

Concept of an Organizational Model for Multilateral Academic Cooperation
– In the Context of the Development of a European Higher Education Area –

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Abbreviations

AACSB	Association to Advance Collegiate Schools of Business (Tampa, USA)
AMI	Allianz Management Institute (Kempfhäusen, Germany)
BC	British Council (London, UK)
BCCIE	British Columbia Center for International Education (Vancouver, Canada)
BdWI	Bund demokratischer Wissenschaftlerinnen und Wissenschaftler (Marburg, Germany)
BFUG	Bologna Follow-Up Group
BMBF	Bundesministerium für Bildung und Forschung (Berlin, Germany)
BM BWK	Bundesministerium für Bildung, Wissenschaft und Kultur (Vienna, Austria)
CEMS	Community of European Management Schools (Jouy en Josas, France)
CRE	Europeans Rectors' Conference
DAAD	Deutscher Akademischer Austauschdienst (Bonn, Germany)
EAIE	European Association for International Education (Amsterdam, Netherlands)
ebs	European Business School (Oestrich-Winkel, Germany)
EC	European Commission (Brussels, Belgium)
ECTS	European Credit Transfer System
EEA	European Economic Area
EEC	European Economic Community
EEIG	European Economic Interest Grouping
EFMD	European Foundation for Management Development (Brussels, Belgium)
EFTA	European Free Trade Area
EHEA	European Higher Education Area
EIT	European Institute of Technology

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ERASMUS	European Action Scheme for the Mobility of University Students (part of the SOCRATES programs)
ESIB	National Union of Students in Europe
ESMT	European School of Management and Technology (Berlin, Germany)
ESSEC	École Supérieure des Sciences Économiques et Commerciales (Cergy-Pontoise/Paris, France)
ETS	European Treaty Series
EU	European Union
EUA	European University Association (Brussels, Belgium)
EUCOR	European Confederation of Upper-Rhine Universities (Strasbourg, France)
EURAB	European Research Advisory Board
EURASHE	European Association of Institutions in Higher Education (Brussels, Belgium)
EURYDICE	The information network on education in Europe
GATS	General Agreement on Trade in Services
GIE	Groupement d'intérêt économique
GMAC	Graduate Management Admissions Council (McLean, USA)
HE	Higher Education
HEC	École des Hautes Études Commerciales (Jouy en Josas, France)
HEI	Higher Education Institution
HRG	Hochschulrahmengesetz (Germany)
IIE	Institute of International Education (New York, USA)
IU Bremen	International University Bremen (Bremen, Germany)
LBG	Company limited by guarantee
LEONARDO DA VINCI	Vocational training programme of the European Community
LHBS	Lufthansa Business School (Seeheim, Germany)
LII	Legal Information Institute (Ithaca, USA)
LoI	Letter of Intent
MAE	Ministère des Affaires Etrangères (Paris, France)
MBS	Mannheim Business School (Mannheim, Germany)
MoU	Memorandum of Understanding

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NUFFIC	Netherlands Organization for International Cooperation in Higher Education (The Hague, Netherlands)
OECD	Organization for Economic Co-operation and Development (Paris, France)
PhD	Doctor of Philosophy (academic title)
SEA	Single European Act
SOCRATES	European Community action programme in the field of education
SWOT	Analysis of strengths and weaknesses, opportunities and threats
TEMPUS/CARDS	Trans-European mobility scheme for university studies (including non-Member States)
TROIKA	Previous, current, and next president of the EU
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization (Paris, France)
UNU	University of the United Nations (Tokyo, Japan)
USA	United States of America
WBS	Warwick Business School (Coventry, UK)
WTO	World Trade Organization (Geneva, Switzerland)

1 Introduction

1.1 Topic of the Thesis

The typical European higher education (HE) system is currently changing from a regulated national system to an internationally oriented and increasingly open system. The rising importance of internationalization for educational systems and services leads to this comprehensive restructuring of national educational systems and institutions. The new strategic challenges for providers of education result from the globalization of markets, shortening of product-life cycles, and cost increase. Additionally, the manifold systems of educational cultures and norms require a high level of inter-cultural understanding of people operating in this changing environment. Therefore, organizational flexibility is one of the major characteristic HEI need to develop in order to deal with the rising dynamic of market conditions.

Having sparse experience on the international level, higher education institutions (HEI) increasingly demand solutions for the „*how to do*“ of successful international activities (Roeloffs and Maiworm 1999, p. 123ff.; de Wit 2002, p. 210ff.; Adam 2001, p. 53; Tabatoni and Barblan 2000, p. 11). Current discussions on subjects such as „*education as commodity*“, „*elite-institutions versus public universities*“, and „*national or international focusing*“ demonstrate the need for definitions and frameworks for the HE internationalization process. Expert opinion on HE development leans towards international cooperation and cross-border bundling of competencies. Therefore, composition of a profile which is accepted on international and diverse HE markets is necessary for HEI in order to provide them with the opportunity to survive international and more experienced competition. It is assumed that for this reason HEI will cooperate with one another internationally, each institution forming many such bonds. In the coming years either existing bilateral contracts will be enlarged to include new projects, or new partnerships will be formed. Rising cooperation of HEI on international level and the building of „*excellence clusters*“ in HE, as requested by politics, take an initiative and situational course without plot and scientific foundation. To consolidate the necessary international collaboration at a stable level, the establishment and use of international procedures for multilateral cooperation is necessary. This central aspect of current development in the HE sector is the subject of this thesis.

The central question of this thesis is the following: „*What are the internal and external success factors influencing multilateral academic cooperation, and how should a framework for*

this kind of international cooperation be designed in order to facilitate for HEI the approach to multilateral academic cooperation?“. With this orientation, the thesis addresses decision-makers in the HE sector, players in HE development, and the international public interested in HE internationalization. The practical relevance of the thesis is visible in public discussions on HE development, the ongoing Bologna Process reforming the HE sector, and in the rise of HE research as a new field of research. After some years of intensive analysis of internal internationalization processes in HEI, the trend is moving towards analysis of cooperative forms of internationalization and focus on related adaptations, necessary in the HE sector.

Still evident today, Nohria stated in 1992: *“While there is growing recognition about the importance of different network structures, we are nowhere near having a systematic framework or theory for predicting what kinds of ties matter under what kinds of circumstances in what ways.”* (Nohria 1992, p.14). This thesis aims to analyze this issue and to propose an approach to multilateral academic cooperation. A focus is put on the necessity of structural changes between partner institutions and through this, on the development of new models for management and administration of international alliances. Necessity for restructuring of financial foundation of HEI is discussed as well, in order to reach uncoupling of financial support and authority in issue directives. Thus, the developed concept ensures increased creative power and self-determination of HEI and cooperative arrangements.

The vast field of HE internationalization demands limitation of focus. Therefore, this thesis assumes HEI to have already made the decision for internationalization and for a cooperative approach. The question HEI are now facing is how to adapt internal and external structures in order to be successful and efficient, while increasing quality and internationality of their educational offer. As a second limitation, focus of the concept is European HE development, given that this is the market with the strongest need for internationalization and which is in a process of catching up with American and world-wide HE markets. Examples, therefore, concentrate on European HEI.

This thesis follows the approach of framing individual practical experiences in a general theoretical scheme and out of this to develop procedures for the day-to-day management of multilateral HE cooperation. Thus, the existing gap between theoretic research and practical development in HE is closed. Organizational theory and internationalization management are well known and discussed in literature and research, and organizational models for internationalization of companies are manifold. How HEI in Germany and in European countries are organized and how they are going to change in the future is defined to a large extent. The thesis

contributes the missing link between these two aspects. It proposes how the organizational model of international HE cooperation could look like, in order to best deal with competitive international markets and to efficiently cooperate with international partners. Today, if multilateral academic cooperation takes place, it is put into action case by case with individual methods and experience. The approach of this thesis, combining the findings of organizational theories and international management was chosen for two reasons. First of all, globalization of products and markets affects the educational sector in a fundamental way. Controversial discussion about societal and economic influence of this development concerns the HEI directly and needs to be taken into account when developing their new management systems. The pressure coming from globalizing educational markets forces management of HEI to constantly think about allocation of resources, distribution of competencies, and location questions. These practical reflections require theoretical models as a back-up to provide an indication as to how to deal with this changing situation and which enable adaptation and individual planning. Secondly, the new institutional economics and other economic theories reveal indications for international management problems that were not taken into account by HE management in the past. Cross-border economic activities can be analyzed by these economic theories in a very practically oriented way and, combined with approaches on internationalization, the organization economics offer new insights and solutions to a changing educational sector.

