnational education activities towards Eastern European countries and possibly Russia. 

Education that is offered outside the country of a host institution is called transnational education, cross-border education or borderless education. The supply of education services abroad is called offshore education (Vossensteyn et al., 2007).

The Netherlands is one of the largest investors in the Russian Federation (Brinkhorst, L.J., 2004). The last few decades cooperation between the two nations has been very close. This can be seen from the fact that the Netherlands has a special organization in Russia for higher educational relationships. Since 1997, the Dutch international educational co-operation organization Bureau CROSS has been working in the Russian Federation on educational programs in higher education, and the relationship between vocational education and the labour market (Annual Report Bureau CROSS, 2003). Bureau CROSS is part of the Dutch EVD (International Business and Cooperation, “NL Agency” of the Ministry of Economic Affairs) (cross-agency.nl).

Recently the Dutch government established a NESO/NUFFIC office in Moscow, to give support to Dutch higher educational institutions, inform others on the opportunities of studying or doing an internship in Holland and linking knowledge worldwide. The organization contributes to the exchange of ideas between higher education institutions and the government by providing information and analysis on the internationalization of higher education (nuffic.nl).

All this shows that Russia might be interesting for Dutch higher educational institutions to offer their international educational programs. Consequently, this thesis explores the opportunities for intensive cross-border cooperation between Russian and Dutch higher educational institutions.
1.1.1 Stenden University of Applied Sciences, an introduction
Stenden is a Dutch University of Applied Sciences (UAS) that has a wide experience in different fields of international educational cooperation and in operating various campus sites around the world. Stenden UAS had around 10,000 students and 800 employees in 2008 (Annual Educational Report 2008, Stenden University), which captures the scope of the UAS. The international undergraduate and graduate programs that Stenden UAS offers can be found in appendix I.
As good education is of vital importance to support economic growth, Stenden is active in certain “emerging markets”, like Indonesia and Thailand. Emerging-market economies can be characterized as developing countries that have started an economic reform process aiming at alleviating problems like poverty, overpopulation and poor infrastructure. These countries achieved a steady growth in Gross National Product (GNP) per capita (Cavusgil et al., 2002).
Consequently Stenden UAS recently wanted to investigate the opportunities of setting up educational projects and/or cooperation in Central and Eastern Europe. However, a lack of data exists on cross-border education and setting up campus sites in the Eastern European markets.

In summary, Stenden UAS is eager to explore whether Eastern European countries form an interesting market to “sell” its international educational programs through various forms of cooperation or by setting up campus sites.

In chapter four of this thesis research, Stenden UAS will be used as a case study, whereby its international programs and activities serve as factors that might match with Russian higher educational institutions. Owing to the author’s interest in Russia, this study focuses on the Russian Federation.

1.2 Objectives
The aim of this thesis research is to develop a market model that is most appropriate for Dutch higher educational institutions to set up cross-border education in the Russian market. Stenden’s present international educational programs and interests in cooperation are taken into account as a test case, in order to investigate what theory and model are most applicable to the Russian situation. The model to be developed can be used as a screening device to search for suitable educational institutions and opportunities to set up cross-border education initiatives in Russia, like campus sites or educational cooperative projects such as double degree programs or an exchange program for students and lecturers.
With adaptations in the field of market entry regulations, the model may be used for other target markets in Central and Eastern Europe and possibly in other parts of the world. The outcome of the research should generate a sound view of the current situation on the Russian market and opportunities for Dutch higher educational institutions, in particular for Stenden UAS.

1.3 Problem statement and research questions
Before introducing educational programs in new markets, it is essential to know what kind of strategy will be most suitable to enter these markets. It is also vital to focus on the opportunities for Dutch higher educational institutions in-, and on limitations and requirements of the target country. The most appropriate strategy for Dutch higher educational institutions in former Eastern European countries has not yet been identified. This investigation has the aim to explore the most suitable entry strategy for the Russian educational market, consequently, the main research question is: “Which strategy is most suitable for Dutch higher educational institutions to set up cross-border education or an offshore campus in Russia?”

Sub questions:
When subdividing this central question into various aspects, a clearer focus can be given to this research topic and assignment.

Research Question one
In order to find the right entry modes for Dutch higher educational institutions, several strategies and theories have to be analyzed. This leads to the first sub-question:
RQ1: What strategies and theory are relevant to investigate for this master thesis research, in order to find the best entry mode for Dutch higher educational institutions that would like to set up cross-border activities in Russia?

Research Question two
Stenden UAS has ambitions to explore new Central and Eastern European markets. In this master thesis report, the possibilities, regulations and criteria to operate as a higher educational institution on the Russian market are the main subjects that need to be investigated. Therefore it is also essential to know whether Stenden UAS meets the conditions necessary to enter the Russian higher educational market and whether a match can be found between this Dutch higher educational institution and an institution in the Russian Federation.
This means that the international programs, wishes and interests of Stenden UAS should comply with a potential Russian partner institution, since Stenden UAS will be used as a case study. In order to investigate these issues, the second sub-question will be:

**RQ2**: In what way does Stenden UAS match with possible Russian higher educational institutions concerning its cross-border activities?

**Research Question three**

In order to find out different criteria that Dutch higher educational institutions should comply with, and what regulations these higher educational institutions have to take into account, a foreign market analysis of Russia has to be made. External factors such as economic, political, social, technological, and legal factors need to be analyzed, in particular with regard to the Russian educational system. This analysis will be performed to investigate the influence of, and connection with service firms, meaning higher educational institutions (explained in chapter two). Consequently, these issues lead to the third sub-question:

**RQ3**: How is the Russian higher educational system organized in terms of political, economical, social, technological, environmental and legal factors, and do these context factors allow cooperation with Dutch educational institutions?

**Research Question four**

Dutch higher educational institutions may benefit from the experiences of other higher educational institutions offering programs in the Russian Federation. Information about such initiatives can be helpful in making the right entry decision. In analyzing these issues, benchmarking will be used, with a focus on the existing strategies and programs offered within a cross-border education frame in Russia. These factors lead to the fourth sub-question:

**RQ4**: In what way do Russian higher educational institutions cooperate with other higher educational institutions and what factors, strategic models and programs do contribute to a successful cooperation?

The final step of this master thesis, is to evaluate the theory that was used and explained in this study, and investigate whether the applied practical findings support the theory studied. The outcome might provide some new thoughts towards the existing literature, which could be used by Dutch higher educational institutions, willing to enter the Russian Federation. With the answers to the four sub-questions mentioned above, it should be possible to answer the main research question of this master thesis research.
1.4 Research strategy and structure

In order to conduct this research, a deductive approach is being used so as to find the most suitable strategy based on theory. Saunders et al. (2007), describe deduction as an approach in which a theoretical or conceptual theoretical framework is being developed, which subsequently is being tested using data. This means that different models and strategies of cross-border education will be outlined and will be tested with a focus on the Russian Federation using different research methods.

In the next chapter, relevant theory that influences the steps of internationalization for both conventional firms, such as car manufactures, and service firms, such as the higher educational institutions will be discussed. Moreover, an analysis will be made of different cross-border models.

In chapter three, the approach and methodology for this master thesis will be presented. Hereby various research methods, instruments for different types of data analysis, limitations and the degree of external validity and reliability will be outlined. Moreover, based on the analyzed theory, some assumptions will be formulated that can be tested in the empirical part of this study.

In chapter four, the empirical findings will be described. The research instruments explained in chapter three, such as benchmark comparisons and the PESTEL (political, economic, social, technological, environmental and legal) framework will be used for this purpose. The outcomes of the interviews that were held in the Russian Federation and the Netherlands will be described and linked to the relevant literature.

In the last chapter, conclusions will be drawn and recommendations will be given to Dutch higher educational institutions with ambitions to enter the Russian market. On top of that, we will discuss theoretical and practical implications as well as suggestions for future research.
Chapter 2: Theoretical Approach

2.1 Introduction
In order to get a decent scanning model on cross-border education for a Dutch higher educational institution with ambitions to enter the Russian market, an in-depth investigation of several theories that could be suitable for this thesis will be made by means of a literature study.

In this chapter, we will first describe several strategies and steps that influence the entry of international markets, whereby external factors like political, economic, social, technological, environmental and legal factors will be outlined as instruments to analyze a foreign market. As a second step, different entry strategies for conventional firms, like firms that produce industrial products such as cars, will be explained. In the third step, different forms of internationalization for service firms, like higher educational institutions will be analyzed, whereby the entry strategies for conventional firms will be related to the entry strategies for higher educational institutions. This chapter will conclude with a theoretical framework in which possible combinations of both entry strategies, conventional firms and service (educational) firms will be outlined. These combinations will be investigated empirically in the Netherlands and in the Russian Federation.

2.2 Strategies to enter International Markets
When making a choice for cross-border education, it is apparent that one wants to enter other markets than the (existing market in the) home country. According to Root (1994), companies become committed to international markets when they no longer believe that they can achieve their strategic objectives by remaining in their home country. Becoming international, these companies need to commit resources and deal with possible new risks that are needed to a sustained participation in international markets (Root, 1994).

In this part, an overview will be given of different forms and options of entry strategies to penetrate international markets. The factors that influence such entry decisions will be analyzed. After that, these strategies will be outlined focusing on higher educational institutions that have plans to broaden their international activities on the Russian market.

In order to penetrate international markets and achieve a position that provides stable growth, Root (1994), describes five different product/market elements that companies can use as a guidance in their decisions when entering a foreign market.
These essential entry strategies require decisions on these five elements:

1. The choice of a target product & market
2. The objectives and goals in the target market
3. The choice of an entry mode to penetrate the target market
4. The marketing plan to penetrate the target market
5. The control system to monitor the performance in the target market

This design on international market entry is in fact iterative and has many feedback loops (Root, 1994).

External factors of a target market that influence entry strategies

Additionally to these five elements, Root (1994) and Johnson et al. (2008) also give several key instruments to investigate external factors of a target market. These external factors provide a broad list of influences on the possible success or failure of particular entry strategies (Johnson et al., 2008). Root (1994) mentions the political, economic and socio-cultural factors of a target country. As most significant factors, government policies and regulations are stated.
In additionally, Johnson et al. (2008) add three other external factors, these are technological, environmental and legal.

All these six different factors to analyze a target market, can be put into one framework, a PESTEL framework, meaning: Political, Economic, Social, Technological, Environmental and Legal (Johnson et al., 2008).

In short, Political influences emphasize the role of the government. Economic influences highlight the macro-economic factors, such as exchange rates, differential economic growth rates around the world and business cycles. Social influences refer to changing cultures and demographics. Technological influences emphasize innovations, like nanotechnology, internet, or the rise of new composite materials. Environmental influences particularly stand for “green” issues, like pollution and waste. The last factor, Legal, includes legislative constraints or changes, like safety and health legislation or limitations on company mergers or acquisitions (Johnson et al., 2008).

Many of these factors described are intertwined, therefore it is necessary to identify what “key drivers for change” are likely to have impact on the success or failure of an organization’s strategy. For example, public sector management is likely to be especially concerned with social change, political change and legislative change. For an organization, it is essential to identify key drivers for change; this will help management to focus on the most important PESTEL factors, which thus need highest priority (Johnson et al., 2008).

A lot of other changes will also depend on these key drivers. When managers do not have a clear sense of these key drivers, they will be unable to make the decisions that allow for effective action (Johnson et al., 2008).

Johnson et al. (2008) and Ball et al. (2008) give content to the PESTEL factors. With an overview, we will show a selection of forces that can be of influence for Dutch higher educational institutions willing to enter the Russian market. These forces are necessary to further investigate empirically. Below, a general outlined overview of these PESTEL factors is given.

<table>
<thead>
<tr>
<th>POLITICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ideological Forces (Communism, capitalism, socialism)</td>
</tr>
<tr>
<td>Government ownership of Business (Government-Private firm collaboration)</td>
</tr>
<tr>
<td>Privatization</td>
</tr>
<tr>
<td>Government protection (Terrorism, security providing)</td>
</tr>
<tr>
<td>Government Stability</td>
</tr>
<tr>
<td>Traditional Hostiles</td>
</tr>
<tr>
<td>Country Risk Assessment (Revolutions, coups, new elections, interest rates)</td>
</tr>
</tbody>
</table>

Table 2.1, Source: Ball et al. (2008)
ECONOMIC

International Economic Analyses

Levels of Economic Development (Developed, developing, newly industrializing countries, newly industrialized economies)

Dimensions of the Economy (GNI, GNI/Capita, underground economy, income distribution, private consumption, unit labor costs)

Socioeconomic Dimensions (Total population, age distribution, population density and distribution)

Industry Dimensions

Fluctuating Currency Values

Foreign Exchange (Exchange rate quotations)

Currency Exchange Controls (Tariffs, Taxation, Inflation, Balance of Payments)

Table 2.2, Source: Ball et al. (2008)

SOCIAL

National Culture

Aesthetics (Sense of beauty and taste)

Attitudes and Beliefs (Towards time, achievement, work and religion)

Material Culture (All human made objects, how, who and why)

Language (Spoken, unspoken and the language of gift giving)

Societal Organization (Kinship [family relations], social units, based on age, gender or common interest)

Understanding National Cultures (Geert Hofstede’s five dimensions) (Source: geert-hofstede.com)

Well Trained Workforce

Size of Demographic Market Segments (Old or young)

Table 2.3, Source: Ball et al. (2008) & Johnson et al. (2008)

TECHNOLOGICAL

Communication Technology (Computers, cable/satellite TV, [video] telephones)

Internet (Making global trading faster and more competitive)

Table 2.4, Source: Ball et al. (2008)

ENVIRONMENTAL

Location of Target Market

Green Issues (Pollution, waste)

Energy Consumption Controls

Table 2.5, Source: Johnson et al. (2008)

LEGAL

International Legal Forces (Rule of law, court system, international law, extraterritoriality)

International Dispute Settlement (Litigation, performance of contracts)

Intellectual Property (Patents, trademarks, trade names, copyrights, trade secrets)

Common Law / Civil Law

Specific National Legal Forces (Taxation, antitrust laws, bankruptcy, tariffs, quotas, and other trade obstacles)

Table 2.6, Source: Ball et al. (2008)
For this master thesis research, the PESTEL framework will be used as an instrument to investigate external factors of Russia, with a focus on the higher educational sector. With the information found by using this model, we can analyze the limitations, possibilities and regulations in Russia for higher educational institutions that would like to penetrate this market.