In order to handle multilateral academic cooperation in a target-oriented manner and efficiently, and thus establish successful networks, HEI have to develop legal and organizational frameworks for such cooperation. Otherwise, networking in HE will always be hindered by legal and cultural barriers and development of trustful cooperation will remain impossible. The thesis deals with this problem and, starting from the current situation of research and practice, establishes a framework for multilateral academic cooperation. One concept is presented which is suitable and adaptable for all kinds of HEI and which encompasses major aspects of multilateral academic cooperation.

1.2 Structure

The thesis is divided in two main parts; the overall structure is visualized in Figure 1. The first part consists of Chapters 1 to 4, which deliver the basics that must be known and analyzed before definition of a conceptual model for multilateral HE cooperation can take place. Beginning with Chapter 5 and ending with Chapter 7, the second part of the thesis presents cur-

rent cooperation alternatives, the model's assumptions, a detailed description of the conceptual framework itself, and an outlook on European HE development. It proposes new ideas and solutions.

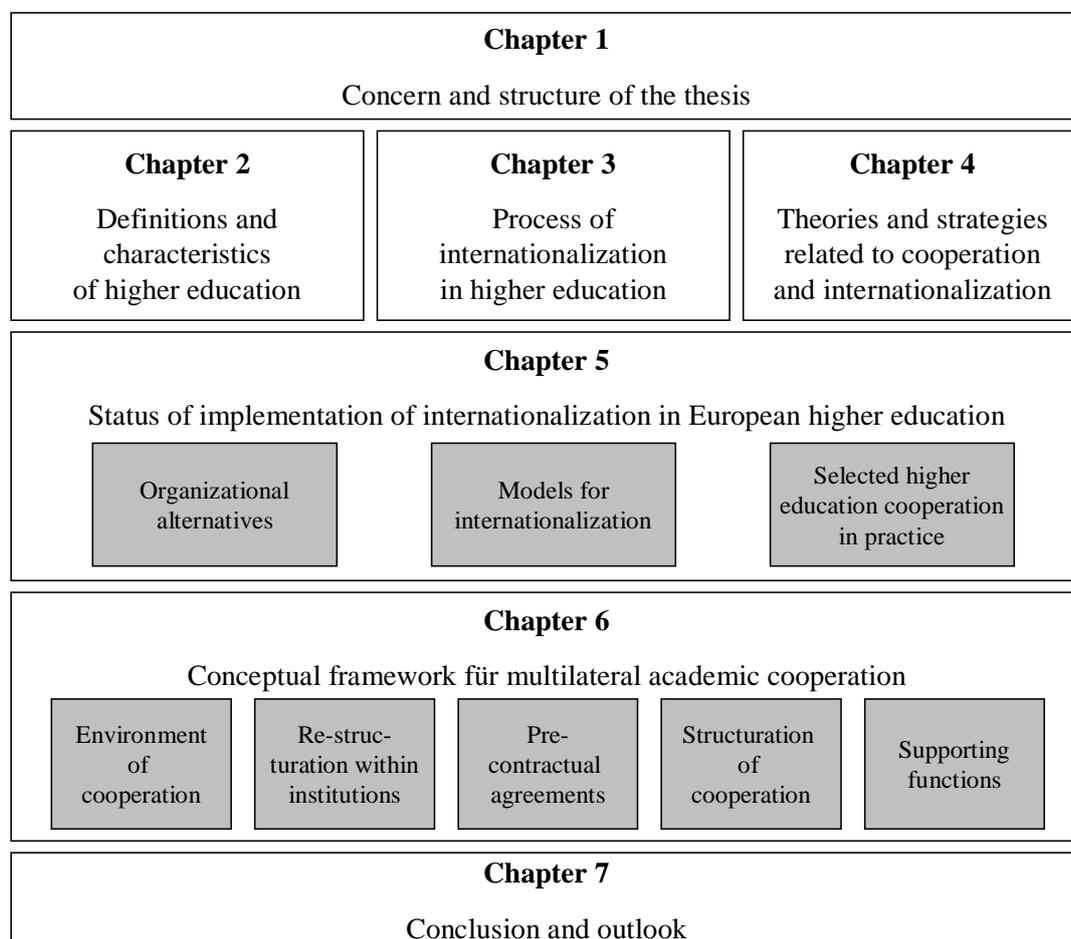


Figure 1: Structure of the Thesis

Chapter 1 serves to present the scientific question and abstract of the thesis while a second paragraph provides an overview of the chosen structure.

Chapter 2 gives a definition of HEI in the German market and in an international context in order to define the working idea of higher education terms used. Definitions, reasons, and development of internationalization and multilateral cooperation in HE are treated in order to build the fundamentals of the next chapters and provide the relevant background for the concept to be developed. Analysis of existing systems and management versions in the HE sector mirrors the development towards one organizational model, merging positive aspects of many alternatives. A cluster-concept crystallizes as the preferred kind of international cooperative engagement in HE.

Chapter 3 places the current developments in the internationalization process of HE in its historical perspective. Reaching from the primary student traveling in the Middle Ages up to the Bologna Process in the twentieth century, the chapter gives an overview of the steps internationalization of HE has taken until today. The Bologna Process is given special attention in order to stress the impact of the reform activities in European HE and to present its influence on HE cooperation. The discussion of pros and cons of this process in a conclusive paragraph is a first step towards defining a conceptual model for successful HE cooperation.

Certain theoretic fundamentals are necessary in order to analyze and understand organizational issues, and to treat questions related to cooperation and internationalization.

Chapter 4 deals with the respective economic and organizational theories and presents their impact for the model's development. Internationalization of companies, network structures, and internationalization are acknowledged research fields and their findings offer huge development potential for the HE sector. Especially specifics of the service sector contribute comparable approaches. Strategically motivated network structures are identified by organizational theory as the best answer to changing and challenging conditions; research on and development of such structures in the HE sector are nevertheless still at an early stage. With respect to specifics of the HE systems in Europe, this thesis develops theories and models existent for companies towards applicability in the HE sector.

To define a concept for efficient multilateral HE cooperation, models of internationalization of HE are presented in **Chapter 5**. Additionally, characteristics of existing cooperation between HEI are analyzed in order to show the shortcomings and needs which the concept proposed by this thesis could fill.

In **Chapter 6**, the above mentioned studies and analyses are taken into account in order to define and draw up a conceptual model. The model is representing all necessary aspects and issues for the build-up, organization, and maintenance of multilateral HE cooperation, and enables cooperation to contribute long term value to Europe's HE market.

Chapter 7 provides the concluding discussion of major opportunities and threats related to cluster models in HE and points out which aspects of multilateral academic cooperation need to be refined and where the future potential for the HE sector lies.

2 Higher Education: Definitions and Specifics

The description of HE specifics highlights relevant peculiarities of activities, related institutions, and involved parties in the HE sector. This chapter provides the reader with the basics for understanding the complex and evolving HE sector and the respective impact of internationalization. Part 2.1 defines the term of HE and presents related characteristics. Dependency of the HE sector on public and governmental expectations is made clear and divergent national views on HE and its purpose are demonstrated. Part 2.2 presents the diversity of institutions providing HE in Europe. Options for management and organization of HEI range from complete governmental control to private engagement. Presented definitions emphasize the level of flexibility and dependency of an institution and relate external factors to institutional structures. The diversity of organizational solutions illustrates the room for development in structure and management of HEI. In current reform processes differing concepts tend to develop towards one general organizational frame, being a mixture of state-control and private engagement, and merging positive effects of both. The impact of internationalization in HE is characterized in Part 2.3 where causes, benefits and special features of internationalization in the HE sector are presented. Chapter 2 provides the foundation for Parts 6.2 and 6.3 where environmental conditions of multilateral academic cooperation and internal preparations at each partner institution are defined.

2.1 Defining Higher Education

According to the definition approved by the General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 1993, HE includes all types of studies, training, or training for research at the post-secondary or tertiary level provided by universities or other educational establishments that are approved as institutions of HE by the relevant state-authorities (UNESCO 1993; Rowntree 1981).

The definition of EURYDICE, the information network on education in Europe, understands HE more specifically as all post-secondary education for which at least an upper secondary school-leaving certificate or equivalent is required and which leads to a higher-level qualification (EURYDICE 2000, p. 16). In American glossaries HE is roughly described as post-secondary education at colleges, universities, junior or community colleges, professional schools, technical institutes, and teacher-training schools (Education USA 2004; Good 1945).

With respect to the diversity of institutions and programs represented in the HE market, a deeper concretization of the term does not seem to be useful. This thesis follows the definitions above and refers to HE as a wide area of various educational programs offered by multiple forms of HEI. The model to be developed in Chapter 6 takes account of this vastness and is designed open to different kinds of institutions and different levels of cooperative academic activities. To restrict the extent and complexity of the thesis, the European HE market and related institutions are basis for analysis and proposals. Awareness of an even bigger and more competitive market on the international level waiting to be conquered by European HE has an impact on assumptions and solutions presented.

Education in general and HE specifically have features which cause public interest. Discussions mirror the issue that education in general is widely perceived as a public good and the fact that in today's society knowledge and skills are a major factor of success and welfare (Limbach 2001; EC 2003a, p. 2ff.; Bensel and Weiler 2003, p. 259f.). In addition to education being regarded as a public good, special features of the educational system make changes and cooperation difficult:

- Dependence on national governments and related subsidies;
- High public awareness;
- Non-professional management;
- Impact of the reputation of the respective institution.

Relevant explications on possible effects of these five dominating features of HE are given below, taking into account that not all specifics must be present in all institutions (Pawłowski 2004; van der Wende et al. 2005).

Pure **public goods** are characterized by non-excludability and non-rivalry; quasi-public goods are moreover characterized by strong positive external effects. These features are characteristics of education and knowledge. Additionally, in people's awareness education is a publicly available good – a perception that influences activities in HE even more (van der Wende et al 2005, p. 228; Hinterhuber 1989; Massy 2004, p. 23f.). Since education has significant positive externalities to society, individuals are not willing to pay the full price of their education on their own (Jongbloed 2004, p. 91ff.; Weisbrod 1964). This results in the educational market having difficulties to produce optimal quantities of the good *education* (WTO 1998, p. 4; Kaul et al. 2003, p. 22ff.). Governments in nearly all countries of the world have taken ac-

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count of this fact and established **state-controlled education systems** in order to assure equal access to education for their population (Luijten-Lub 2005). In recent years internationalization and networking between educational institutions have made it increasingly difficult for local governments to control the national education system and adapt it to a growing international education market (Haug 2000, p. 14ff.). Demands of foreign students and other stakeholders in education, as for example companies, have intensified the challenge. Political influence on the educational system varies in depth and measures taken by nations, and in all systems a growing mixture between public and private engagement in HE can be observed (Frølich and Stensaker 2005; Daxner 1999, p. 81ff.). Figure 2 provides an insight into the variety of educational systems in Europe.

Another characteristic of HE is the fact that changes in the education sector attract **public awareness**. Internationalization in education and discussion of possible ways to develop the sector are recognized by a wide public. As this public is multicultural, diverse perceptions and expectations need to be considered when discussing changes and multilateral cooperation (Haug and Tauch 2001, p. 17ff.; Daxner 1998, p. 27ff.).

Characteristics	Germany	France	Spain	Sweden	UK
Structure of HE sector	Most HEI state-controlled, few privately organized; competencies federalistic, tendency towards centralization	Mix of state-controlled and privately organized	State-controlled and private HEI, many private catholic institutions	State-controlled, and privately organized; competencies located at state-ministry	State-controlled and autonomously organized; competencies located at state-ministry, with tendency to regionalization
Admission criteria	Centralized distribution, increasingly self-selection at public HEI: specific tests	<i>Classes préparatoires</i> for private HEI, self-selection at public HEI	Directly at each HEI: grades, admission test, and student profile	Decentralized at HEI: grades and admission tests	Centralized distribution, but selection interview at each HEI
Tuition fees	Beginning in public HEI, increasing tendency towards contribution of individuals	Low in public HEI, high in private HEI	Yes (up to 20% of HEI income) and government funding	No, global budgets with reference to number of students	Yes and rising
Duration of studies	Approx. 5-7 years	Approx. 5-6 years	Approx. 7,5 years	Approx. 5,5 years	Approx. 4 years
Management of HEI	State dependend and underlying governmental control in public HEI, free in private HEI	State dependend and underlying governmental control in public HEI, free in private HEI	HEI have teaching and self-administration competencies, management is proposed by HEI and assigned by ministry	Local selection and engagement of staff, but underlying formal governmental control and instructions	Autonomous, but following efficiency criteria controlled by state and boards
Degree of internationalization of HEI	Mid-level at private HEI, low but increasing at public HEI; high engagement in ERASMUS, and starting of individual initiatives	High at private HEI, low at public HEI	Low but growing at public HEI, high at private institutions	High percentage of english as teaching language, high engagement in ERASMUS, low individual initiatives	High in all areas, special orientation towards Asia and USA
Specifics	Strong theoretical orientation, low interaction with companies	High practical orientation with intense interaction of companies	Content and services highly individual at each HEI	Strong theoretical and research orientation	Personal development orientation

Figure 2: Diversity of Educational Systems in Europe

(Based in Part on Philipp 2000, p. 76f.)

Besides these external effects, an internally oriented characteristic of HE is the fact that most institutions still have **non-professional management**; this is especially the case in public HEI (EC 2003a, p. 20; Pellert 1999, p. 141ff.). As a consequence, leadership divides its attention between research and teaching on the one hand and management of the institution on the other (Pawlowski 2004, p. 86). Furthermore, management is often appointed for a fixed cycle – this allows leadership to decrease activity towards the end or to shift priorities during the period.

When striving to enter a new market, the **reputation** of the respective HEI plays an important role in the positioning and perception of the institution and its educational offer. All national and international activities influence the reputation an institution has (Van der Wende et al. 2005, p. 219f.). Therefore, related negative and positive effects have to be predicted carefully in order to prevent negative repercussions on the institution's reputation.

HE has overlapping characteristics with services and organizations in the service sector (Maleri 1991, p. 2; Corsten 1990, p. 170ff.; Cohen 1998, p. 450f.). A major common point is the dealing with services whose price is not clearly definable and quality difficult to measure. Moreover, as educational services are intangible, an external factor is necessary to perform services and the activity offered is location-specific. Emerging distance and online-learning programs are one reaction of HEI to reduce the impact of this dependency factor. Given that contracts of such transactions need to be complex, these special characteristics of HE do not allow a simple market solution to internationalization. Networking for the exchange of goods and services is the better solution, since networking relies more on trust-based exchange than on contracts and defined rights (Goedegebuure et al. 1993, p. 390f; Meffert 2000, p. 504ff.).

2.2 Distinct Approaches for Engagement in Higher Education

As stated above, not all HE features are applicable to all institutions. There are relevant differences between private and public institutions that lead to their different positioning and opportunities in the education market. Three broad models of European universities have dominated the HE sector since the establishment of the primary institutions: Humboldt, Anglo-Saxon and Napoleonic. These systems were basically state-controlled with very little private engagement. Their distinctions have led to today's variety of public and private engagement in the HE sector (Wright, Campbell and Garrett 1996, Annex A; Scott 1996; Clark 1995, p. 19ff.).

The academic model of **Humboldt** offered research-based teaching and studying with a large amount of freedom for professors and students. This system was established in Germany, the

Netherlands and Sweden. The Humboldtian model represents the historical fundamentals of all European HE systems to a certain degree, and spread the idea of the ideal combination of free research and teaching to other parts of the world, as for example to the United States of America (USA) and the European colonies (Raines and Leathers 2003, p. 40ff.). As an alternative, the **Anglo-Saxon** model puts a strong focus on the personal development of students – elements of which are taken into account in modern university reorganization. The third HE model, mainly followed by Spain and France, represented the idealistic approach of **Napoleonic** times and, besides fostering elites, disaggregated HEI into specialized teaching and research centers. One outcome of this approach is the French system of *grandes écoles*.

The principles of these models are still evident in today's European HE sector (Wright, Campbell and Garrett 1996, Annex A; Scott 1996; Clark 1995, p. 19ff.). In recent years, national education systems have been developing towards enforced but conditioned self-regulation (EC 2003a, p. 5ff.). Strict governmental rules are replaced by contracts negotiated between governments and institutions, avoiding the rigidity of law. In many countries the public HE system is complemented by private HEI addressing the same students but offering more practically oriented or shorter study cycles. These private institutions can be owned or financed by private entities, such as the church, companies or foundations. In most European countries public HEI still outnumber private institutions (OECD 2004a and 2004b; Albers 2005; Levy 2002). In these so-called binary or dual systems, traditional public institutions and private HEI offer divergent educational concepts and services. Nevertheless, they all compete on the European HE market and all face the same challenge to cooperate and to be of international relevance (Haug 2000, p. 24f; Clark 1983, p. 53ff.; Sporn 2001).

The precise usage of terms concerning HE and related institutions in European countries varies and leads to a certain amount of confusion when trying to differentiate within HEI (DACC 2004). In the USA, the Carnegie Classification offers a differentiation of HEI by function and mission, and allows a clear distinction between research-oriented universities and teaching-oriented colleges and business schools. Such a differentiation has not yet been established in Europe (Good 1945; McCormick 2000).