Since not all factors of the PESTEL framework can be investigated deeply within the framework of this study due to aspects of time, a selection has to be made of its respective forces that are essential for the higher educational sector and that can actually be investigated.

The following factors and their respective forces will be taken into further consideration:

Political: the “government ownership of business”, because international educational programs might need to be accredited and international branches of higher educational institutions might need additional permission from a target country government. Next to that, the degree of red tape should be investigated as well, since it is vital to know how long possible procedures might take.

Economic: the “levels of economic development” and the “dimensions of the economy”, because it is necessary to know how much money students are willing and able to spend on their studies. Next to that, the average income of regions and Gross Domestic Product should be included, due to calculations concerning study fees. Moreover, financial support for students and higher educational institutions, need to be considered.

Social: the “well trained workforce” and “language”, since it is important for Dutch higher educational institutions to have a good communication with a partner institute. Dutch institutions should be sure that the workforce is able to deliver the curriculum the way it is agreed with a partner institution.

Technological: the “communication technology” and “internet”. Dutch higher educational institutions that want to offer their programs abroad, need to be able to communicate with their students on locations in foreign target countries. Study materials and assignments have to be sent and received, and classes might be given using video-conferencing.

Environmental: these forces will not be included in this study, since this investigation is not aiming at good or bad health conditions for students or what industries are located near a higher educational institution.

Legal: the “specific national legal forces”. These forces need to be taken into consideration due to possible difficulties with the recognition of Dutch diploma’s in the Russian Federation. Moreover, special legal aspects like registration for stakeholders of Dutch higher educational institutions should be analyzed.
After having described the five elements that are required to take decisions before entering a target market/country and the corresponding factors of a target country that influence entry strategies, the next step is to discuss various ways of arranging entry into a foreign target country. Ball et al. (2008) explain several modes of entry, whereby a distinction is made between non-equity and equity entry modes.

### 2.3 Entry Modes
As already explained, a company or educational institution that wants to enter a new market, needs a strategy. Different strategies, or modes to penetrate a foreign market exist, which will be described below.

Non-equity modes of entry is a starting point for many firms. This method requires little investment and is relatively risk free. These firms begin their connection in overseas business by exporting some of the regular production abroad (Ball et al., 2008). Indirect channels, like export agents, can be a suitable form when one would like to take part in international business but does want to minimize risks, meaning logistical, political or financial risks (Ball et al. 2008). When using these indirect non-equity entry channels, an enterprise can start exporting with no increase in capital investment and low startup costs. Non-equity modes are less expensive in the early phases of exporting, since the costs of foreign market entry will commence directly by the intermediary (Cavusgil et al., 2002).

The equity based modes of entry mean that businesses decide to make a foreign direct investment (Ball et al., 2008). Local production or cooperation in the production process can create marketing advantages, like earlier adaptation of products to local preferences and purchasing power. Nevertheless, equity based entry requires significantly more management, capital, other resources and bears more (political) risks then non-equity entry modes (Cavusgil et al., 2002). When possible, a company has to get experience on the presumed target market first, via non-equity based entry modes like export, before deciding for direct investment through equity based models (Cavusgil et al., 2002).

Root (1994) explains that many companies have a mid-term entry-strategy time horizon of three to five years. It takes that long to realize enduring market performance. For each company with international ambitions, the time horizon should be long enough for managers to raise and answer questions on the long-run direction and scope of its international business (Root, 1994).
2.3.1 Entry Modes – Non Equity Based

In non-equity entry modes, a choice can be made between direct and indirect exporting, turnkey projects, licensing, franchising, management contracts and contract manufacturing; these will be discussed below.

**Indirect exporting** is: “the exporting of goods and services through various types of home based exporters” (Ball et al., 2008). These types of exporters include: 1: manufacturers’ export agents, who sell for the manufacturer, 2: export commission agents, who buy for their overseas customers, 3: export merchants, who purchase and sell for their own accounts, and 4: international firms, which use the goods overseas (e.g. construction, mining, and petroleum companies) (Ball et al., 2008).

**Direct exporting** can be characterized as: “the export of goods and services by the firm that produces them” (Ball et al., 2008). The commodities that need to be exported are handled by someone within the firm. Domestic employees may handle the billing, credit, and shipping initially, and if the business expands, a separate export department may be set up in the firm (Ball et al., 2008).

A **turnkey project** means that technology, management expertise and, sometimes capital equipment is exported. The contractor agrees to design and erect a plant, to supply the process technology, and to provide the essential suppliers of raw materials and other production inputs. The contractor also trains the personnel that will be operating the plant. If all runs well after a trial, the facility is turned over to the foreign purchaser (Ball et al., 2008). The exporter of a turnkey project can be a contractor that specializes in designing and constructing plants in a particular industry, like steel production or petroleum refining. It also could be a firm that wishes to make money from its expertise by delivering a plant ready to run instead of simply selling its technology (Ball et al., 2008).

**Licensing** is described as “a contractual arrangement in which one firm grants access to its patents, trade secrets, or technology to another for a fee” (Ball et al., 2008). The licensor is the firm that grants another firm (the licensee) the right to use (part of) its expertise, such as manufacturing processes, marketing procedures, and trademarks for one or more of the licensor’s products (Ball et al., 2008).

In addition, Root (1994) emphasizes several advantages and disadvantages of licensing. The advantage that is most striking, is the circumvention of import barriers like tariffs (that are cost increasing) and quotas (that limit quantities of export). Also a prolonged depreciation of a target country’s currency may be a reason of licensing. Furthermore, political risks will be lower when
choosing for licensing than with equity investment. Many host governments favor licensing over foreign investment as a way to obtain technology. Despite these external factors, an internal factor on licensing is especially advantageous for service firms. For a company that has a service or services as an end product (which cannot be exported), licensing or franchising (see below) may be a more attractive way to sell rights (for example technology or patents) than through a subsidiary or branch (Root, 1994). The most obvious disadvantage of licensing is the licensor’s lack of control over the marketing plan and program in the target country. The licensor remains dependent on the licensee’s market performance. Moreover, the absolute size of income can also be seen as a disadvantage (as compared with exporting). Royalty rates are commonly limited by rates in a company’s prior licensing agreements, by competition, by industry practice and by host governments (Root, 1994).

Ball et al. (2008) explain franchising as “A form of licensing in which one forms contract with another to operate a certain type of business under an established name according to specific rules”. Franchising authorizes the franchisee to sell products or services under a highly publicized brand name and a well-proven set of procedures with a carefully developed and controlled marketing strategy (Ball et al., 2008).

In the Russian Federation, for example, the Indian-based International Institution of Information Technology was planning to offer its PhD programs through the newly established Russian-Indian Centre for Advances Computer Research in Moscow (Altbach et al., 2006). Bienefled (2003) gives as example that an Australian institution X is granting the right to use its nursing programme to a South African institution Y. Root (1994) emphasizes four advantages and disadvantages of franchising. Advantages are: 1: rapid expansion into a foreign market with low capital outlays, 2: a standardized method of marketing with a distinctive image, 3: highly motivated franchisees, and 4: low political risk. Disadvantages are: 1: limitations on the franchisor’s profit, 2: lack of full control over the franchisee’s operations, 3: the possible creation of competitors, and 4: restrictions imposed by governments on the terms of franchise agreements (Root, 1994).

A management contract is defined as “an arrangement by which one firm provides management in all or specific areas to another firm”. International companies make contracts like these with 1: firms in which they have no ownership, 2: joint venture partners, and 3: wholly owned subsidiaries (Ball et al., 2008). Management contracts also means that control is only limited to ongoing operations. These contracts are mainly used to supplement an actual or intended joint-venture agreement or turnkey project (Root, 1994).
**Contract manufacturing** is an entry mode that can be used in two ways. The first way is “to enter a foreign market without investing in plant facilities”. An enterprise contracts a local manufacturer to produce goods according to the specifications of that specific enterprise. The sales organization of that enterprise markets the products under its own brand (Ball et al., 2008). A second way is to subcontract the production of components or assembly work to independent firms overseas. (Ball et al., 2008).

### 2.3.2 Entry Modes – Equity Based

Ball et al. (2008), make a distinction between wholly owned subsidiaries, joint ventures and strategic alliances.

When talking about a **wholly owned subsidiary**, Ball et al. (2008) discuss several ways such as: a company that wishes to own a foreign subsidiary completely, may, 1: set up its own manufacturing subsidiary (Greenfield investment), 2: acquire a going concern, or 3: overtake its distributor, consequently obtaining a distribution network familiar with its products. Sometimes a host government may not permit to have a wholly owned foreign subsidiary (Ball et al., 2008).

A **joint venture** can be outlined as “a cooperative effort among two or more organizations that share a common interest in a business enterprise or undertaking” (Ball et al., 2008). This entry mode may be 1: a corporate entity formed by an international company and local owners, 2: a corporate entity formed by two international companies for the purpose of doing business in a third market, 3: a corporate entity formed by a government agency (usually in the country of investment) and an international firm, or 4: a cooperative undertaking between two or more firms of a limited-duration project (Ball et al., 2008). According to Root (1994), it is most common that an international firm agrees to share capital and other resources with a single local company in a common enterprise. Control of a joint venture is lower than over a sole venture, therefore it is mostly not possible to carry out a sole strategy in the target country. Joint ventures can be both majority/minority or 50%-50% ventures (Root, 1994).

**Strategic alliances** are “partnerships between competitors, customers, or suppliers that may take one or more various forms, both equity and non equity” (Ball et al., 2008). The aim of these firms is to realize faster market entry and start-up; gain access to new products, technologies, and markets. Moreover, the alliances share risks, resources and costs (Ball et al., 2008).
Having described these various entry modes for conventional firms, the following step is to see what entry modes are especially suitable for service firms and thus for higher educational institutions, that would like to enter the Russian market. We will first describe a classification of service firms, whereby services are classified into hard and soft services. After that, an analysis will be made of the different terms for the internationalization of higher educational institutions.

2.4 Entry Modes for Service Firms

Higher educational institutions are firms / enterprises that offer services instead of goods. Several different penetration strategies exist for institutions that want to offer their programs in foreign markets. In this section, we will concentrate on the international entry modes for the higher educational sector.

Several researchers have developed classification schemes for international services. In his article “Entry Mode Choice in Service Industries”, Erramilli (1990) divided internationally traded services into two groups: hard service and soft service. According to the author, examples of hard services are: insurances, architectural designs, education or music. This means that production and consumption can be separated. A hard service has a manufactured good component. However, the primary source of utility to the consumer is the service element of the product. Examples of soft services are: restaurant service, accommodation service with several branches, or health care. This means a simultaneous production and consumption process. A soft service becomes a hard service when production of the service can be decoupled of consumption (Ekeledo et al., 1998). Exporting of services is rather different from that of goods because services are intangible. When exporting goods, it involves exporting an object to a target market. However, exporting of services can require embodying the service in a storage medium, such as books or DVD’s. Satellite connections or telephone wires also can be used to reach consumers in foreign locations (Ekeledo et al., 1998).

The characteristic of educational institutions is that they offer a product (knowledge) through service. This means that the institution provides its educational curricula and information in various forms, such as lectures, articles and/or syllabi, to the customer (the student).

Soft services must depend on market entry modes like a sole ownership, franchising, a joint venture or a management contract when entering foreign markets, since production and consumption cannot be separated. Erramilli (1991) describes an U-shaped pattern, a relationship by service firms between experience and desired control in the choice of entry mode, suggesting that soft service
firms prefer sole ownership during the first years of their foreign market experience in a specific country. They favor, however, shared control operating modes at the start of their international experience in a specific foreign market, but revert to sole ownership once this international experience becomes extensive. Palmer and Cole (1995) noted that producers of soft services are an integral part of their product, and therefore require greater control over the production process. Consequently, soft service firms are more likely to choose for franchising, whereas hard service firms may adapt exporting as an arm’s length mode of operation.

For this research, entry modes of hard services need to be considered. This choice is based on the fact that higher educational institutions offer knowledge and service, which are intangible, in the way the service is being carried out.

Having described the different strategies to enter foreign markets, we can link the service firms with the conventional production firms. This link will be formed to get an overview of the possibilities that higher educational institutions, such as Stenden UAS have.

Argarwal and Ramaswami (1992) concluded that there were no significant differences in entry choices between manufactured goods and hard services, meaning that these hard services, like education or music, behave like manufactured goods in the choice of foreign market entry modes. Because international programs that are offered by educational institutions through different cross-border forms act like manufactured goods, they can be seen as hard services. This means that we can treat these educational programs as manufactured goods.

In the following part, different forms of these international educational programs are discussed, in which several of the explained entry modes can be encountered again.
2.5 Offshore-, Transnational- and Cross Border Education

As already stated in the introduction of this report, numerous terms and concepts of offshore, cross border and transnational education exist.

We first will emphasize several of these terms and concepts, whereby a selection will be made of the most suitable term for this research.

According to Hussain (2007), international cooperation and collaboration is taking place among countries in educational, social, economic, and service sectors through national and international organizations and agreements. It may provide opportunities of higher education across the borders of a country at an international level through the phenomenon termed as “Transnational Education”.

In the “Code of Good Practice”, the UNESCO/Council of Europe utilizes the following definition of transnational education: “all types and modes of delivery of higher education study programmes, or sets of courses of study, or educational services (including those of distance education) in which learners are located in a country different from the one where the awarding institution is based”.

Such programmes may belong to the education system of a State different from the State in which it operates, or may operate independently of any national education system. (Council of Europe / UNESCO, Revised Code of Good Practice, 2007).