This thesis draws a rough scheme of existing institutional solutions in European HE, providing an overview of the most relevant institutional forms operating on the educational market. The status of HEI is mainly linked to its funding or governing body; this can be a public institution (located at the regional, national, or institutional level) or private entity (a church, charity, or commercial body). When quoted in this thesis, the term HEI addresses all institutions

active in the HE market. The model for multilateral academic cooperation developed in Chapter 6 attempts to offer a framework which can be applied by all types of HEI.

2.2.1 State-Control

Education is a field most governments claim needs to be state-controlled to ensure equality of access and use for all citizens. Most governments have defined more or less strict rules which the education market and respective institutions have to follow (Culpepper 2003, p. 177ff.). In Germany for example, HE is regulated by the higher education act, *Hochschulrahmengesetz (HRG)*, defining structure, duties, and rights of institutions being active in the state-recognized educational sector (BMBF 1999b; Albers 2005).

According to official definitions, a public HEI is an independent legal entity which is acknowledged by the government and fulfils the demands of legislation. Its personnel possess officially recognized pedagogical qualifications. This definition is accepted in the USA as well as in Europe and focuses on the fact that a public agency has the operational control within the institution (EURIDYCE 2000; LII 2005a; OECD 2004b). Specifics of public institutions are defined by respective national legislation and lead to diverse structures and services rendered.

Regardless of differences between national education systems, the same institutional forms can be observed in nearly all European countries. Designated names are adapted to local language but institutional aspects are identical up to general definitions. This situation results from the early European university system that spread out over the world in the late Middle Ages (Scott 1996). Four main forms of institutions can be differentiated when analyzing the European HE sector: **Universities** and **universities of applied science**, **colleges**, and **vocational training institutions** (Oehler & Brandatsch 1998; Page et al. 1977; OECD 2004b).

The **university** is the institution of HE that grew out of the late Middle Ages in Europe and from which all modern forms of HE descend. The historical characteristic of universities is their orientation to the world of academia and their importance for basic research, connected to the duty to transfer this knowledge to students (Teichler 1990, p. 11). As a consequence, a university is an institution of HE with a high reputation in education and research all over the world. It is empowered to award degrees and is a corporate body (Page et al. 1977; Rowntree 1981). The right to confer a full academic title and doctorate (PhD), as well as the research capacity distinguishes the university from other public HE institutions (Schwinges 1993, p. 165; BMBF 1999b; EURYDICE 2005a, p. 138ff.). Universities dominate the state-controlled

education area. Being founded and financially supported by the respective government, they offer free or at least subsidized education, while ensuring neutral and nationally equalized selection processes for all people holding a high school diploma or equivalents, e.g. *Abitur* or *baccalaureat*. Their educational offer comprises a broad range of subjects, providing general and specific knowledge to all students. Students are free to organize their schedules around the proposed offer, and the extent and duration of studies is little restricted. Studies at a university are theoretically oriented and leave it up to each student to look after corresponding practical experience. While most European universities are state-controlled, a small number is privately managed and funded (Hödl and Zegelin 1999, p. 22ff.; Monopolkommission 2000, p. 38f.). They are recognized by the government if they fulfill the above mentioned criteria. In 1998 approximately 20% of German HEI was under private control, most of them belonging to the church and all recognized by the state. Only 2% of total students enrolled at that time were registered in these private institutions.

Universities of applied science were for a long time a German phenomenon, offering a more practically oriented and smaller range of subjects than universities do. Studies are shorter and follow a strict schedule while being accompanied by group work and practical business insight. Studies are explicitly intended to prepare for a profession and lecturers are qualified by theoretical and practical experience (Oehler 2004; DAAD 2004, BMBF 1999b and 2004; EURYDICE 2005a, p. 53). As the model has proven effective for specialized occupations, it has been adopted by other European countries. Because of their small size and practical orientation, universities of applied science are flexible and accustomed to reacting to market demands; this characteristic can give them a current competitive advantage in the internationalization process (BMBF 2004). Initially founded as pure public institutions, universities of applied science have been gaining independence from political control. Since they work closely with companies in order to deliver specified education, access to private financial or management support is facilitated. This allows universities of applied science to develop structures with more flexibility and less dependence on public influence.

Colleges are a part of the HE system initially developed in the USA and United Kingdom (UK); Japan and Australia as well as many countries in Africa and South America have adopted parts of the college structure (Page et al. 1977; Münch 2000, p. 75ff.). Colleges require a diploma of secondary education for admission. It is particularly specialist courses which are offered in order to prepare students for a specific occupation. Some confusion exists about the difference in definition of the term “college” between countries (Rowntree

1981; Münch 2000, p. 99ff.; EURYDICE 2005a, p. 36f.; Cohen 1998, p. 51ff.). In the USA some institutions being called colleges have been incorporated as universities, while in Europe the term college often describes the part of a university offering graduate study programs. The term college can also describe a privately owned HEI offering courses lasting from a few months up to four years.

Institutions offering **vocational education** prepare students for entry into a chosen vocation or allow them to upgrade their degree with specialized courses. Vocational education often refers to courses dealing with practical knowledge and skills, preparing the student for a higher level of responsibilities (Page et al. 1977; Good 1945; Rowntree 1981). These institutions can be run privately, but in many cases government recognizes their degrees if the teaching program follows local HE law and harmonized concepts. Under the program label LEONARDO DA VINCI development and internationalization of vocational education is supported by the European Union (EU) (Casanova 2003; Mulder and Sloane 2004). Article 150 of the European Commission (EC) Treaty places vocational education within the responsibility of the member states following the subsidiarity principle, but requires that the EU supports and complements member states' efforts (EC 1957). Vocational institutions are a relevant educational partner in many EU countries. Their competence in adult education and part-time education allows them to enlarge their offer and today many of these institutions have specialized master degrees in their program offer (OECD 2004b). The vocational training system is similar to the German universities of applied science and *Berufsakademien* and in many European countries systems are developing towards one common concept for both groups (Husén 1990, p. 35ff.; Wright, Campbell and Garrett 1996, p. 3ff.).

A growing number of **business schools** add their educational offer to the market and enter the domain of traditional HEI (Raines and Leathers 2003, p. 15f.). The increasing mix of private and public engagement in HE demands for a change in the classification schemes for HEI. Most European countries today have an education system consisting of public and private institutions. As a result, the main differentiation between HEI is no longer their recognition by government, but their financial and management structure.

2.2.2 Private Engagement

Private funding and management in the HE sector is of growing importance to its development. Three major types of private funding in HE and private management of HEI are pre-

sented in this thesis: Foundation-sponsoring, church-related support and investment coming from companies.

Foundations can finance education in general or concentrate on HE; in many cases, social aspects stand behind the foundations' idea, and their sponsoring is connected to a certain project and mission (Veblen 1993, p. 62). The flow of private or commercial funds can also be oriented towards the maintenance or establishment of educational institutions. Governments also increasingly make use of this concept and create foundations which are specifically set up for financial support or maintenance of HEI. Observations show that since the 1990s foundations have been concentrating increasingly on HE and foster the idea of elite education (EC 2002; Schmidt 2002, p. 70ff.; Rowntree 1981). The concept of their sponsoring is to provide a solid financial base which is able to run normal activities of the HEI out of interest earnings and to provide additional capital for projects. As an example for such HE financing, the American institutions Harvard, Yale, and Princeton are often cited, disposing of the largest funds in the HE market. In the discussion about institutional reforms and financial autonomy of universities, foundations are often named the solution to efficient and autonomous financing (Helberger 2000, p. 221ff.; NCES 2004). Until today only the above mentioned American institutions have the financial base to be independent of government support, and are able to spread their offer over teaching and research. In Europe, most of the completely foundation-sponsored institutions are still small, and gather financial support by keeping in touch with their alumni and by building corporate relations. German examples for HEI based on private funding are the European Business School (ebs) and the University of Witten-Herdecke (EBS 2004; Universität Witten-Herdecke 2004). Purely foundation-sponsored institutions in Europe still have only limited measurements to enlarge their portfolio from teaching to research and to achieve international recognition.

Another aspect of foundations' engagement in HE is their representation in monitoring boards or as consultancy partners. Many HEI build a board of trustees, gathering powerful people from industry, government, and local authorities in order to respond to external demands and ideas (Raines and Leathers 2003, p. 171f.). As mentioned at the beginning, foundations often pursue an idealistic objective when sponsoring HE. Public and private institutions take account of this fact by integrating the representatives in planning and management (Stucke 1999; Neave 2002).

The **church** has been engaged in education since the very beginning of knowledge sharing. Most of the church-owned or managed institutions today are recognized by governments and

underlie the respective national law for HEI. Institutions not adhering to the legal education norms mostly restrict their offer to courses on theological subjects. The character of church-managed institutions results from religious norms being transmitted by the Christian management, and additional or complete financial support coming from the respective church (Münch 2000, p. 84ff.). Especially in the UK and the USA, HEI are often funded and managed by religious groups, most of which are recognized by the government (USA Study Guide 2004; UNESCO 2005). The Catholic University in Eichstätt is the only example of a full university running under clerical management and funding in Germany (KU 2005; Reich 2005, p. 511f.). Another example of religiously initiated, funded, and managed HEI is IESE Business School of the University of Navarra in Spain (IESE 2004).

Companies which decide to invest in education mainly follow two schemes: Either they found a corporate university for their staff, or they invest to establish or support an external HEI (WTO 1998, p. 7; EC 2002). Corporate universities are usually not open to company externs, but do represent competition on the educational market: A part of potential customers ceases to come on the market because of companies' internal solutions. Additionally, seminars can be offered by the corporate university for interested third parties (AACSB 2002, p. 17). Most famous examples of corporate universities in Germany are the Lufthansa Business School (LHBS) and the Allianz Management Institute (AMI). When founded in 1998, the LHBS was the first German corporate university (BMBF 2002b). The AMI, founded in 1999, was Europe's first corporate university to receive the CLIP accreditation by EFMD; the Corporate Learning Improvement Project (CLIP) is closely related to the EQUIS accreditation standards (Allianz 2001). One example of companies engaging to create their own open but elite institution is the European School of Management and Technology (ESMT) in Berlin, Germany (ESMT 2004).

In addition, companies invest in HEI by participating in boards of trustees or consultancy boards (GMAC 2005, p. 85f.; KPMG 1999, p. 7f.; Cohendet, Mailhot and Schaeffer 2004, p. 12f; Stucke 1999). This development acknowledges the financial investment companies make and their knowledge of external needs and demands in relation to education.

All three cited possibilities of private engagement in HE can lead to the establishment of private institutions or to the support of public and private institutions. With ongoing reforms, private institutions represent growing competition to public HEI. Their characteristics add new features to the traditional institutional profiles represented in the European HE market.

The Organization for Economic Co-operation and Development (OECD) defines an institution as private if “...ultimate control rests with a non-governmental organization (e.g. a Church, Trade Union or business enterprise), or if its Governing Board consists mostly of members not selected by a public agency” (OECD 2004b). This definition does not exclude the possibility that the private institution is recognized by the government, but it underlines the new and important aspect of differentiation of HEI: Funding sources and management system.

In contrast to public institutions, most private education institutions charge more or less high tuition fees and the selection process is developed along the individual demands and motives of each institution. Students follow a strictly organized and compact study cycle while profiting from numerous additional services offered, as for example career centers, optional seminars, or sports facilities (Wright, Campbell and Garrett 1996, Annex A). Contrary to public institutions, private institutions can be allowed to make profit and can decide on budgets and investments undertaken without governmental influence (KPMG 1999, p. 19f.). Many of the new products offered on the educational market have been developed and launched by private HEI (Münch 2000, p. 84ff.; Bargel 2002). Not only does their financial background allow them to invest and generate results like e-learning materials, individual seminars, or learning-software. It is also their need to gain and keep paying customers which ensures continuing improvement.

The financial system based on the above-mentioned sponsoring variations and on tuition fees from students allows private HEI to be independent from local governments or the EU to a great extent. Many privately-funded and managed HEI are nevertheless accepting financial aid from government and make their education subject to governmental regulations in order to grant state-recognized degrees (OECD 2004b; Rowntree 1981; Reich 2005, p. 511ff.). This is especially the case with **business schools** emerging in European HE and following the example of the USA's HE example. These private entities keep a close link to their parent institutions, mainly being public universities, but take advantage of the flexibility resulting from private funding and professional management. Their study offer mirrors strengths of the parent institution, and brings cheap mass education face to face with an elite and costly educational concept (Teichler 1990a, p. 47ff.; Monopolkommission 2000, p. 38f.; Altbach and Davis 1999, p. 8f.).

The number of students studying in public and private HEI varies widely on national levels. In 2001, 95 % of post-secondary students in Germany decided for a purely public HEI, and in

France 57 % of all students enrolled decided for state-governed HEI. In 2004, 73.4 % of Japanese students, 72% of USA students, and 56.5% of Portuguese students, chose private HEI for their post-secondary education (OECD 2004a; MEXT 2005). This mirrors the relation of public and private institutions engaged in the respective educational market. In 2003, 56 private universities were recognized in Germany, representing 20 % of HEI. In the USA, on the other hand, the number was at 2,516, representing 60 % of all HEI (Bargel 2002; NCES 2004; Hochschulkompass 2004).

2.2.3 Towards One Organizational Concept

National differences in educational systems result from history and are deeply anchored in the respective society and law. National, state-controlled HE systems were assumed to offer the best solution to equally accessible and high-level education. With the growing demand for new educational forms, e.g. e-learning, soft-skill training, and adult part-time education, and with the internationalizing economy's expectations, the national public HE systems face financial and organizational limits (Sporn 1999a, p. 15ff.). Current problems of under-financing and uneconomical management can only be overcome by developing HEI into liberal organizations which assure high quality while efficiently managing their resources (Pawlowski 2004, p. 117ff.; Müller-Böling 2000, p. 45ff.).

The presented variations of public and private engagement in HE allow a rough insight into the variety of financing models and management ideas assembled in the international education market. While state-governed HEI still represent the largest group – especially in Europe – discussions continue about the extent to which HEI need to be independent of governmental influence in order to prepare for international cooperation and to establish competitive structures. There is consensus that HEI need to establish a more international offer and structure. Given the examples of successful private HEI operating on the international market, the question is how state-influence should be restricted in order to make institutions able to react to market demands, and whether this is the objective to pursue Münch 2000, p. 75ff.; Pawlowski 2004, p. 28ff.; Daxner 1998).

A first step is made by the European reform processes. In the educational institutions, as in the education market itself, a process of adjustment of structures and organizational design has started (Pellert 2001; Adam 2001, p. 7f.). Governments are withdrawing from their restrictive policies and are giving room to institutional autonomy and competition in HE. The remedy for success contains a comprehensive system of evaluation processes, duty of report-

ing, and elements of performance-oriented pay for staff (WTO 1998, p. 4f.; Monopolkommission 2000, p. 109ff.). In addition to this necessary organizational redesigning, it is the growing awareness of education as a commodity and the increasing financial autonomy of HEI which leads towards efficiency-orientation in the institutions (Hödl and Zegelin 1999, p. 303ff.; WTO 1998, p. 4; Jongbloed 2004, p. 98ff.). The demand to act efficiently and to be effective challenges all HEI, regardless of their organizational and funding background (Hahn 2004, p. 15ff.). Efficiency is the measure for economic mastering of resources and output. Thus it is the internal component HEI have to take care of, when establishing new structures and building up external relations. The effectiveness of an organization is defined as the degree to which it meets its objectives. These can be internally or externally defined, as for example by stakeholders. Social aspects and norms have impact on the impression of the effectiveness of an HEI in a similar way as the degree of economic efficiency does (Haunschild 2001; Grabatin 1981, p. 17f.; Scholz 1992, p. 533ff.).

This change in attitude also has an effect on governmental support for public HE. Governments still financially support HEI, but allocation is tied to conditions, and flexibility is ensured by the establishment of global budgets (Kehm 2004; Sager 1999, p. 9ff.; Oppermann 2001, p. 80ff.).

It takes time to be able to clearly measure advantages and handicaps of these new alternatives and to develop efficient new structures for HEI. The challenge for all, but this is especially so for public institutions in the HE market, is meanwhile to maintain a competitive educational offer while restructuring the organizational system (WTO 1998, p. 4f.; Müller-Böling 2000, p. 31f.). This process demands analysis of existing HE systems, definition of common terms and intentions, and transformation of rigid organizational structures into competitive systems. Figure 3 visualizes the ongoing process of European HE development, highlighting the initial dominance of universities and the increasing relevance of stratified systems, uniting diverse alternatives.