In the article “Transnational Education: Concept And Methods” of Hussain (2007), transnational education is regarded as “the service of education on global scale or on a cross border level involving educational institutions or students and academicians of more than a single nation”. (Hussain, 2007).

Furthermore, McBurnie and Ziguras (2007) explain transnational education as “Transnational Education encompasses any education delivered by an institution based in one country to students located in another”.

In the “Guidelines for Quality Provision in Cross-border Higher Education” by the OECD (2005), the term is being explained as “cross-border higher education includes higher education that takes place in situations where the teacher, program, student, institution/provider or course materials cross national jurisdictional borders.” This form of higher education may include both the forms public/private and non-profit/for-profit providers. It contains a wide range of modalities, varying from face-to-face learning to distance learning (OECD, 2005).

Catherwood et al. (2005) define offshore education as: “The core of offshore education denotes any teaching or learning activity in which the students are in a different country (the host country) from that in which the institution providing the education is based (the home country).”

The authors also discuss that offshore education has reached the phase of growing importance. Offshore education is not only restricted to services like crossing borders by supplying information on
different ways/programs of education and by personnel, but also includes associated activities like consultancy services and trading educational ‘products’ such as learning materials or educational software. (Catherwood et al., 2005).

In the article ‘Offshore education/Studienexporte’, Witte (2001) argues that offshore study programs and modules should meet several requirements. The author discusses that (1) offshore programs should be complete study programs or completed educational modules that are taught outside the home institution on a foreign university or in collaboration with a foreign institution. Moreover, (2) these programs can be taught either in a fulltime or part-time form. Offshore education (3) also should be possible in the form of long distance learning or e-learning and be well supported from the providing institution. Furthermore, (4) it is important that this kind of education leads to an officially accredited university grade by the home country of the university (Witte, 2001).

All these definitions are very similar. Offshore- transnational- and cross-border education are programs of higher educational institutions that are relocated to foreign markets. Exchange programs for students between different educational institutions are common. Within these concepts, it is also possible for students to study on both national campus sites, as well as foreign campus sites.

Based on these different definitions, the following term will be used for this thesis research: “cross-border higher education includes higher education that takes place in situations where the teacher, program, student, institution/provider or course materials cross national jurisdictional borders” (OECD, 2005). The choice for this definition is also based on the fact that all 30 member states of the OECD recognize this term and that this text has been elaborated in cooperation with the UNESCO member states and secretariat (OECD 2005).

2.5.1 Entry Modes of Cross-border education
In this part, the different aspects and forms of cross-border education will be described. An overview of forms and providers of cross-border education will be given.

The described forms can be offered by a variety of providers (institutions offering higher educational programs) (Hussain, 2007). Cross-border education providers have different nationally based educational systems, whose specific characteristics are responsible for different kinds of arrangements that exist and made in different parts of the world (Hussain, 2007).
As stated in the ‘European Student Handbook on Transnational Education’, there is a rapid growth on information and communication technology and an increasing international market for higher education (Bienefeld et al., 2003).

When talking about cross-border education providers, two sorts of providers can be classified. Firstly, there are the traditional higher education institutions and secondly, the ‘new or alternative providers’ (Knight, 2006). The traditional higher education institutions include both public and private non-profit and private for-profit institutions. An essential factor is whether the traditional higher education institution is part of a domestic national education system and recognized by a national sincere accrediting/licensing organization. In cross-border education, recognition and registration is essential to assuring the legitimacy of the organization and the qualifications provided (Knight, 2006).

The new or alternative providers (private educational institutions) can be described as companies or organizations providing educational programs and/or services with the purpose of making profit. The orientation of these providers is, unlike the traditional higher education institutions, to deliver education and training programs, but they are less likely to undertake research and scholarship activities (Knight, 2006).

Cross Border Mobility Programs and Cross Border Mobility Providers


Cross border mobility programs can be characterized as “the movement of individual education/training courses and programs across national borders through face-to-face, distance or a combination of these modes. Credits towards qualification can be awarded by the sending foreign country provider or by an affiliated domestic partner or jointly” (Knight, 2005).

Cross-border mobility providers can be characterized as “the physical or virtual movement of an education provider (institution, organization, company) across a national border to establish a presence in order to offer education/training programs and/or services to students and other clients” (Knight, 2005).
When recapitulating the service firm entry modes, we found out that there were no significant differences between manufactured goods and hard services in making an entry choice (Argarwal and Ramaswami, 1992). Therefore, in this part of the paper, we will link the equity and non-equity entry modes described with the cross border mobility programs and providers, that are especially made for the higher educational sector.

*Cross Border Mobility Programs*

Knight (2006) describes six forms of cross-border mobility programs, which are: Franchising, Twinning, Double/Joint Degree, Articulation, Validation and Virtual Distance.

**Franchising:** an arrangement in which a provider in a home or source country A authorizes a provider in a different country B to deliver a course/program/service in this different country B, or in other countries as well. The qualification is awarded by the provider in country A. The arrangements for teaching, assessing, profit sharing and awarding of credit/qualification are customized for each franchise arrangement and should comply with national regulations (if available) in country B (Knight, 2006). Schreiter and Witte (2001) argued another agreement of franchising; in this, a franchise arrangement licenses a local provider to offer a foreign degree. This type of arrangement can comprise so called “flying professors”. In the flying faculty model, an educational institution offers a program abroad whereby teachers are “flown in” to teach a specific course in a certain, short period of time. The academic activities are entirely handled by the educational institution; they only need a local provider/partner for housing and maybe marketing (as cited in Vossensteyn et al., 2007, p. 26).

**Twinning:** in the situation of twinning programs, a provider in source country A cooperates with a provider in country B to develop a connected/joint system allowing students to take course credits in country B and/or in source country A. Only one qualification is awarded by the provider in home or source country A (Knight, 2006). According to the OECD (2004), a twinning program can, in practical terms, include that a student is subscribed to a foreign providing institution and taught from a foreign syllabus, though part of the course is followed in the home country and completion of the course in the home country of the institution.
Double/Joint Degree: in this arrangement, providers in various countries collaborate in offering a program for which a student receives a qualification from each provider or a joint award from the participating partners. Arrangements for program conditions and criteria for awarding the qualifications are customized for each collaborative initiative in accordance with national regulations in each country (Knight, 2006).

Articulation: different types of articulation arrangements between providers that are situated in various countries permit students to gain credit for courses/programs offered by all of the cooperating providers. This kind of arrangement allows students to gain credit for work done with a provider other than the provider awarding the qualification (Knight, 2006). Wilson and Vlăsceanu (2000) argue that program articulations include inter-institutional agreements where two or more institutions jointly offering a study program in terms of study credits and credit-transfers. Students who pursue their studies in one institution can have their credits recognized by the other, and accepted for transfer in order to continue their studies. The European Student Handbook on Transnational Education (2003) describes these arrangements as: two or more institutions of higher education agree to jointly define the curriculum of a study program, which can then be offered by both institutions. In these agreements, credits usually are transferable and recognized between the participating institutions.

Validation: agreements between providers in different countries allowing provider B in the receiving country to award the qualification of provider A, settled in the source country. In some cases, the provider from the source country may not offer these courses or awards itself (Knight, 2006).

Virtual Distance: with this arrangement, a provider delivers courses or a program to students in various countries through online and distance modes. This may include some face-to-face support for students through domestic study or support centres (Knight, 2006). Wilson and Vlăsceanu (2000) describe distance-learning as an educational provision for every level of study characterized by the separation of the learner from the teacher. The students are provided with self-instructional study material via post or web based solutions and complete their study programs under the guidance of a tutor at home. This guidance is provided via post, e-mail and/or occasional face-to-face sessions.
Cross Border Mobility Providers

Knight (2006) discusses six forms of cross-border mobility providers, these are: Branch campus, Independent institution, Acquisition/Merger, Study centre/Teaching site, Affiliation/Network and Virtual university.

Branch campus: in this construction, a provider in country A establishes a satellite campus in country B and delivers courses and programs to students in country B. (Students from country A also may take courses or go abroad for a semester). The qualification awarded is from the provider in country A (Knight, 2006). In the European Student Handbook on Transnational Education (2003), branch campuses are referred to as traditional universities (public, private non-profit or private for profit) that establish branches in other countries where they offer their own educational programmes and degrees. According to the student handbook mentioned, this form of transnational education is most common in many developing countries and Eastern European countries (Bienefeld et al., 2003).

Independent institution: A foreign provider A (traditional university, commercial company or an alliance/network) establishes a stand-alone higher education institution in country B to offer courses/programs and awards. Usually there is no “home institution” in country A and therefore it is independent (Knight, 2006).

Acquisition/Merger: foreign provider A acquires a part of, or 100% of the local higher education institution in country B (Knight, 2006).

Study centre/Teaching centre: foreign provider A establishes study centers in country B to support students taking their courses/programs. Study centers can be operated independently or in cooperation with local providers in country B (Knight, 2006).

Affiliation/Networks: these are various types of “public and private,” “local and foreign,” “traditional and new” providers that cooperate through innovative types of partnerships in order to establish networks and institutions that deliver programs and courses in both local and foreign countries through distance or face-to-face modes (Knight, 2006).

Virtual university: an educational provider that delivers credit courses and degree programs to students in various countries via distance education, using mainly the internet technology mode, predominantly without face-to-face support services for students (Knight, 2006).
Virtual university is a new concept in developing countries. It uses the distance education approach, using information and communication technologies for the teaching learning process (Hussain, 2007). Wilson and Vlăsceanu (2000) discuss that these developments in higher education have some common characteristics in terms of crossing the borders of national higher educational systems.

With both the entry modes for conventional enterprises, producing goods, and the entry modes for higher educational institutions, producing services, the next step is to analyze in what way these entry modes do match best with each other.

### 2.6 Matching Entry Modes for Conventional Production Firms and Higher Educational Institutions

When analyzing the entry modes for both conventional firms and service firms with hard services, like higher educational institutions, it appears that the entry modes for commodities show a fit with the cross-border classification described. Therefore, this may be a fruitful combination to provide a theoretical framework for this study.

In this part, possible combinations between the entry modes described will be outlined and discussed. In order to identify the most suitable entry strategy for Dutch higher educational institutions with ambitions to set up cross-border activities in Russia, the combinations outlined are to be investigated both by desk- and empirical research.

**Combinations of Production Firms Entry Strategies with Service Firms (Educational) Entry Strategies**

1: In comparing the non-equity entry modes with the cross-border mobility programs, it is notable that in both models “franchising” appears. The theory described of service firms entry modes makes this ‘combination’ a logical step in this investigation.

2: The next connection is between the equity & non-equity “strategic alliances” and, on the other hand, several cross-border mobility programs, which are “twinning”, “double/joint degree”, “validation” and “articulation”. Strategic alliances can be various forms of partnerships between suppliers, customers and even competitors. Strategic alliances focus on fast market entry and access to new products and technologies.
The different cross-border mobility programs have in common that they are aiming at cooperation with a partner institution, that can even be a competitor. The combination could strengthen the positions in the higher educational market and may lead to a mutual (financial) benefit.

3: The third combination is that of the equity based entry strategy “joint venture” with the “branch campus” from the cross-border mobility providers model. A branch campus could be set up in a joint venture form, like a corporate entity that is formed by an international enterprise or higher educational institution and a local enterprise or higher educational institution. Agreements can be negotiated on control issues like percentage of share in the joint venture and products / programs offered.

4: The subsequent connection is the non-equity entry mode “licensing” in combination with the cross-border mobility program “twinning”. A Dutch higher educational institution licenses a Russian partner institution the right to use (part of) its study program for a fee. There is no joint program between two higher educational institutions. When combining this with twinning, a system can be set up, whereby a Russian student officially is subscribed to a Dutch higher educational institution but takes part in the Dutch study program at a Russian partner institution. The completion of the program will be at the Dutch higher educational institution. The study fee for the Russian student has to be negotiated, since he or she has to pay a double study fee, for both the Russian and the Dutch higher educational institutions.

5: The last combination described here is “direct export” as non-equity based entry mode, with the cross-border mobility program “virtual distance” and “study centre/teaching centre” as cross-border mobility provider. A Dutch higher educational institution might think of offering its programs by exporting them, however, students also need feedback on their assignments and may need face-to-face support through support centers, which can be set up in cooperation with Russian higher educational institutions. This combination shows that higher educational programs (hard services) can be seen as exportable products and might be interesting to investigate for the Russian market.

The added value of these strategies for higher educational institutions with ambitions to enter a foreign market, lies in the combination of the business administrative entry models and the public administrative cross-border models for higher educational service institutions.

The added value for this master thesis study, is that our analysis of the combined entry models used show the higher educational sector as a free market force. Hereby, a deeper understanding of the possibilities and implementations of these two models for higher educational institutions is being
demonstrated. The two models for international market entry complement and strengthen each other in various ways. For example, strategic alliances can be subdivided into twinning, double/joint degree, validation and articulation. The combination of one or more of these cross-border mobility programs with the described equity based entry mode has the advantage of faster market entry, sharing of costs and risks in offering higher educational programs and the possibility to connect higher educational programs of different countries, hereby securing that all partner institutions comply with specific rules of a country for accreditation.

Another example that shows the consistency and strength of both models, is the combination of the joint venture with the branch campus. This combination shows that higher educational institutions can be treated as free market enterprises as well, whereby educational programs (knowledge) are being transferred to a foreign country, but where a lot of control remains over the programs offered and ways of lecturing students.

Other combinations between the two entry models described would perhaps be possible, but will not be investigated in this master thesis research. The reason is, that we will focus on the cooperation between higher Dutch higher educational institutions with Russian higher educational institutions. The choice is also based on facts like time limitations for this study and because Stenden UAS, as a case study, offers its international higher educational programs on the basis of cooperation with partner institutions, which will be explained in chapter four. Moreover, since Dutch higher educational institutions might have little or no experience on the Russian educational market, a Russian partner institution might be very helpful in setting up cross-border programs, since they probably have knowledge about accreditation, registration in Russia and know how to deal with authorities.