Concept for Multilateral Cooperation of Higher Education Institutions

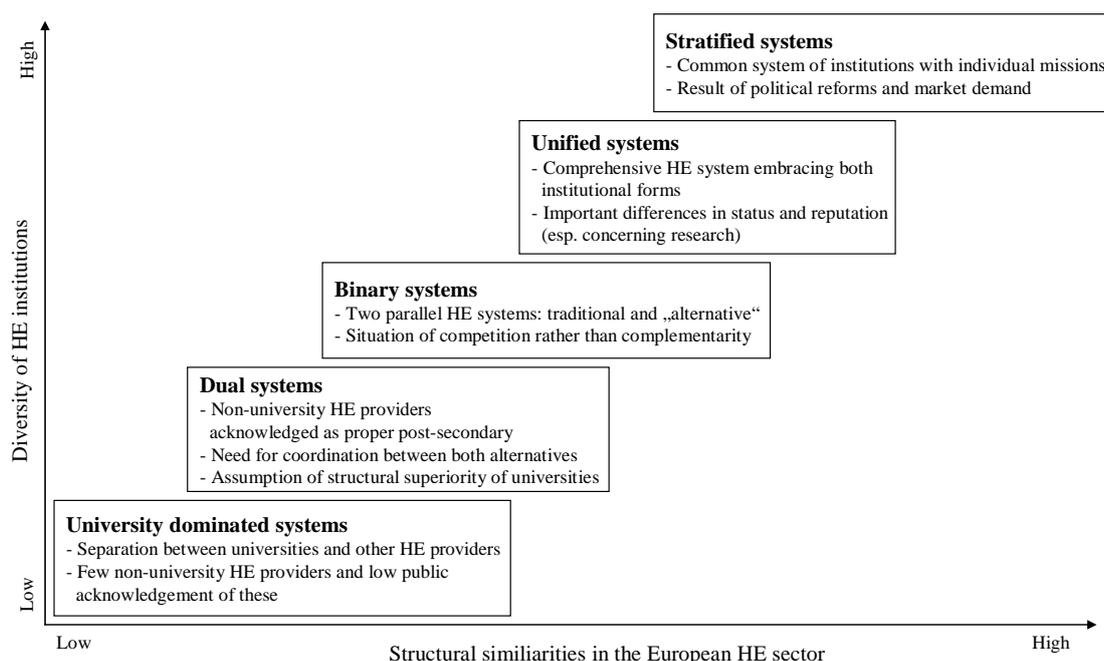


Figure 3: Development of European Higher Education Systems

(Based in Part on Scott 1996, p. 43)

Internal organizational reforms and strengthening of leadership positions in HEI lead towards one basic organizational structure most HEI follow: Autonomy and flexibility in management supported by private and public funding. The rise of market-oriented structures and competitive orientation in public HEI mirror the self-determining and autonomous system private institutions have been following for a long time (Sporn 1999a, p. 8ff.). In addition to these internal adaptations in institutions, the whole educational system needs to learn to respond to external demands. Building cluster structures between HEI in order to join forces and sum up the best of all partners is today the most discussed response to internationalization (Massy 2004; EURYDICE 2000, p. 155f.). Opinions vary on the best way to reach this organizational structure (de Wit 2002, p. 97f.; Rudzki 1998, p. 227ff.). Some representatives of HEI strive to be independent and to compete with HEI on the home market to establish a strong national image and become self-determining. Others follow the idea of competition between multinational HE clusters in order to speed up the internationalization process and are ready to give up some features of their institution in order to strengthen other, more important characteristics. Regardless of the way chosen, the new concepts hand back responsibility to the institutions, demanding efficient organizational structures and accounting for resources used. Within this environment, academic cooperation gains importance and the need for an organizational structure proposing a framework for establishment and successful management of academic

cooperation is revealed (AACSB 2002, p. 16; Roeloffs and Maiworm 1999, p. 123ff.; Adam 2001). In this thesis a conceptual framework corresponding to this demand is developed in Chapter 6.

2.3 Aspects of Internationalization in Higher Education

2.3.1 Causes for Internationalization

The time following the World War II was marked by an expansion of internationalization of business activities. Globalization and multi-nationality were common expressions for companies' development. In recent years the educational sector has found itself in the same evolution. Long-established national education systems follow the political and economic development and transform into competitive open systems, offering new alternatives on the European and international education market.

As companies were before them, educational institutions are forced to run through the internationalization process due to various reasons; **political** and **economic developments** as well as **competitors** entering the market are major reasons for adaptation of organizational structure and services offered (Pawlowski 2004; Perlitz 2004, p. 3ff.; BearingPoint 2003; de Wit 2002, p. 10ff.).

International **political development** influencing HE is driven by the new direction of development nation states took when agreements on the European Community became concrete. Competencies were newly distributed and a joint development was achieved; the introduction of the monetary union, European agreements on natural resources and law standards are only some steps in this evolution. With this closer partnership nations also developed an increasing need for people skilled to work in cross-border jobs, being able to speak foreign languages, and willing to travel. The latest step in European political development affects the HE sector directly: To be more competitive and to respond to competition from the international market, European politicians started the Bologna Process – leading national HE systems to develop into a competitive European Higher Education Area (EHEA) (EC 2003a, p. 3f.).

The **economic development** in Europe also has impact on the HE sector. During the last 50 years Western European companies have had enough potential and resources to grow and work economically in their home countries. This has changed in the last 10 years. High and rising labor costs, environmental restrictions and high tax duties in their home markets, and the freer access of cheaper labor force and less restricted work conditions in Asia and Eastern

Europe have prompted companies to start leaving their countries. This development goes along with a need for internationally skilled employees who demand more knowledge and program varieties than the national education offers (Clark 1995, p. 215ff.; Schartau 2003). HEI need to adapt to this demand to be competitive and have future prospects (EC 2003a, p. 9f.).

The national HE systems are additionally challenged by **competitors** entering their home markets and setting standards on the international market (Reuter 2003, p. 28f.; Severing 2003). Until recent years the European education market was marked by distinct national systems which – regardless of their differences – have established exchange programs and have built a system offering international skills on a national level (Hahn 2004, p. 28ff.). This market was being more and more accessed by competitors from countries in which a more flexible and international system of HE was already established, as for example the USA (de Wit 2002, p. 41ff.). The models of life-long learning entering the European market show the European HE its deficiencies and the need to develop in order to be competitive in their own home market and to further be able to enter the international market.

The three presented reasons are not the only issues of importance for the internationalization of HE, but are relevant examples to illustrate the impact the overall internationalization process has on the educational area. As demonstrated above, internationalization has become a powerful factor in HE, influencing the institutions and their structure, and being the motor driving the educational market (Kerr 1990, p. 5). This development is mirrored by current literature, as the following selected examples demonstrate. “*One of the important features of contemporary universities*”, is a description of internationalization used by Smith, Teichler, and van der Wende (1994, p. 1). Halliday (1999, p. 99) underlines that no one working in the educational sector can be unaware of this issue and the related pressure. With the Bologna Process and various individual initiatives ongoing, the process of internationalization in HE is seen as the “*major theme for the next decade*” by Davies (1997, p. 83) and has dominated the development of HE for the past half century (Teichler 1999, p. 6; Altbach 2000, p. 2). In a comprehensive study, de Wit has analyzed rationales behind the internationalization process of HE, meanings and approaches pursued, and strategies and organization models applicable (de Wit 2002, p. 83ff.). Alongside the above mentioned reasons for internationalization in HE, de Wit defines cultural and social rationales, which focus on the effects on the individual and on the consequences for the society.

2.3.2 Specifics of Internationalization

The term internationalization has been used for centuries in politics but only since the 1980s has it been relevant to the educational sector. Transferring the term to HE specifics, internationalization describes that HEI – while maintaining the home base – offer a selection or the full range of their services on a foreign market. Given that definitions of internationalization and this process in HE are manifold in theory, a selection is presented, summed up by the definition used by this thesis.

The **internationalization process of HE** has to respect characteristics of education as described in Part 2.1. The special product offered by HEI is know-how in the form of education and research. This kind of commodity influences strategy and organization of internationalization, as the volatility of services needs to be restricted. Another important factor when defining a strategy and necessary judgment criteria for internationalization of HEI is the mission of the institution and environmental conditions the institution is exposed to at home and in foreign countries (Brockhoff 2004, p. 321).

According to Schooreman (1999, p. 21), internationalization is “... *an ongoing, counter-hegemonic educational process that occurs in an international context of knowledge and practice where societies are viewed as subsystems of a larger inclusive world. The process of internationalization at an educational institution entails a comprehensive, multifaceted program of action that is integrated into all aspects of education.*”.

The European Association for International Education (EAIE) (1992), describes “... *internationalization [as] being the whole range of processes by which higher education becomes less national and more internationally oriented.*”.

The British Columbia Center for International Education (BCCIE) states that “*Internationalization is a process that prepares the community for successful participation in an increasingly interdependent world. ... The Process should infuse all facets of the post-secondary education system, fostering global understanding and developing skills for effective living and working in a diverse world.*” (Francis 1993).

All of these definitions stress that internationalization of HE is an ongoing process. Within the variety of definitions and with the increasing attention and recognition internationalization is gaining in HE, people tend to use the term *internationalization* in a way that best suits their purposes. A more focused definition was developed by Jane Knight in order to avoid this way of handling (Knight 1999, p. 16).

“Internationalization of higher education is the process of integrating an international/intercultural dimension into the teaching, research and service functions of the institution.”