These five theoretical combinations seem most important to study, because they show possible cooperation between two or more higher educational institutions in the Netherlands and Russia. However, two combinations will not be studied empirically in this master thesis research. Firstly: the non-equity entry mode “licensing” in combination with the cross-border mobility program “twinning”, where students will have to pay a double study fee (Russian and Dutch) is, however, quite substantial to study empirically, and a short elaboration in Russia would not do it justice. Moreover, a full elaboration of this combination can be a study in its own right. The second combination: “direct export” as non-equity based entry mode, with the cross-border mobility program “virtual the distance” and “study centre/teaching centre” as cross-border mobility provider, will not be investigated deeper in this report, because this entry strategy for cross-border education is totally different from Stenden UAS’ strategy.
Distance learning, that for example is offered by the “Leidse onderwijsinstellingen” (www.loi.nl) in the Netherlands, is a concept that would be totally new for the used case institution in this research, and therefore would be a new study in itself when elaborating it fully.

We will empirically investigate the first three combinations described in both the Netherlands and the Russian Federation. We will use the “elements of an international market entry strategy” by Root (1994) for both the empirical part and the link with the theoretical models described in order to let Dutch higher educational institutions make suitable steps in their decision to enter the Russian educational market. A well considered choice has to be made by a Dutch higher educational institution on what goals and objectives it wants to reach in a foreign market. With these objectives and goals, the Dutch institute can search a partner institute whom it would like to cooperate with. When analyzing these preferences, a best product and entry strategy can be selected as well as a (joint) marketing plan. On the basis of the chosen strategy and the share of control between a Dutch higher educational institution and a possible Russian higher educational institution, a monitoring system can be set up to secure the activities as agreed.

In figure 2.2, a theoretical framework is drawn up, whereby an overview of the different entry strategies to penetrate foreign markets for goods, entry strategies for services of higher educational institutions, and the three combined entry strategies to be investigated empirically is given.
2.7 Theoretical Framework

**Market Entry Strategies**

<table>
<thead>
<tr>
<th>Non Equity Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect Exporting</td>
</tr>
<tr>
<td>Direct Exporting</td>
</tr>
<tr>
<td>Turnkey Project</td>
</tr>
<tr>
<td>Licensing</td>
</tr>
<tr>
<td>Franchising</td>
</tr>
<tr>
<td>Management Contract</td>
</tr>
<tr>
<td>Contract Manufacturing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly owned Subsidiary</td>
</tr>
<tr>
<td>Joint Venture</td>
</tr>
<tr>
<td>Strategic Alliance (both equity and non equity based)</td>
</tr>
</tbody>
</table>

**Service Firms (Education) Entry Strategies**

<table>
<thead>
<tr>
<th>Cross-Border Mobility Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchising</td>
</tr>
<tr>
<td>Twinning</td>
</tr>
<tr>
<td>Double/Joint Degree</td>
</tr>
<tr>
<td>Articulation</td>
</tr>
<tr>
<td>Validation</td>
</tr>
<tr>
<td>Virtual Distance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cross-Border Mobility Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch Campus</td>
</tr>
<tr>
<td>Independent Institution</td>
</tr>
<tr>
<td>Acquisition / Merger</td>
</tr>
<tr>
<td>Study/Teaching Centre</td>
</tr>
<tr>
<td>Affiliation/Networks</td>
</tr>
<tr>
<td>Virtual University</td>
</tr>
</tbody>
</table>

Combination of entry strategies to be analyzed for the Russian market

1: Non Equity “Franchising” & Cross-Border Mobility Program “Franchising”.

2: Equity/Non-Equity “Strategic Alliance” & Cross-Border Mobility Programs “Twinning”, “Double/Joint Degree”, “Validation” and “Articulation”.

3: Equity “Joint Venture” & Cross-Border Mobility Provider “Branch Campus”.

Out of these 3 strategies, find the most suitable and possible entry modes for Dutch Higher educational Institutions with ambitions to enter the Russian market.

Hereby using the instruments:
- PESTEL Framework
- Benchmark factors
- Empirical Research in Russia

The strategy or strategies that seem to be most promising on the Russian market for Dutch Higher Educational Institutions.

*Figure 2.2: Theoretical Framework*
2.8 Conclusion
In this chapter an overview was given of several theories, concepts, models and strategies that could be used when entering international markets. This is important when investigating the possibilities for Dutch higher educational institutions wishing to enter a foreign market. With this information, an analysis needs to be made as to what model or approach fits Dutch higher educational institutions best.

According to the literature studied, educational programs can be internationalized by several of the entry strategies mentioned in the theoretical framework. This internationalization process, called offshore-, transnational- or cross-border education is described. In this thesis report, as was explained previously, the definition of “cross-border education” will be used, because this definition is generally accepted and used by all 30 OECD member states and the UNESCO.

Furthermore, it can be concluded that education can be treated as a hard service, meaning that these services behave like manufactured goods and therefore can be dealt with as such in exporting these in numerous forms. The entry modes described for businesses and the forms to enter foreign markets for higher educational institutions can be combined, in order to strengthen the investigation towards possible cooperation or investments on the Russian market. The added value of the combination of these models for this study is that the higher educational sector is shown as a free market force. The different foreign entry possibilities and implementations of these two models for higher educational institutions is being demonstrated. The combined models strengthen each other and are complementary to each other in various ways.

The theories and strategies described in this chapter give an answer to the first sub-question of this master thesis research, which is: “What strategies and theories are relevant to investigate for this master thesis research, in order to find the best entry mode for Dutch higher educational institutions that would like to set up cross-border activities in Russia?”
Chapter 3: Approach and Methodology for the Empirical Research

3.1 Focus
When recapitulating the focus of this thesis research, to explore the possibilities of cross-border education for Dutch higher educational institutions in Russia, a lot of theory was found. To get insight in the external possibilities towards Russia, a country analysis of the Russian Federation should be made, whereby market, environment and production factors should be investigated. Besides that, it is necessary to study existing cross-border educational projects in Russia and ongoing cross-border projects of Stenden UAS, which will be used as a case study. This will be done by various instruments, like the PESTEL Framework and benchmark factors. With the empirically collected information, a best entry mode for Dutch higher educational institutions that have ambitions to enter the Russian market will be selected, hereby we will analyze the three combined entry strategies, as described in chapter two, with focus on the Russian situation.

3.2 Approach
Different types of research can be distinguished. For this report, an exploratory research (Saunders et al, 2007) is conducted. This is to find out what is happening and to seek new insights in cross-border education towards the Russian Federation. It is necessary to get suitable information about the Russian market. Exploratory research is conducted to explore a topic, meaning, to start to make a researcher acquainted with that topic (Babbie, 2007). This exploratory method is most generally done for three purposes: (a) to satisfy the researcher’s curiosity and aspiration for better understanding, (b) to test the probability of undertaking a more widespread study, and (c) to develop the methods to be employed in any subsequent study (Babbie, 2007). Explorative studies also have several shortcomings. They rarely provide satisfactory answers to research questions, a reason for this has to do with representativeness, meaning that the people being studied may not be typical of the larger population that interests the investigator. However, this type of research can indicate the answers and can suggest which research methods could give definitive ones (Babbie, 2007). For this thesis, the different forms and shortcomings of exploratory research need to be taken into account, since the most suitable research strategy needs to be selected, and because it may influence the reliability and external validity of the research, which will be explained in part 3.5. This study can also be characterized as a “cross-sectional study”, meaning that observations of a sample, or cross-section, of a phenomenon or a population are made at one point in time. Descriptive and explorative studies often are cross-sectional (Babbie, 2007).
In this chapter, we will discuss various steps of how this research study will be executed and what methodology will be used. At first, we shall list the instruments to analyze the possibilities for Dutch higher educational institutions on the Russian market, like the PESTEL framework and benchmark factors. Already existing cross-border activities in Russia will be analyzed and already ongoing cross-border projects of Stenden UAS will be investigated. A focus will be laid on success/failure strategies and possible criteria that might exist for Dutch higher educational institutions when they would like to enter the Russian market.

Next to that, international organizations, such as the NESO/NUFFIC in the Netherlands and the Dutch Institute in Saint Petersburg, Russia, will be contacted for information and possibilities on cross-border education in Russia. The information that may result from this investigation component will be analyzed and empirically verified in the Russian Federation.

We will describe the units of analysis for this empirical research; stakeholders of Stenden UAS and Russian higher educational institutions, that are able to supply the necessary information. Besides these points, the reliability, internal validity and external validity for this master thesis research should be investigated. This chapter will conclude with the limitations that have to be taken into account for this research.

3.3 Instruments
In order to answer the second and third sub questions, we will outline several instruments that are useful in collecting the necessary information. Saunders et al. (2007) describe both primary and secondary data. For this research, both methods will be used.

3.3.1 Primary Data: Case Studies and Benchmark Factors
As stated by Saunders et al. (2007), primary data are data that are collected specifically for the research project. Several methods of gathering this kind of information exist. Interviews (structured and semi-structured, in depth and group) are possible, as well as observation. This type of interviews is non-standardized, and should result in an in-depth qualitative outcome. A semi-structured interview consists of a list of themes and questions that will be used, but these may vary from interview to interview (Saunders et al., 2007).

For this research, we will look at different benchmark methods, in order to get an understanding of the existing cross-border programs that Russian higher educational institutions have with foreign partners. After selecting suitable higher educational institutions in Russia, we will approach these
selected institutions, in order to see whether they would like to contribute to this master thesis study. A qualitative research should be performed at these institutions willing to cooperate by means of semi-structured interviews. This will be conducted with insiders, responsible for international collaboration, and students, in order to find out what demands exists for international educational programs. As Saunders et al. (2007) describe, “qualitative data mentions all non-numeric data or data that has not been quantified and can be a product of all research strategies”. This data can give insight in more than just an analysis of numbers. It can show critical factors in the process of exporting education to the Russian Federation.

Besides the research at Russian higher educational institutions, we will also collect and analyze the cross-border activities and internationally offered programs of Stenden UAS by means of primary data methods. Moreover, external experts that might provide us with valuable information on cross-border activities and for this study useful facts about Russia will also be included in this research.

All these interviews are vital for doing a case study. As Robson (2002) defines a case study as: “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”.

A mechanism to investigate the most suitable strategy for cross-border education, is to benchmark already existing cross-border programs between western and Russian higher educational institutions. Russian higher educational institutions may have experience and information about their activities in with non-Russian (western) higher educational institutions that can contribute to this thesis report and the concluding recommendations towards Dutch higher educational institutions. The outcome of all the case studies, meaning: the Russian higher educational institutions and Stenden UAS can be compared. With the data of the Russian higher educational institutions and Stenden UAS, we can analyze the already working cross-border strategies and possible whishes that exist.

Benchmarking can be used as a way of understanding how a strategic capability of an organization compares with those of other organizations, in terms of internal processes (Johnson et al., 2008). Benchmarking improves an organization’s performance through the identification and application of best practices within and across the organization’s diverse operations and sales activities (Ball et al., 2008). Four basic types are described by Ball et al. (2008), which are “internal”, “competitive”, “functional” and “generic”.
Ball et al. (2008) emphasize that identifying the right organization to use as a benchmark can be problematic. Sometimes, the ideal benchmark is in a related or possibly even a completely different industry. The first basic type of benchmarking, **internal**, is comparing one operation in the organization with another. Since it is in-house, internal benchmarking is rather easy to implement. The second type is **competitive**, meaning that an organization compares it operation with that of a direct competitor. Apparently, this is the most difficult sort of benchmarking to do. Ball’s et al. (2008) third benchmark type is **functional**, where an organization compares its functions with comparable functions at organizations in one’s broadly defined industry. An example is Air France-KLM comparing its freight handling procedure with that of TNT express. **Generic** means that an organization compares it operations with totally unrelated industries (Ball et al., 2008).

Next to the forms and approaches of benchmarking, Johnson et al., (2008) define two kinds of dangers that have to be kept in mind. The first danger is “measurement distortion”, meaning that benchmarking can lead to a situation “where you get what you measure”, which not may be what is intended strategically. The second danger is “surface comparisons”. With this type, benchmarking compares inputs (resources), outcomes or outputs, but does not recognize the reasons for the good or poor performance of firms, while the process is not comparing competences directly. For instance, it may show that one firm is poorer at customer service then another, but not demonstrating the underlying reasons. (Johnson et al., 2008).

Keeping these types of benchmarking in mind, we think that the competitive approach, meaning that we compare the cross-border activities of Russian higher educational institutions on their activities with foreign partners, is the most suitable option to identify working entry strategies and cross-border models in the Russian market. The strategies of Stenden UAS will be compared with the in Russia existing cross-border entry modes. With this benchmark type, we can find out which plans or experiences have shown good practices.

In the next chapter, we will describe these cases, whereby we will compare the outcomes, that can be linked to the three combined entry strategies as described in chapter two.

### 3.3.2 Secondary Data: Desk Research and PESTEL Framework

For external factors in Russia, desk research is of great importance. Secondary data (Saunders et al. 2007) will be utilized for this part. This includes both raw and published materials that originally were collected for some other purpose. Different documents, such as reports, books and magazines will be used to conduct this analysis. When necessary, internet also will be used to analyze the cross-border strategies of other educational institutions that are operating at the Russian market.
As explained in the second chapter, we will use the PESTEL framework as an instrument, to identify external factors in Russia that might influence the three combined entry strategies to enter the Russian market as a Dutch higher educational institution. In chapter two, we also explained why we will not include all forces of this PESTEL framework. We will give substance on Political, Economic, Social, Technological and Legal forces, with a focus on the Russian higher educational sector.

Besides using the PESTEL framework for Russia, desk research will be performed on Stenden’s strategy, educational programs and its organization.

In the next chapter, we will describe the external factors of Russia, focusing on the higher educational sector.

The outcomes of the case studies and the desk research information may be intertwining and overlapping each other. During the semi-structured interviews, matters may emerge that were not found in books, articles or on websites, but can complement the found literature. Moreover, external experts may also add useful information to the external factors of the PESTEL framework.

As discussed in the theoretical part of this research, different strategies exists on entering international markets. With the empirically collected information and the different combined theories, a selection will be made of several strategies possible to enter the Russian market for a Dutch higher educational institution.

3.4 Units of Analysis for the Empirical Research

The units of analysis for the empirical research, meaning case studies and external experts, will be selected on the basis of purposive sampling. Purposive (or judgmental) sampling is a sampling method in which the cases to be observed are selected based on the researcher’s judgment concerning the most useful or representative ones (Babbie, 2007). This type of sampling can be used well, when studying a small subset of a larger population wherein many members of the subset are simply identified, but the enumeration of all of these members would be practically impossible (Babbie, 2007).

Next to this, the selection criteria of the population need to be formulated. For these criteria, discussions are to be performed with supervisors and fellow students for getting feedback. An important criteria is whether Russian universities were willing to cooperate with the research. Moreover, the Russian higher educational institutions should be situated in the European part of Russia (The Ural mountain chain indicates the border between Europe and Asia), because of the
physical distance. In deciding a suitable sample size, we can notice that statisticians have proved that “the larger the absolute size of a sample, the more closely its distribution will be to the normal distribution and thus the more robust it will be” (Saunders et al., 2007). Due to reasons as time, contacts and a focus on Russian educational institutions that can match with the international programs of Stenden UAS, a selection of two or three Russian educational institutions will be made, which can be approached for this research.

In addition, a frame needs to be made of which population how to investigate. The sampling frame for any probability sample is a complete list of all the cases in the population from which a sample will be drawn (Saunders et al., 2007). Since this research will be done qualitative, and quantitative questionnaires only will lead towards numbers, a number of units of analysis will be selected that is suitable for this study, using probability sampling. Probability sampling means that the chance, or probability of every case being selected from the population is known, and is usually equal for all cases (Saunders et al., 2007).

This study will contain of three populations, these are: stakeholders of Stenden UAS (international affairs), external experts in the field of Russian affairs and international higher education, and both stakeholders and students of Russian higher educational institutions. The interviewees will be approached by e-mail and telephone and, when possible, will be interviewed where they are located.

We will make distinction in the semi-structured research questionnaires. One questionnaire will be made to study the Russian higher educational institutions, as a second questionnaire will be made for external experts in the field of higher educational education on the Russian market.

In order to make a proper combination of the different interviews with the theory, and to make the connection with the described benchmark approach with the analyzed external higher educational factors in Russia, we will use “pattern matching” as described in Saunders et al., 2007. Pattern matching involves predicting a pattern of outcomes based on theoretical schemes to clarify what you expect to find (Saunders et al., 2007). All examined entry models led to a combination of three entry strategies. These three were selected on the basis of several criteria, like the possibility for cooperation between two or more higher educational institutions in the Netherlands and Russia, and because this research focuses on new entry strategies for a Dutch higher educational institution with lack of experience of the Russian market. These are to be investigated empirically. The outcome of the empirical research may lead to a pattern, or patterns that show a best practice method for setting up cross-border higher educational activities in Russia.
3.5 Reliability, Internal Validity and External Validity

Semi-structured interviews may lead towards forms of bias. Moreover, it influences reliability, internal validity and external validity. Various types of bias are to be considered. Interviewer bias is where the comments, non verbal or tone behavior of the interviewer creates bias in the way that an interviewee is responding to the questions being asked (Saunders et al. 2007). Interviewee or response bias may be caused by perceptions concerning the interviewer. Therefore, it is possible that an interviewee chooses not to reveal and discuss an aspect of the topic that an interviewer wishes to explore, because this could lead to probing questions that would interrupt on sensitive topics that the interviewee does not wish to discuss with the interviewer (Saunders et al. 2007).

Lack of standardization is one of the data quality issues that may lead to concerns about reliability. There are several methods that enhance reliability of interviews. The researcher should be informed about the organizational or situational context. When demonstrating credibility with knowledge, it can encourage the interviewee to be more detailed and open during the discussion (Saunders et al. 2007). The interviewers credibility also may be promoted through the supply of important information to interviewees before the discussion. This can be done for example through sending the questionnaire themes/topic in advance, promoting validity and reliability by enabling the interviewee to consider the information being requested, and give an opening to assemble supporting organizational documentation to the one being interviewed. The interviewer should need to formulate questions as clear as possible, not to get bias in cultural or language misinterpretation (Saunders et al. 2007).

According to Babbie (2007), internal validity is a term “describing a measure that accurately reflects the concept it is intended to measure”. External validity means that studies or specific findings are equally applicable to other research settings, like other organizations (Saunders et al., 2007).
3.5 Research Limitations
For this thesis research, the next limitations have to be taken into account:

- The total number of interviewees may be low, meaning that this can influence the external validity of the research.
- Only one person will analyze the gathered data, meaning that there will be a one sided observation, which influences the analysis.
- Interviewees (personnel of Stenden UAS, external expert, and stakeholders of Russian higher educational institutions) can be unwilling in giving information, suitable for this study; meaning that access to these sources can be limited.
- Access to data, like specific literature can be limited, when it is not available or access is denied.
- Applying and obtaining a visa for the researcher.
Chapter 4: Findings

4.1 Introduction
For the exploration to find the best Russian market entry strategy for Dutch higher educational institutions, a research has been done in the Netherlands and the Russian Federation. In the Netherlands, stakeholders of Stenden UAS and a member of the Nijmegen – Pskov city partnership have been interviewed. In Russia, interviews have been held at three higher educational institutions, which were: the State Polytechnic in Pskov, the State Pedagogical University in Pskov and the State University in Veliky Novgorod. Besides that, we have held an interview at the Dutch Institute in Saint Petersburg. A total number of 16 persons have been interviewed, of which seven are students, four from international offices, one dean of a faculty that is also a lecturer, one vice president of international relations that is also a professor - doctor of pedagogies, one coordinator of the Erasmus – Mundus programmes, a member of the Nijmegen – Pskov city partnership, and an administrative assistant of the Dutch Institute in Saint Petersburg.
These findings are also strengthened by desk research, whereby information about the Russian higher educational sector and Russian external factors for Dutch higher educational institutions has been found.

In this chapter, we will subdivide all findings using the different research instruments described. The (non influential) factors for Dutch higher educational institutions within the Russian Federation will be outlined by means of the PESTEL framework. We will use the higher educational institutions studied as case studies, in order to show which of the combined entry strategies already demonstrate to work in practice, and to show what wishes and difficulties came up at these higher educational institutions concerning the cross-border educational programs by means of benchmark factors. Moreover, we will show examples of strategies to enter the Russian higher educational market that have been used by German higher educational institutions. This chapter will end with different methods that are used by Russian higher educational institutions to recruit students, and the experiences, wishes and problems of Russian students regarding cross-border higher educational (exchange) programs on their institution.
4.2 Elaboration of PESTEL

Five elements of the PESTEL framework have been investigated on the educational field using the framework that is described in chapter two. Giving substance to this framework, answer can be given to the third sub-question.

**Political**: Political environments differ widely among countries and can change rapidly. Since the fall of communism in Russia, the country has seen frequent swings for and against private foreign enterprises. Obviously, governments can create significant opportunities for organizations. However, it is essential to determine the level of political risk before entering a country (Johnson et al., 2008).

The Russian Federation is, with 17.075.400 km\(^2\) the largest country in the world (411 × the Netherlands) (CIA World Factbook, 2010). The country has approximately 1411 million inhabitants, of which 11,5 million live in Moscow, and 4,7 million in Saint Petersburg (CIA World Factbook, 2010).

The regulations and criteria when penetrating the Russian market as a Dutch higher educational institution needed to be considered. In the literature, numerous criteria and regulatory models can be distinguished for various countries.

According to Verbik and Jokivitra (2005), eight different regulatory models of transnational education can be distinguished:

- **No regulations**: in this model, there are no special regulations or any charge over foreign providers, that are free to operate without seeking allowance from the host country. Hussain (2007) argues that foreign providers can provide their academic programs in the host country corresponding to their own criteria and strategies; Examples: Czech Republic, France, Mexico, Nigeria, Russia and Serbia (Verbik et al., 2005).

- **Liberal**: within this model, foreign providers should satisfy several minimum conditions ahead on commencing their operations (for example officially recognized in the home country). Examples: Argentina, Estonia, the Netherlands, New Zealand, Norway, Peru and Slovenia (Verbik et al., 2005).

- **Moderately liberal**: the country that imports education is involved actively in licensing and (in several cases) accrediting transnational providers. This type of model requires that foreign educational institutions gain accreditation or other official permission by the host country (for example the Ministry of Education) prior to commencing the operations. Examples: Australia, Bangladesh, China, Egypt, Hong Kong, Israel, Pakistan, Singapore, and Vietnam (Verbik et al., 2005).

- **Transitional – from liberal to more restrictive**: within this type of model, a more restrictive regulatory framework is being introduced step by step. Various changes in legislation can involve: accreditation and/or compulsory registration through the national system in order for foreign educational...
institutions to be allowed to operate and/or for their degrees to be recognized, requirements to establish a presence in the country, and criteria for cooperation between foreign and domestic institutions, as well as other factors. Example: India (Verbik et al., 2005).

**Transitional – from restrictive to more liberal:** in this model, new legislation that aims at removing restrictions for foreign institutions that are wishing to operate in the country is being introduced. Usually, the new guidelines follow a period where regulations practically have ruled out transnational arrangements and provision of education. Examples: Japan and South Korea (Verbik et al., 2005).

**Very restrictive – regulations concerning permission to operate:** a government or another authorized higher education body sets strict requirements on foreign providers. Such educational institutions may be required to establish a physical presence in a country (for example, franchised provision is not permitted), only institutions or programs that are accredited by the host country’s agency are authorized. Examples: Bulgaria, South Africa, and the United Arab Emirates (Verbik et al., 2005).

**Virtually impossible recognition for qualifications obtained through transnational provision:** in this model, a government does not recognize foreign qualifications that are obtained via transnational provision. Institutions from foreign countries that wish to grant recognized degrees are required to become part of the national system. Examples: Belgium (francophone) and Greece (Verbik et al., 2005).

Taking the above mentioned regulatory models into consideration, it is striking that the Russian Federation is in the category “no regulations”, meaning that, in theory, Dutch higher educational institutions can operate on the Russian market with their own programs, criteria and strategies.

According to the administrative assistant of the Dutch Institute in Saint Petersburg, it is very hard to get accredited as a Dutch higher educational institution by the Russian government. Although it would be possible, the procedure takes many years and can be quite expensive. The Dutch Institute has the permission to represent six Dutch universities in Russia, to support the exchange of students between Russia and the Netherlands and to give all kinds of courses and seminars. The permission is given for a period of three years. The application for this three-year permission takes already about one year. With this license, the Dutch institute has no right to call itself “educational institution” or “school”, due to the fact that another permission is then needed.

The Institute states that a study at a Russian higher educational institution has to pass a specific learning plan that is established by the institution and ratified by the ministry of education. This means that a student cannot just pick its programs the way the student likes and that these procedures are time consuming. Accreditation of new programs in cooperation with a Russian partner institution might also face some obstacles. According to one of the interviewees of a Russian
higher educational institution studied, governments of participating countries from the higher educational institutions sometimes want to interfere in the international program with input of their own. These influences may contradict to each other. The person in question mentioned a cooperation between an American higher educational institution and the Russian institution on public health.

As these empirical findings show, there is a contradiction between the literature and our own findings in the Russian Federation. Our own empirical findings show that regulations for Dutch higher educational institutions willing to enter the Russian market do exist, and that these Dutch institutions have to take the regulations into account. According to our findings, we think that Russia should be classified more into “Moderately Liberal”.

Other political issues that emerged during the empirical research were red tape procedures by the government and the city registration of visa for people that come to Russia. In our own experience, the invitation for, and application of a visa can take a lot of time. The city registration carries some risks, because it must be done within 72 hours after arriving in Russia. When traveling through the Russian Federation, as a foreigner, one has to register in every city when staying for more than 72 hours. A foreigner always needs to be able to show his/her customs- and city registration to the police. As said by one of the interviewees of a Russian higher educational institution in Pskov, when the city registration is done too late or contains wrong information on the invited person, the inviting organization, like a higher educational institution, can face a fine up to 500,000 rubles (13.200 euro). Besides that, the person invited also faces a fine when not taking care of his/her own registration within 72 hours.

**Economic:** Key measure factors in deciding entry, are levels of disposable income and levels of gross domestic product, which help in estimating the potential size of the market. Fast growing economies apparently offer opportunities. In developing economies, like Russia, growth is being translated into a faster creation of a high-consumption middle class. Furthermore, organizations should be aware of the degree of stability of a country’s (unstable) currency which may affect its income flow. (Johnson et al., 2008).

The minimum wage in the Russian Federation is set on 4300 rubles per month, which is around 100 euro. On average, Russians had a monthly salary of 18.200 rubles (around 430 euro) in 2009. However, large differences exist between different regions and cities. For example, the average wage in Moscow is 32.000 rubles, meaning around 800 euro (evid.nl).
According to Nuffic’s Country Education Profile Russia of 2008, higher educational institutions have the right to determine tuition fees for its study programs in relation to market prices and demand. A great variety of tuition fees across the federation exists. Fees can vary between 480 euro and 15.000 euro per academic year, this depends on region, higher educational institution, programs and specializations. Moscow captures the most expensive higher educational institutions. As an example, the average tuition fee on the “State Institute for International Relations” is 7000 euro per year, at the “Moscow State University” this is 6400 euro. Higher educational institutions that are located “in the province” charge annual fees between 700 and 3000 euro. Fees for MBA programs start with 3500 euro per year and can rise to 12.000 euro, depending reputation and possible joint-degree programs (Nuffic, 2008). The average Gross Domestic Product per capita in Russia was 15,100 US$ in 2009 (CIA World Factbook, 2010).