This definition adjusts the relevance of the term to the growing number and diversity of HEI and their various delivery methods of the service education. This is the definition of internationalization in HE used by this thesis. Internationalization is understood as a principal stream in the HE market, leading to a variety of projects aiming to fulfill the objective of internationalization in various ways. Cooperation represents one possible way for internationalization. To clearly differentiate meanings of terms, **multilateral academic cooperation** is explained as it is understood in current research and the working definition of the term for the thesis is developed.

In the USA multilateral academic cooperation is defined by the Legal Information Institute (LII) as a group of HEI which have entered into a cooperative arrangement for the purpose of carrying out a common objective or building up of a public or private nonprofit agency, organization, or institution designated for the purpose on the groups' behalf (LII 2005b).

The French government defines its initiatives in the field of international academic cooperation as follows: *“In terms of academic cooperation, the Ministry of Foreign Affairs maintains bilateral relations with almost every country. This cooperation serves to establish partnerships between French and foreign institutions, making it possible to conduct joint educational and research projects, to encourage the mobility of students, teachers and researchers, ...”* (MAE 2005).

The term as used in this thesis describes academic cooperation focused on multilateral exchange and joint offer of educational services. The following aspects are relevant:

- Multinational extent of the cooperation;
- Incorporation of more than two partners;
- All partners being education institutions;
- Cooperation in research and teaching;
- Joint educational offer to third parties;
- Strategic and long term orientation;
- Joint engagement in management and financial aspects.

Multilateral academic cooperation, as defined for this thesis, does neither include project-oriented or bilateral cooperation of HEI, nor networking between HEI and alumni organizations, student and administration bodies, or companies. In the presented concept academic cooperation refers to effort of HEI to establish a joint offer for teaching and learning to third parties. As for possible additional services like coaching, leisure-time offers, or accommodation, these are seen as by-products, not being an essential focus of multilateral academic cooperation. The multilateral cooperation referred to in this thesis aims to offer the market a broad and international service in education. This process is complex and needs investment of time, resources, and reputation. It is necessary to understand this kind of cooperation as strategic and long-term oriented. This implies a joint engagement in management and financial aspects of all partners.

Resulting from the above descriptions, the definition of **multilateral academic cooperation** as understood in this thesis is the following:

“A cluster of higher education institutions with a multinational extent, engaged in cooperation in research and teaching, in order to offer a joint educational service to third parties. This strategic and long-term oriented cooperation contains joint engagement in management and financial aspects of common projects.”

With the proposal of an organizational model for multilateral academic cooperation, this thesis aims at pointing at a neglected area of internationalization in current HE theory. While the framework for bilateral exchange and the process of internationalization in HE are quite well defined, the complex constellation of multinational and multi-partner cooperation is not yet described intensely. Catching up with the practice is elementary to ensure a smooth international cooperation development. Until today, HEI and stakeholders have focused on the definition and description of internal aspects of HE internationalization and have not spent much time on analyzing cooperation possibilities.

In a study about HEI pursuing international activities, Roeloffs and Maiworm (Roeloffs and Maiworm, 1999) revealed the demand for guidelines and institutional priorities for international cooperation. Most HEI personnel criticized the fact that no institution-political concept was available, able to structure and coordinate international cooperation. The model developed in Chapter 6 offers such a concept to HEI which are willing to follow the international development on the educational market. It is meant to provide an organizational solution to multilateral cooperation, adaptable to different institutional backgrounds.

3 Process of Internationalization in European Higher Education

This chapter reveals the internationalization process and related external influences in the HE area. It discloses the need for a theoretical framework of multilateral academic cooperation which provides guidelines for practical conversion. Since the beginning of HE in the Middle Ages, orientation towards exchange and distribution of knowledge has been part of the educational sector. This characteristic first developed within nations, then between geographic areas, as for example Europe and Asia, and finally spread around the world with colonialism, gaining international impact. These steps are described in Part 3.1, providing the historical background of European HE development. The Bologna Process described in Parts 3.2 and 3.3, pursues the objective to make European HE competitive on the European and international education markets. The process frames diverse exchange programs and international activities present in European HE in one concept. While government control and EU initiatives are regarded as necessary for HE development, Part 3.4 demonstrates efficiency of internationalization initiatives independent of joint political influence. This leads to the current discussion about the necessity of political influence in HE and the demand to hand back responsibility to individual initiatives of HEI. Part 3.5 provides an overview of the discussion leading to the outlook on future developments in the HE sector in Part 3.6. A general orientation towards increased international cooperation of HEI is revealed by this discussion; concepts of cluster-building and strategic alliances dominate proposals.

3.1 Historical Occurrences

In order to cover the historical context of the internationalization process in European HE, one has to go back to the very beginnings of the primary educational institutions in Europe in medieval times, and with this, to the first student migrations. Following the idea of the universality of knowledge, universities can be seen as the first global institutions existing, spreading new ideas and spiritual values all over the world through the travel of students, teachers, and publications (Altbach 1998; Tavenas 2002).

The emergence of HEI in Europe around the 11th century had an enormous impact on the development of modern Europe; those early educational institutions played an integrating and socializing role in early Europe and formed an important part of today's common intellectual tradition and awareness (Verger 1992, p. 47ff.). As soon as the first centers of study developed in Bologna (around 1088), Paris (around 1150), and Prague (1348), students and profes-

sors began to travel to profit from the share of knowledge and to contribute to new ideas (Raines and Leathers 2003, p. 17f.). This academic pilgrimage was favored by the small number of locations for higher studies and supported by the fact that Latin was used as *lingua franca* in higher levels of education. Exchange in these times was mostly limited to the students' and professors' level, cooperation between the early universities did not reach an organized form. Exchange resulted from the ambition of individuals to gather knowledge and widen their perspective. This attitude developed with the Christian pilgrimages and the emerging commercial relations between European regions. A piece of evidence in support of this theory is the location of most early European universities at nodal points of commercial routes and paths of pilgrimage (Rüegg 1992). After the era of revolution in Europe, starting with the revolution of Martin Luther in 1517 and finishing with the end of the French Revolution in 1799, independence from church entered education. The increasing governmental engagement was soon accompanied by diversification in studies and the establishment of private education institutions (Roberts, Rodrigues Cruz and Herbst 1996).

The eighteenth century was characterized by the Age of Enlightenment and the accompanying demand for a general improvement in human life. While criticism of politics, science, religion, and society was an integral part of the Enlightenment in all parts of Europe, the regional character of this silent revolution varied. With the change of traditional rules and systems and the growing demarcation between church and government, the educational field became more and more secularized. This implied a shift in the curricula: Dominance of the theological departments was replaced by the rising importance of the faculty of law. Altogether the Age of Enlightenment brought about the modernization of medieval universities and prepared them for the future (Hammerstein 1996).

The cultural exchange of the student migrations was challenged in the late eighteenth century by the birth of nation states in Europe and with an increasingly national university concept (De Ridder-Symoens 1992; Gieysztor 1992, p. 14ff.). Professional needs and ideological demands of their home nation became the primary focus of the universities, which helped to develop the new countries' national identities. Governments of the new nation states had a strong interest in keeping intellectual and ideological training under their control and to prevent flight of knowledge in order to establish a powerful country of high cohesion (Rüegg 1992).

This development of nationalism did not mean a stop of knowledge-sharing and student movements since the new European nations soon reached out to conquer new territories. In

colonial times educational systems and ideas were exported to the European colonies of North, Central, and South America, as well as India. During this period, influence of religion re-entered education, given that most of the educational institutions in the “*New World*” were founded by clerical envoys. Tolerance of religious differences nevertheless soon established itself in the colonial institutions, as it had happened before in Europe (Roberts, Rodrigues Cruz and Herbst 1996).

After a long period of nationally oriented educational development, a new orientation towards international cooperation and exchange between HEI can be observed in the 1920s. In the United States the Institute of International Education (IIE) was created in 1919, followed by the German Academic Exchange Service (DAAD) 1925 and the British Council (BC) in 1934 (IIE 2005; DAAD 2005; British Council 2005). These institutions are one indication that nations attached importance to international cooperation and exchange in the educational sector. Exchange of students and joint research between HEI nevertheless were seldom and mostly initiated by individual connection rather than by political influence (Altbach 1998).

Immediately after World War II the Fulbright Act was established, driven by political motives and mutual understanding (Thierney 1977). For national governments educational cooperation was a welcome possibility to re-establish diplomacy between the divided European countries. Even so, HE politics is not a traditional field of activity in the European Union, as the infrequent publications on HE decision in the European Treaty Series (ETS) document. The Treaties of Rome, leading to the establishment of the European Economic Community (EEC) in 1957, did not directly concern the matter of education. The very first educational issue that appeared in the European Union contracts was conventions demanding the equivalence of diplomas leading to admission to universities (ETS 1953, No. 15), the equivalence of periods of study (ETS 1956, No. 21), and the academic recognition of university qualifications (ETS 1959, No. 32). It was only in 1992 that educational matters were explicitly added to the EU activities catalogue (Amt für amtliche Veröffentlichungen der EG 1992).