All the three Russian higher educational institutions researched charge a study fee of around 15.000 rubles per semester (around 400 euro). Supplementary courses, like extra foreign languages or the participation of international programs need to be paid additionally. However, the higher educational institutions work with application tests. Students that pass for this test do not have to pay any study fee for most of the programs. Students that fail need to pay all study fees.

According to one of the studied Russian higher educational institutions, students can get a scholarship of 1300 rubles per month (around 35 euro). When all grades are classified as excellent, a student will get 25% more. When 50% of all grades are classified as excellent, a student will get 15% more.

Concerning the financial support for education in Russia, the three higher educational institutions have mentioned that there are several funds for higher education, which are mostly from the federal government. Only occasionally, there are funds on local level, but these are mostly for special educational occasions, such as inviting guest lecturers.

A selection of the Russian federal budgets for education is described below:

- The National Priority Program
- Budget for the Development of Higher Education in Russia
- Russian Fundamental Research
- The Russian Humanitarian Foundation

The three Russian higher educational institutions studied mention that a lot of financial support comes from the European Union. There is a special fund for the development of the region: North West Russia, Estonia and Latvia.
According to one higher educational institution, the Russian government only wants to foster the best (research) institutions that are especially in the field of technical studies, physics and biology.

The Dutch Institute in Saint Petersburg states that there are several scholarships for Russian students (Non – EU/EEA) that would like to study in the Netherlands. The Dutch government offers grants to foreign students via the “Huygens Scholarship Programme” (HSP). On grantfinder.nl, Russian students can find scholarships according to the study, the university or university of professional education. The disadvantage of these procedures is that the application of scholarships can take up to one year. As said by the Dutch Institute, many students from both the Netherlands and Russia do not know about the different possibilities to obtain a grant.

**Social:** Hereby one may think of the availability of a well-trained workforce or the size of demographic market segments relevant to an organization’s strategy. Cultural differences need to be considered (Johnson et al., 2008).

According to Lanzendorf et al. (2003), in the year 2002, there was a total of 1044 universities in the Russian Federation, 60 till 70 of which were located in Moscow. 657 universities were state-owned (divided among 23 different federal ministries) and 387 were non-state, of which 253 were recognized for state accreditation.

The total number of Russian higher educational students is 7.310.000. In Moscow, more than one million students are enrolled in higher educational institutions. In Saint Petersburg, around 450.000 students are registered (Nuffic, 2008).

The top five main study fields on Russian higher educational institutions is as follows: 1: Economy (16%), 2: Management (11%), 3: Law (10,4%), 4: Technical Specializations (9%) and 5: Tourism (8,3%) (Nuffic, 2008).

When a Dutch higher educational institution would like to offer its international programs in Russia, good communication is of great importance, for both students and lecturers. International programs of Stenden UAS, are all in English (www.stenden.com). According to the empirical research at the three Russian higher educational institutions, the English language level of the various lecturers depends on the faculty where they work. In general, the economic and business faculties have more English speaking staff than faculties with technical studies. The three institutions state that the possibility to offer educational programs in English also depends on the faculty and on the individual skills of the student. Students that study at the economic and business faculties have a better English language level skills compared to those who study at technical / engineering faculties. Students that have been abroad for a semester have a better command of English than those who have not been abroad. All three higher educational institutions offer English language courses for their lecturers,
sometimes in cooperation with a foreign partner institution. Overall, the three higher educational institutions state that a high English language level has high priority, for both students and lecturers.

One of the three Russian institutions researched sends students, willing to study abroad, to a British language test centre in Saint Petersburg when they need a TOEFL or IELTS test (English as a second language test).

As stated by the students interviewed, the English language level of students from the higher educational institutions is not very high. The total number of English language classes for the students interviewed is quite high at the moment. However, the students mentioned that probably not all students at their institutions are able to pass English language tests like a TOEFL test. Some students take private courses to improve their foreign language skills, especially the ones that can afford to go abroad and know that they need to be prepared to communicate in a foreign language.

According to our experience at the Russian higher educational institutions, not all students are taught English, some students take German or French language courses.

**Technological:** As it is important for international higher educational institutions to communicate via the world wide web, technological factors like quality of computers and speed of internet connection on Russian educational institutions are vital to know.

At the three Russian higher educational institutions, the digital facilities differ. One of the institutions is already using video conferencing with some of its partner institutions, and a second Russian institution has plans to advance its facilities, making it possible to exchange lectures by video. Overall, all higher educational institutions have computer rooms, access to (fast) internet and are talking with financial departments about the possibility to invest more in these services for students and lecturers.

According to one of the Russian higher educational institutions, the bank transfers between the EU and the Russian Federation for Erasmus-Mundus exchange students are going very slow. The transfer can take up to three or four weeks.

**Legal:** Legal regimes and systems vary widely among countries. Therefore, differences exist in determining the extent to which businesses can implement contracts, protect intellectual property or avoiding corruption (Johnson et al., 2008). According to the Russian law, it is possible to recognize Dutch diploma’s in Russia. The department “The Federal State Organ, Centre of International Educational Activities” of the ministry of education in Moscow is responsible for this (see appendix IV).
These external factors of the Russian Federation show that Dutch higher educational institutions might set up cross-border activities in Russia, but have to take certain factors into consideration: political factors, such as regulations and economic factors, such as study fees. In the next part, we will investigate whether the three Russian higher educational institutions studied are interested in cooperation with Dutch higher educational institutions and which of the three combined entry strategies show most suitable to enter the Russian higher educational market.

4.3 An Analysis of four Cases using Benchmark Factors

By taking the literature review and the findings of the empirical research together, a benchmark of Russian higher educational institutions and Stenden UAS, all currently having educational program connections with foreign higher educational institutions, can be made. We first will outline Stenden UAS as a case study, whereby its international activities and cross-border entry strategies will be described. Next to that, we will emphasize the three Russian higher educational institutions studied, whereby we stress how they recruit new students for their programs, their international experiences, their wishes concerning cross-border educational activities, and which of the three combined entry modes are attractive to their institutions. Moreover, we will emphasize the international experiences and wishes concerning international educational programs of students of these Russian institutions. At the end of this part, examples of the entry strategies that are used by five German higher educational institutions are given.

With this benchmark comparison, the fourth sub-question can be answered.

4.3.1 Analysis of Stenden University of Applied Sciences

Stenden UAS, has many bilateral contacts with higher educational institutions for the exchange of students. It has several branch campuses around the world (stenden.com).

Besides locations in the Netherlands (Leeuwarden, Emmen, Assen, Groningen and Meppel), Stenden UAS also has branch campus locations in Germany, Bali Indonesia, Qatar, South Africa and Thailand (stenden.com). On these locations Stenden UAS offers a selection of its educational programs for students from those regions (see appendix I). Stenden UAS is internationally active in the sectors that are related to business administration, computer science, hotel management, tourism, international business and management studies, retail and international information and communication management (stenden.com).

According to the international relation manager of Stenden, the UAS used branch campuses to enter foreign markets. All branch campuses of Stenden are joint ventures with local higher educational institutions, with the exception of Stenden South Africa, which is owned by Stenden. The degrees
that are offered at these branch campuses, are all double degree programs, meaning that these are accredited by both the Dutch Flemish Accreditation Organization (NVAO) and a local accreditation organization, for example the Indonesian National Accreditation Body (BAN-PT) that accredited the Dutch degree in Bali (stenden.com). When a student successfully completes his study, he or she will be provided with both a Dutch and an Indonesian degree.

Dutch and EU/EAA students that would like to study for a semester at one of the branch campuses of Stenden UAS (the so called “Grand Tour”), do not need to pay an additional study fee, but only the usual Dutch study fee. However, students need to pay for their accommodation, food and need to pay an administrative fee of 100 euro (stenden.com). Foreign (non EU/EAA) students that want to study a program at one of the locations of Stenden UAS need to pay an additional fee. These study fees are different for every location and field of study (stenden.com).

As said by the international relation manager, Stenden UAS has many bilateral contracts with universities and educational institutions inside and outside the European Union. The institution participates in the Erasmus Exchange Program within the European Life-Long Learning Program. Students of Stenden UAS can choose to go to these institutions for a period of six to 12 months.

4.3.2 Analysis of Russian Higher Educational Institutions
The three Russian higher educational institutions studied, the State Polytechnic in Pskov, the State Pedagogical University in Pskov and the State University in Veliky Novgorod, serve as case studies. All institutions have international educational contacts and partner institutions in foreign countries. Moreover, each institution has contacts with Dutch higher educational institutions.

Recruitment of students
All three higher educational institutions recruit students in various ways. The one institution recruits more actively than the other. All the higher education institutions studied have open door days and lecturers visiting high schools to inform students about the possibilities on their institutions. Besides that, all institutions have leaflets, but not always in a foreign language, like English, German of French. Websites contain information about faculties and study fields, but do not always have a recruitment section. On all websites there is information about partner institutions and international programs.
One of the Russian institutions also recruits students from outside the Russian Federation. Most of the international students on this higher educational institution come from former soviet states, especially from Belarus and Ukraine. The institute that recruits its students internationally, is also comparing its website with other, (international) websites (benchmarking), in order to stay up to date with different possibilities in the educational field.

Two Russian higher educational institutions are recruiting actively in their region with radio and local TV commercials.

**International Experiences**

The higher educational institutions that have educational connections with the institutions researched in Russia particularly come from Germany, Sweden, Finland and the Baltic States (Estonia, Latvia and Lithuania).

The exchange programs of the three Russian higher educational institutions are based on free living and study costs for students of both participating institutions, so students only have to pay the normal study fee at the higher educational institution where they are registered, for their travel expenses and for their food. There is one exception, that students from one of the higher educational institutions studied need to pay for an additional language course when going abroad. This applies for both Russian students that need to learn German/English or for German students, from the partner institute, that need to learn Russian.

Two Russian higher educational institutions studied already offer the possibility to their students to obtain a double degree, but this is still on a very small scale.

All the interviewed stakeholders of the Russian higher educational institutions said that they investigate the possibilities to make agreements with foreign institutions on double degree diploma’s. According to the stakeholders, this year (2010) is the transfer year of the Bologna agreement in the Russian educational sector. This means that all Russian higher educational institutions should comply with the Bologna agreement, which was signed by the Russian government in the year 2003 (Gänzle et al., 2008). Since the Russian Federation signed the agreement as well, theoretically, it should be easier for Russian higher educational institutions to make joint degree programs with other non Russian higher educational institutions and vice versa.

One higher educational institution in Russia has a joint program with a German higher educational institution. The joint curriculum has some minor differences, 80% is the same for both institutions, the additional 20% is specific for Russia or Germany. These differences are needed to comply to both governmental guidelines, in order to obtain accreditation for the study program offered.
Non Russian higher educational institutions offer, in cooperation with two of the Russian higher educational institutions, a study program, a short study course or a seminar. An example: a Dutch language course, taught at a Russian higher educational institution with materials from the Netherlands and Belgium, by Russian lecturers with a Dutch language degree. An official Dutch diploma/certificate can be obtained by the students. This Dutch language program is offered in cooperation with the HAN (Hogeschool van Arnhem en Nijmegen) and the University of Leuven in Belgium, as said by the member of the Nijmegen-Pskov city partnership.

The University of Tartu and the Estonian Business School of Tallinn are offering business programs in Pskov, Russia. Next to that, an exchange program between a Russian higher educational institution in Pskov and the University of Tartu in the field of management exists. Students of both higher educational institutions can obtain a Russian and Estonian degree. An advantage for Russian students that will follow the program in Tartu, is that there is no Russian entry exam for the students, which they normally have to do after graduating from high school. As indicated by the students interviewed, when Russian students would like to study at a higher educational institution, they need to do an additional state exam after their secondary school. After passing this state exam, the students can choose to do a compulsory admission exam of the university they prefer. According to the students of one higher educational institution in Pskov, this compulsory exam lead to a free educational program for the student when passing.

The experiences of the three Russian higher educational institutions with international programs are quite positive. According to these institutions, better chances for students that have been abroad or participated in international programs at the Russian institution in the labor market are also seen as an advantage, mostly because of their knowledge of a foreign language. Furthermore, new knowledge from, and the exchange of knowledge with partner institutions will give new insights and create new study programs and structures. Additional advantages and positive aspects that both students and the three researched higher educational institutions have mentioned, are the possibilities to get in touch with new cultures, languages and people. On top of that, due to cooperation with foreign higher educational institutions, the Russian institutions can become more known and recognized by foreign countries and might get known by other, non-partner institutions. The point of getting more recognized is one of the key goals of the three investigated Russian institutions.

One of the stakeholders of a Russian higher educational institution studied, explained that Dutch/foreign delegations visiting their (possible) partner institution in Russia, can better arrange many practical issues, like visa invitations, hotel reservations, registration and transportation in
Russia in cooperation with the (possible) partner institution, since a Russian partner will have substantial knowledge about these practical issues and may arrange these issues with more ease.

_Ambitions and Wishes_

All three Russian higher educational institutions researched have quite similar wishes and ambitions. These concentrate on more international programs. The three institutions mention that the programs should be set up jointly with a foreign partner, meaning that costs and revenues should be shared. All three institutions state that good learning agreements or contracts with a Russian partner institution will ease the administrative red paper of the Russian government.

Both Dutch universities of applied sciences and universities are welcome on all three Russian higher educational institutions. However, two of the three Russian higher educational institutions would like to see more international academic / research programs.

The three Russian higher educational institutions are interested in several contributions of a Dutch/foreign partner for cooperation, when this Dutch (or other foreign) higher educational institution would like to offer its cross-border education activities in Russia.

Dutch diploma’s (in the form of a double/joint degree), lecturers, educational programs and financial support are important elements. However, they need to be implemented in the existing or new situation and to be negotiated before signing an agreement. The most important points are financial means and own lecturers. For cooperation, the study programs of both the Dutch and the Russian educational partner institutions should be comparable, which makes accreditation in Russia easier.

Regarding several facilities that the Russian higher educational institutions can offer, we have found out that all Russian institutions researched have enough buildings and housing available to accommodate a possible program of a Dutch higher educational institution.

_Opinions on Cross-Border Strategies_

When recapitulating the three entry strategies combined that have been investigated for this study, we can distinguish the strategies that are seen as positive or negative by the Russian higher educational institutions.

Positive strategies are, according to all three institutions, the equity/non-equity based “strategic alliances” in combination with cross-border mobility programs “double or joint degrees” and “articulation”. These strategies are seen as the most interesting of all, because it gives Russian students the possibility to obtain a Russian and a foreign (Dutch) diploma, so that they can work both
in Russia and the foreign partner country (the Netherlands). Next to that, the Russian institution may have financial benefit from this strategy as well.

The non-equity entry strategy, or cross-border mobility program “franchising” is seen as very interesting by the three Russian higher educational institutions, because of financial benefits and that Russian institutions can gain knowledge on other educational structures and programs. The negative aspect of franchising is that the students only get a degree from the foreign source/supplying country, meaning that it is hard to get these degrees recognized by the Russian government.

The equity entry strategy “joint venture”, or cross-border mobility provider “branch campus” might be attractive, however, this strategy should then be done on the basis of equality between a Dutch and a Russian higher educational institution. Financial issues and possibilities of both sides should be investigated properly, because the project needs to be feasible and realistic. According to two of the three institutions researched, one needs to know whether there are enough students that can and will follow courses where they have to pay more compared to the normal Russian courses.

“Twinning” in strategic alliances or cross-border mobility programs was not seen as positive. Like “franchising”, the source country will only give the degree. Besides that, the Russian researched higher educational institutions do not see revenues in the “twinning” strategy, as where they see chances for revenues in “franchising”.

One of the Russian higher educational institutions state that the different positive entry strategies could be good on paper, but might be too expensive for Russian students, because the students probably need to pay more for a program in Russia that is offered by a Dutch/foreign higher educational institution than an ordinary national program.

*International Experiences and Wishes from Russian Students*

The students interviewed are both positive and negative about the programs in foreign countries in which they took part, like marketing and pedagogical studies. The students have been in the Netherlands and Sweden for full study programs and/or summer courses.

Students that have been abroad state that they are very positive about the large individual choice of different subjects. In Russia, mostly all programs are fully set beforehand.

About the study in the Netherlands, students talked about the “relaxed” study atmosphere, and the opportunity to ask questions freely without making appointments with the lecturers. Furthermore, the way of making and presenting their own PowerPoint presentations was very new to them. In the
Netherlands, students really need to show what they have learned, what they have done and what they have found during the presentations. They need to add some new elements to the existing materials when possible.

The Russian students that have been abroad for a study program especially found the foreign school systems and structures of lectures different (in particular the Swedish system). More generally, several students have experienced a culture shock after arriving in the foreign country as their most difficult point. After coming back from a study trip, some students faced problems with the recognition of the obtained study credits. This has led to a point of attention for all the three higher educational institutions researched, as explained by the stakeholders of the Russian institutions.

Although the travel expenses are high and visa arrangements are difficult, the students think that Russians are prepared to pay an extra fee to get the opportunity to study abroad, because this brings a plus point on their curriculum vitae and the opportunity to get a foreign diploma. They are very interested in Dutch/foreign study programs.

According to the interviewed students, Dutch higher educational institutions can contribute to more programs at Russian higher educational institutions, so that more study choices for Russian and foreign students on the Russian higher educational institution exist. The Netherlands could supply Russia with a lot of “new knowledge”.

The support of the different Russian higher educational institutions towards students that want to study abroad differs from institution to institution. According to the students interviewed, the one international office of a higher educational institution is very helpful in informing and arranging study programs for their students, as another international office of a higher educational institution is not always supporting their students in going abroad for a study program. These institutions prefer their students to study at the institution where they are registered. Because of this procedure, many students are not well informed about the possibilities of studying abroad. The foreign partner institutions need to arrange the information (leaflets, etc) by themselves. When students have specific questions concerning the programs of the partner institutions and are interested in studying abroad, the international office of that higher educational institution will be helpful in supplying information and will help in arranging all necessary issues.

Concerning the recruitment of students, the Russian students explain the higher educational institutions in Pskov do not need advertisements, since ‘everybody’ knows that there are only two large institutions in the region, one university and one polytechnic. When lecturers of the higher
educational institutions visit high schools, they mostly promise good education. Moreover, the students interviewed mention that there also are local branches from higher educational institutions of Saint Petersburg and Moscow in Pskov and the Pskov region (Oblast). A part of these branches is privately owned, and a part is state owned. The programs they offer are in the field of tourism, business, hotel management and legal studies.

4.3.3 Examples of Cross-Border Entry Strategies used by German Higher Educational Institutions
On the DAAD website (German Academic Exchange Service, www.daad.de), five German higher educational institutions that have cross-border activities in Russia are described. The different partnerships with Russian higher educational institutions are:
1: The Technical University Ilmenau & the Moscow Energetics Institute.
2: The University of Bremen with the Consortium of Universities in Northern Germany & The Saint Petersburg State University.
3: The European Business School (EBS) & the Moscow State University (Lomonosov University).
4: The University of Applied Sciences (TFH) Wildau & The Saint Petersburg State University of Engineering and Economics (Engecon).
5: The Hamburg University & The Saint Petersburg State University of Economics and Finance.

All five institutions cooperate in terms of equity & non-equity based entry modes “strategic alliances” with cross-border mobility programs “double/joint degrees” with Russian institutions.
Among these five German higher educational institutions, two institutions, which are the University of Applied Sciences (TFH) Wildau and the Hamburg University, offer their own German programs with some minor adaptations to the Russian educational system, only few educational influence of the Russian partner institution exists.
The tuitions fees of the different programs vary widely, from no fees at all, 275 euro per semester, 900 euro per semester, 1250 euro per semester, up to 3000 euro per semester (daad.de).

In the next chapter, we will draw conclusions on the data found in this master thesis research, and give recommendations to Dutch higher educational institutions that have ambitions to enter the Russian educational market.
Chapter 5: Conclusions and Recommendations

5.1 Introduction
In this chapter, an overview will be given of the conclusions and recommendations of this master thesis research concerning Dutch higher educational institutions with ambitions towards implementing cross-border activities in the Russian Federation. We will also emphasize the theoretical and practical implications of this master thesis research, and give some suggestions for a future research.

The objective of this study is to find out a best entry strategy to enter the Russian educational market for a Dutch higher educational institution. This led to the following research question that has to be answered: “Which strategy is most suitable for Dutch higher educational institutions to set up cross-border education or an offshore campus in Russia?”

5.2 Conclusions
To come up with an answer to the formulated research question, several activities have been carried out. Numerous modes and strategies to enter international markets have been investigated. Different instruments to analyze the findings necessary for this research have been used. On top of that, empirical research has been executed in both the Netherlands and the Russian Federation to find factors that might lead to success for Dutch higher educational institutions in entering the Russian market.

The analysis of the various market entry modes showed that there were no significant differences between entry strategies for manufactured goods and hard services, such as education. Therefore, we could link the entry modes for firms producing commodities together with the entry modes for cross-border education; this means that these two modes could be regarded as equal. Out of these two entry modes, five combined entry strategies that focus on cooperation have been outlined, of which three were analyzed for this study.

The added value of combining these two different entry modes for this study is that the higher educational sector is shown as a free market force. In this master thesis study, we see education as a product that can be traded internationally. Consequently, specific entry modes are needed, whereby entry modes for conventional products and entry modes for hard services, such as education, are combined in order to find the most appropriate strategy for Dutch higher educational institutions entering foreign markets. The different foreign entry possibilities and implementations of these two models for higher educational institutions is being demonstrated. The combined models strengthen each other and are complementary to each other in various ways.
We can conclude that all three cross-border educational strategies can be applied in theory. However, based on our empirical findings in the Russian Federation, governmental restrictions and long application procedures, it is very hard to set up a private branch campus. Consequently, cooperation with a Russian institution in Russia is a better way to try to successfully enter this market. This is in stark contrast with the literature regarding the regulatory models, described by Verbik et al. (2005), whereby Russia is portrayed as a country with no regulations for higher educational institutions that would like to carry out cross-border activities.

Stenden UAS has branch campuses in different parts of the world, like South Africa and Bali–Indonesia. Most of these branch campuses are joint ventures with local partner institutions. Students that study at one of these branch campuses can obtain a double degree, meaning a Dutch degree of Stenden UAS and a degree of the local partner institution. All three Russian higher educational institutions researched are very positive about the existing cooperation with their partner institutions, and prospective new educational programs of Dutch higher educational institutions, provided that cooperation is based on a win-win situation. The three higher educational institutions studied mention that the entry strategy double/joint degree and articulation in combination with strategic alliances would be very positive, since these three institutions have wishes to also offer joint programs, whereby Russian students are able to obtain a double degree. We can conclude that the Russian institutions would like to get more recognition and become known in other countries, so that more international programs can become feasible. When analyzing the opportunities and wishes of both Stenden UAS and the three Russian higher educational institutions, we can conclude that these match together quite well.

Russian institutions can help Dutch institutions with their cross-border activities, particularly because the Dutch institutions may have little or no experience in the Russian market. Russian institutions do have a lot of know-how in the field of governmental regulations, language and visa issues. On a technological level, Russian higher educational institutions offer almost all facilities, like internet, possibilities for power point presentations and some even offer the possibility for lectures by video streaming. Besides that, the institutions can offer class rooms and dormitories for students and lecturers. This indicates that the three studied Russian higher educational institutions can accommodate cross-border programs and activities of Dutch higher educational institutions.
When analyzing the three different combined entry strategies for cross-border education and the opportunities in the Russian Federation for cooperation with Russian higher educational institutions, we can conclude that full control over a cross-border program will be very hard to achieve due to complicated and time consuming procedures. However, good control is very important.

The following three entry strategies studied give an idea of the amount of control when entering the Russian market. These are:

- Franchising has a low financial risk because it requests little investment, but only has a low control over the quality of education. Just the cross-border educational program and exams are set beforehand. Russian students will only get a diploma from the source country (the Netherlands). These diploma’s can be recognized by the Russian government.

- Double/Joint degree and articulation in combination with strategic alliances have relatively high control, due to agreements about the study program or programs with a Russian partner institution. Direct investment depends on the program. Costs for advertisement and recruitment can be shared. As already seen in the name, both a Russian and a foreign (Dutch) diploma will be awarded to the participating students. Moreover, the Russian higher educational institution and Dutch institution can exchange lecturers, and Russian students could go to the Netherlands for a specific period of time to follow courses or doing an internship. Recognition and accreditation of the program by the Russian authorities is possible.

- The cross-border mobility provider / equity based “branch campus” based on a “joint venture”, with high direct investment costs and in Russia lower control than a 100% owned branch, still has a high control. There are possible financial risks when the partner institution or the Russian government will make an end to the project.

In answering the main research question, an analysis has to be made of the three suitable models that were described above. The most suitable entry strategy for a Dutch higher educational institution with a lack of experience of the Russian educational market, is a double/joint degree or articulation entry mode, meaning, a strategic alliance. A Russian partner institution is able to offer its knowledge on various issues like governmental obstacles, language matters and visa invitation and registration. A Dutch institution is able to offer its program, its lecturers and might offer financial support for products such as specially agreed multimedia technology. This means that a Dutch higher educational institution is able to penetrate the Russian market, but will be dependent on a possible partner institution and has to comply to certain Russian governmental regulations, because a double degree needs to be accredited in both countries, the Netherlands and Russia.
The entry strategy strategic alliance with a double/joint degree or articulation indicates that there is a relatively high control for a Dutch higher educational institution when offering its educational program.

After having gained experience on the Russian educational market, a Dutch higher educational institution can always inform itself on the exact governmental procedures when they think of setting up a joint venture or branch campus. However, they will still be confronted with time consuming procedures and bureaucracy.

5.3 Recommendations
The recommendations that are given in this part will show some factors that might lead to success for Dutch higher educational institutions. The recommendations are classified in three different stages, which are:

**Stage one: Before entry**

1. It is recommended that Dutch higher educational institutions pay attention to the different entry modes and carefully consider the available options before entering the Russian market.
2. Because the Russian Federation is such a large country, we recommend to investigate a suitable target region within the federation and do research on the existing demands concerning higher educational programs in that region.
3. Before, or in the first phases of contact with Russian higher educational institutions, it is advised to gain some basic knowledge of the Russian culture and language, especially the Cyrillic alphabet.

**Stage two: First contacts**

4. Due to slow processes and many procedures of governmental authorities, (for example an accreditation procedure) it is recommended to take a lot of time (minimum six months till one year) for the process of finding a suitable partner institution and negotiating different aspects, like the program, costs, accreditation and conditions.
5. To prevent inconvenience, it is necessary that all visa issues, such as an on time invitation letter, application procedures at the consulate or embassy, and city registration in Russia are taken care of properly.
6. Since prospective Russian partner institutions have a lot of know-how in dealing with authorities, it is recommended that, especially during the first visits, most activities, like travelling, registration, places of stay and possible company visits are arranged by the them. The partner knows the best ways of arranging these issues. This solution might bring some
additional costs to a Dutch higher educational institution. However, arranging everything from the Netherlands may costs a lot of money as well, and is presumably very time consuming.

7. Do pay a lot of attention and invest in time to building personal business relations with people of the prospective Russian partner intuition. This may lead to better mutual understanding, better knowledge of the Russian culture and could open doors.

**Stage three: Investigation of funds for the international higher educational sector**

8. An investigation should be done towards possible financial funds from organizations and the Russian Federation, as well as the European Union, for co-financing these kinds of cross-border programs. This should be done on the basis of a developed financially based investment blueprint.

9. In order to recruit Russian students, it is important to offer support for the application of educational funds for these students.

5.4 Discussion

5.4.1 Theoretical implications
The aim of this master thesis research was to develop an appropriate market model for Dutch higher educational institutions with ambitions to set up cross-border activities in the Russian Federation. For this aim, different theories had to be analyzed and choices had to be made on the connection of these theories. Moreover, the Russian educational sector was investigated, whereby possibilities and limitations had to be screened by means of the PESTEL framework. To see which cross-border models are already used and successful, benchmark comparisons were made using desk research, and field research at Stenden UAS and several Russian higher educational institutions.

Due to time restrictions, because of which just several Russian higher educational institutions could be approached for empirical research, we made choices as to which Russian institutions could be studied. The choices of where, and contacts with whom to do the empirical part of this master thesis, were made on the basis of contacts and discussions with lecturers and supervisors of the University of Twente, the supervisor of Stenden UAS and external experts in the field of this study. Besides that, we listed several possible Russian higher educational institutions for this study as well.

For this master thesis research, we have only focused on the north west region of Russia, where we studied three Russian higher educational institution and did research at the Dutch Institution in Saint Petersburg. The sample size of this study, with 16 respondents on five different institutions (Stenden UAS, three Russian higher educational institutions and the Dutch Institution in Saint Petersburg), was small.
The selection of three Russian higher educational institutions, however, might have brought limitations that have led to lower external validity; since Russia is such a large country, we cannot say whether these findings are valid for the whole federation, although important in-depth findings have been made that can help Dutch higher educational institutions on their way to set up cross-border educational programs in Russia. Another limitation of this research is that only one Dutch higher educational institution has been approached for this study, even though this institution is internationally very active. It is hard to see what experience other higher educational institutions already have, meaning that this could give some bias.

Hard services and manufactured goods behave equally when exporting them to foreign markets (Argawal et al., 1992). Therefore, two different theoretical entry modes, for ordinary enterprises and for cross-border education have been combined in this master thesis research. This study concentrated on business administration, consequently, the literature has been used with this specific focus. Hereby, the connection of the two theories formed new ideas that can contribute to the existing literature.

5.4.2 Practical implications
Regarding the exploratory method described, we found three purposes of why this type of method is being used in general. The understanding of the research subject has become a lot better due to these study investigations, whereby experience has been gained from different entry strategies for service firms and understanding has been created about another country and (business) culture. Due to these study findings, a more widespread study can be carried out in other parts of the Russian Federation. With a larger sample size of a new study that is divided in different regions of Russia and, the investigation probably might get more valid externally, and might lead to an even deeper understanding of the theoretical and practical findings.

The two combined theories that have led to the applied methods of this master thesis can be used in identical studies on offering cross-border educational programs in other countries. The theories are not aimed at one specific country; it is the combination of the various theories, the empirical research in a country and the drive and reasons of people of a particular country.

5.5 Suggestions for future research
On the basis of the results and limitations of this master thesis research, several suggestions can be given concerning factors for future research as a final step. This study has been concentrating on the most suitable entry strategy for Dutch higher educational institutions in the Russian Federation. Future research can be done with a focus on, and strategy of staying in a particular country; in this
case, Russia. Hereby one can think of a follow-up study on financial funds and support for these kind of cross-border educational projects from both the European Union and the Russian Federation. Furthermore, research can be done on precise interests of prospective students, meaning an investigation towards popular programs, best location for offering such programs, and maximum fees that students are able and willing to pay.

Due to the fact that the Russian Federation is the largest country of the world (CIA World Factbook, 2010), there are many regional differences. This study only focused on a little part of Russia, whereby other regions, like Vladivostok Oblast, might have other demands concerning international education than the researched Pskov and Novgorod Oblasts. This calls for further research in future projects for Dutch institutions with ambitions to offer cross-border educational programs in different parts of the Russian Federation. Since not all governmental regulations and procedures are known, a future study on these matters is necessary in order to get and stay informed when dealing with Russian authorities.
References:


35. Stenden Grand Tour. Visited online websites:

   - [http://www.stenden.com/nl/decanen/internationaal/Pages/grand-tour.aspx](http://www.stenden.com/nl/decanen/internationaal/Pages/grand-tour.aspx) at 13-09-2010.


Appendices

Appendix I: Selection of undergraduate and graduate programs that Stenden UAS offers.

A selection of undergraduate programs:

- International Business and Management Studies
- International Hospitality Management
- Office Management
- International Tourism Management
- Media and Entertainment and
- Small Business and Retail Management.
- International Business and Languages
- International Logistics Management
- Information and Communication Technology
- Teachers Training College

A selection of graduate programmes:

- International Leisure and Tourism Studies
- International Service management and
- International Event Management.
Appendix II: Semi-structured questionnaire for Russian higher educational institutions

For my master study business administration – international management, I am doing a research on the different cross-border programs, strategies and possibilities between the Netherlands and Russia. Until now, I have done research on various theories about this topic. The reason that I am in the Russian Federation is to investigate the found theory empirically and to possibly provide these with facts.
In this conversation with you I would like to know your opinion and reasons on cross-border education, and to investigate possible future demands and added value for your institution.

I have divided this interview into five different parts/themes.

• Current (foreign) partners and partner-programs
  1. With which countries are you working together on the field of educational and exchange programs?
  2. What focus (meaning: direction) does your institution or do you have on these programs and/or exchange agreements?
  3. What are your experiences regarding these specific study programs?
  4. With which institutions are you currently working together on the field of international educational cooperation?
  5. Does your institution offer programs by means of cross-border education (transnational)?
  6. Do other foreign higher educational institutions offer a study or a study program on your institution? (By the foreign institution alone or in cooperation with your institution)
  7. Does an exchange of programs exists between your institution and other (foreign) partner institutions?
  8. Is there a possibility to offer study programs in English? (What is the level TOEFL/IELTS)?
  9. What positive experiences can you say concerning the cooperation with foreign partners?
  10. What negative experiences can you say concerning the cooperation with foreign partners?
  11. How does your institution recruit students? What kind of students does your institution attract? (Also looking towards the costs aspect and financing).

• Ambitions/wishes concerning internationalization
  1. Which wishes do exist within your institution to introduce improvements and/or changes concerning internationalization?
  2. Which specific needs can be named inside your institution concerning the increase of the range of knowledge by cross-border education, and does this only apply for your institution or could it be applicable for the region?
  3. Are there already possibilities to, for example, obtain double degree diploma’s within your institution? What (added) value could you see concerning these cooperation forms?
4. Do you think that Dutch higher educational institutions could be an interesting partner for your institutions? (depends on programs, forms, etc).

- Theoretical cadre and models/strategies.
  1. Discuss several models in descriptive form and ask practical questions regarding these.
  2. Does the institution only want to / can hand out/issue Russian diploma’s, or can Dutch diploma’s also be an option and add value to the Russian institution?

- Conditions for cooperation
  1. What (government) criteria should a Dutch higher educational institution met to can cooperate with a Russian higher educational institution?
     a) Accreditation from the Russian government
     b) Bologna agreement
     c) Specific model/strategy of cross-border education
     d) Own branch
     e) ...
  2. Is there a possibility that the in your institution obtained (Dutch/foreign) diploma’s can be recognized by the Russian authorities, when there is a cooperation between this foreign institution and your institution?
  3. Do you know Russian forms of financial support for cooperation in the educational sector?
  4. When a foreign higher educational institution would like to offer an educational program, in cooperation with your institution, to what extend is this achievable, looking at:
     a) Buildings
     b) Housing/Accommodation (for students and lecturers)
     c) Staff & Teaching personnel
     d) Digital facilities, like pc’s, internet connection

Is this already available of could this be made available? What time period?

5. How does your institution cope with the financing of new educational initiatives? Is it a policy of sharing, paid by the institution or by the foreign institution?

- Conditions and contribution of the (Dutch/foreign) partner
  1. What should a (Dutch/foreign) partner contribute for a cooperation?
     a) Own diploma’s (Dutch)
     b) Own lecturers
     c) Own educational program
     d) Students & exchange of students between Russia and the Netherlands
     e) Financial means / support
     f) ...
Appendix III: Semi-structured questionnaire for Mr. Van Dam, member of the Nijmegen – Pskov city partnership

Gedeelte 1: Introductie van het onderwerp

Onderzoek naar mogelijkheden tot cross-border educatie vanuit Nederland naar Rusland.

Stenden als case studie, is opdrachtgever. Het onderzoek is in zoverre ingericht dat er wordt gekeken naar welk model of welke strategie het beste is toe te passen wanneer een Nederlandse hogeschool of universiteit naar Rusland zou willen om daar haar programma’s aan te bieden. Kijken welke strategieën mogelijk zijn en daaruit een keuze maken voor Stenden.

Verschillende modellen die mogelijk zijn in theorie, maar ben benieuwd naar praktijk voorbeelden en ervaringen. Daarnaast benieuwd naar contacten met Russische universiteiten om te kijken of die ook geïnteresseerd zijn in samenwerkingsvormen om Nederlandse programma’s aan te bieden, dus niet alleen wat er in theorie kan, maar ook wat er in de praktijk gebeurd.

Gedeelte 2: Algemene Informatie

1. Kunt u in het kort beschrijven wat uw activiteiten waren samen met en in Rusland/Pskov?
2. Kunt u uw ervaring met de Russische bevolking en studenten beschrijven, qua mentaliteit, openheid, etc.
3. Welke samenwerkingsprojecten kent u op het gebied van het hoger onderwijs tussen Nederland (Nijmegen) en Rusland en in welke vorm gebeurd dat? (Zoals ook HEBO, Mariska Roersen)

Gedeelte 3: Gedetailleerdere informatie onderzoek structuur school

1. Wat kan Pskov (3 universiteiten) bieden: (Of heeft u andere/meerdere uni’s onderzocht)
   a. Gebouw of deel van gebouw
   b. Huisvesting voor studenten / docenten (of hoe gaat dat in de praktijk)
   c. Welke faciliteiten biedt de universiteit (ICT, internet, etc.)
2. In wat er tot nu toe is gebeurd, waar bent u / de organisatie het meest tegen aangelopen?
   a. Minst prettige van de samenwerking?
   b. Wat juist heel prettig en wellicht ook onverwacht?
3. Hoe controleren jullie de kwaliteit van het onderwijs dat wordt aangeboden?
   a. Hoe zijn afspraken aangaande kwaliteit en controle daarop
   b. Wordt er periodiek gezamenlijk geëvalueerd / functioneringsgesprekken.
4. Is de universiteit een onderdeel van een groep scholen, of zijn daar plannen voor? (zoals bij InHolland, HAN, Stenden, etc.)?
5. Alleen Russische studenten, of ook uit andere landen?
6. Kent u buitenlandse hoger onderwijsinstellingen die in Pskov opleidingen aanbieden?
7. Hoeveel studenten zijn er op cursussen die door jullie worden aangeboden, hoeveel per jaar geworven voor die klas. Hoe is het verlopen, qua aanvragen/ervaringen. (evaluatie rapporten?)

Gedeelte 4: Gedetailleerde informatie onderzoek cultuurverschillen / problemen (ook met Russische overheid)

1. Welke vormen werkten/werken goed of niet goed en waarom? (verbeterpunten)
2. In literatuur staat dat in theorie geen specifieke regulaties van de Russische overheid zijn (freely operate without seeking allowance from the host country). Klopt dit beeld met uw ervaring en op welke punten is dit anders?
3. Hoe gaat de communicatie tussen uw (organisatie) en de universiteit, hiermee bedoel ik niet alleen taal, maar ook cultuurvaantelegenheden als afspraken, doelstellingen nakomen, betalen van geld / geven van cadeaus om dingen sneller voor elkaar te krijgen. (Dubieuze betalingen). (Hoe grijs is dat gebied).
4. Maken of maakten jullie gebruik van agenten om de opleiding aan te bevelen/marketing activiteiten/selectie van studenten?
5. Fondsen samenwerking / kosten zelf dragen?

Gedeelte 5: Informatie over reizen naar Rusland

1. Hoe het beste Visum te regelen, ook wanneer meerdere plaatsen te bezoeken, ook meerdere uitnodigingen?
2. Wie en hoe kan ik het beste benaderen wanneer ik naar Pskov zou willen (hoe krijg ik de juiste mensen te spreken?)
3. Wanneer ik naar Pskov reis, waar kan ik verblijven? (Campus/hotel/appartement huren).
5. Hoe is het reizen in Rusland?
6. Is Pskov als uitvalsbasis een goede plaats voor het bezoeken van andere instituten in Moskou /St. Petersburg of Veliky Novgorod?

Heeft u suggesties/aanvullingen/opmerkingen, etc. (Die ik over het hoofd heb gezien)

Wat is resultaat van de cursus bij studenten na hun studie → ziet u resultaat.
В соответствии с информационным письмом Руководителя Федеральной службы по надзору в сфере образования и науки Волотова В.А. от 16.03.07 за №01-128/05-01, ФГУ «Интеробразование» информирует о следующем:

1. В Санкт-Петербурге функционирует дополнительный офис «Интеробразования» (Директор – к.м.н. Афanasьев Виктор Михайлович), который осуществляет:
   - прием иностранных документов об образовании для проведения процедуры признания и установления эквивалентности на территории Российской Федерации и выдачу соответствующего заключения от Федеральной службы по надзору в сфере образования и науки;
   - прием российских образовательных документов для проведения процедуры удостоверения их от имени Российской Федерации в целях их международного признания (Гаагская конвенция от 5 октября 1961 года) – проставление апостиля на официальных документах об образовании, выдаваемых в Российской Федерации.
2. При приеме документов оказывают консультационные услуги, осуществляется доставка принятых и исполненных документов экспресс службой.
3. Адрес дополнительного офиса:
   195067, г. Санкт-Петербург, Пискарёвский проспект, д.47, корп.32, 1 этаж, деканат иностранных студентов.
   СПб ГМА им. И.И. Мечникова
   Тел./факс 8-911-926-68-67
   Часы работы: с 11-00 до 16-00 ежедневно, кроме субботы и воскресенья.

Генеральный директор

А.А. Быков