For all EU agreements and treaties that were decided, very few activities in HE were carried out on a common basis. Responsibilities were not clearly defined in European declarations, and differences in the educational policies of the member states led to two antagonistic streams in European educational politics (Philipp 2000, p. 7ff.). While a harmonization of degrees and a common system of evaluation was declared as the target of agreements in the early state of the EU, the European educational ministers decided in 1974 to take into account the national differences in the educational field and to prevent harmonization. “... *I. Coopera-*

tion in education shall be based on the following principles: ..., - educational cooperation must make allowance for the traditions of each country and the diversity of their respective educational policies and systems. ...” (Ministers of Education Council 1974).

With an action program in the field of education the EC increased its influence in the internationalization process of HE in 1976 (EC 1976a). This was not always appreciated by national governments, which criticized the influencing control the committee conceded to itself, in spite of missing, questionable and contested competences (Dalichow 1999). Despite the criticism, major steps to develop common activities and facilitate students' exchange while accepting national educational systems were made possible by this activity program until 1979 (UNESCO 1979). Dominant was the *Conventions on the Recognition of Studies, Diplomas and Degrees concerning HE in the States belonging to the Europe Region*.

In the 1980s the European programs for education and research were established and internationalization entered numerous mission statements and policy documents in the education area (Philipp 2000, p. 12ff.). The SOCRATES programs were established to support European cooperation in eight areas, from school-level to HE, as well as from new technologies to life-long learning (EC 2005b; Rehbürg and Teichler 2002). The related HE programs are named ERASMUS after the philosopher and first famous education migrant Erasmus of Rotterdam, who lived in medieval times (1465-1536). The influence of the European Union on HE gained a centralized and harmonizing tendency by the Single European Act (SEA) in 1986. Common policies, and in correlation HE policy, were subordinated to the major objective of economic and social cohesion in Europe (Amt für Amtliche Veröffentlichungen der EG 1986; BMBF 2002a, p. 32ff.).

The ERASMUS program, established in 1987, is generally regarded as a milestone in the internationalization of HE (Bulmahn 1999). During the first ten years of the program, mobility scholarships allowed more than 500,000 students to follow a course of studies abroad. At the end of the nineties this number increased to 80,000 students yearly, of which 14,000 were German. In 2001/2002 around 15,500 foreign students came to Germany using the ERASMUS exchange, while nearly 17,000 German students used the program to study abroad (BMBF 2003). Taken together, the program provided financial and organizational aid for exchange studies to more than one million university students by 2004. Presently, 2,199 universities and other HEI participate in the program (EC 2005b). The ERASMUS program not only fostered European student exchange. Reciprocity, cooperation, and global under-

standing are the pursued objectives of these movements of students (Clyne and Wook 1998; Rehburg and Teichler 2002).

Assuming a connection between globalization and freedom, the Magna Charta Universitatum was developed during the 900th anniversary of Europe's oldest university, Bologna, in 1988. The Magna Charta was signed by delegates of 80 European universities to confirm the autonomy and freedom of their institutions and to honor the contribution of the international students' exchange (Magna Charta of European Universities 1988). Some observers regard the Magna Charta as the original start of the Bologna Process, but the declaration has not brought about joint European activities or a specific European educational activity (Barblan 2001; Keller 2003, p. 2).

With the "*Memorandum on Higher Education in the European Community*" in 1991, the EC again stated the objective to harmonize the European education market in order to develop an economically, socially, and culturally coherent European community (EC 1991). Reactions to the memorandum mostly showed reluctance to harmonization on the side of universities and national politics (Philipp 2000, p. 22ff.). Being unanimous in that they did not want harmonization, the involved parties had different reasons for their criticism. Northern European governments wanted to keep educational issues on the national level and to be independent in their concrete HE politics. Southern European governments argued that harmonized education systems may foster academic mobility but could have negative consequences for poorer regions, which should therefore be supported in educational development (Amt für amtliche Veröffentlichungen der EG 1993, p. 31).

Another effort to combine national and European demands was made by the Treaty of Maastricht in 1992. Article 126 states: "*The Community shall contribute to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the responsibility of the Member States for the content of teaching and the organization of education systems and their cultural and linguistic diversity.*" (Amt für amtliche Veröffentlichungen der EG 1992). The Maastricht Treaty reduced the formal competencies of the EU by the subsidiarity principle (Donges et al. 1992, p. 15). According to this, European politics may only interfere in national competencies if these are not capable of dealing with their duties. This decision was recognition of the existence of the various organizational forms of national HE. Whereas HEI in the centralized state of France are supervised by the state, federal republics like Germany and Switzerland delegate educational policy to the respective federal states (Philipp 2000, p. 75ff.;

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Teichler 1990a, p. 21ff.). This diversity in the European HE systems requires a cautious approach to joint activities. In the same way as European politics shifted competencies to the European level, national authorities are encouraged to take part and determine this process. An example is the compensation of the German federal states for their loss of competencies in national education policy, by conceding to them increased influence in the process of drawing up European educational programs. The shifting in the EU educational policies between harmonization tendencies and recognition of national characteristics went on until the beginning of the Bologna Process in 1998.

Figure 4 visualizes the development of internationalization of HE in Europe as described in this chapter.

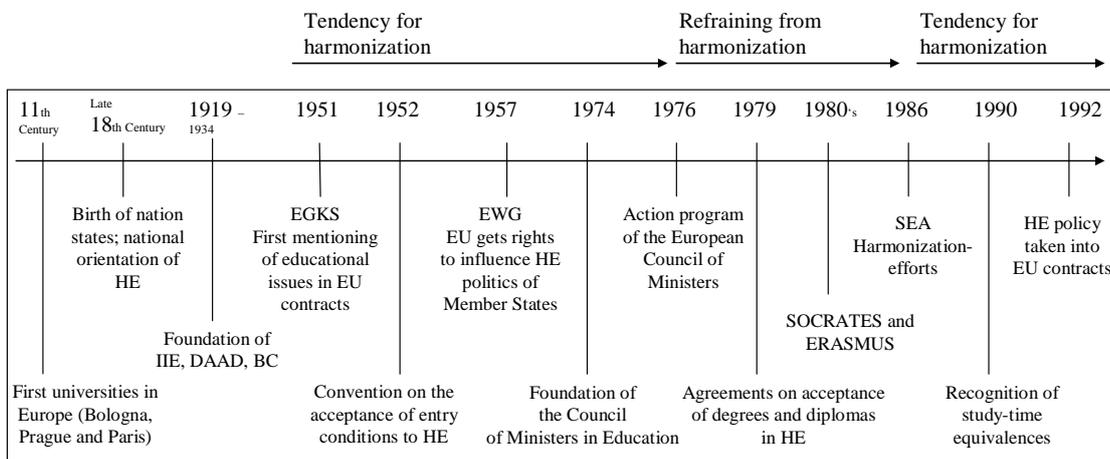


Figure 4: Internationalization in Higher Education before the Bologna Process

Historical developments in the internationalization process of HE can be subsumed in three steps.

The **first step** encompasses the decades prior to the twentieth century. These are described as incidental rather than organized dimension of exchange. Only in the **second step**, the time after World War II, did the internationalization of HE become an organized political and strategic process. The **third step** refers to current and future development: Internationalization is – and in the future will be even more – an integrated element of HE (Scott 1998, p. 109ff.). This matter is apparent in the acceptance of English as a common language, and in the growing number of international networks and strategic alliances that are established between HEI. The will to establish an EHEA and internationalize education, is impressively demonstrated by the Bologna Process, followed by most EU Member States.

3.2 Objectives of the Bologna Process

The Bologna Process objective is to establish a EHEA by the year 2010. The objective was set while heading for an even more ambitious project: The idea of an international market for HE with Europe as one of the major players (BMBF 2003). The currently relatively weak position of Europe and especially Germany in the international, USA-dominated HE market is supposed to change with developments brought on by the Bologna Process. One of the critical questions in the Bologna Process is whether or not to learn and adopt from the USA's HE system (Spiewak 2004; Weiler 2004). The USA's well established international education network and international reputation shows which target European HE politics have; nevertheless, the way to achieve this target needs not follow the same rules and structures (de Wit 2002, p. 75ff.). The Bologna Process started by calling into question all traditional systems of HE. Curricula, tuition fees, research quality, and leadership systems in HEI are analyzed and new solutions are discussed. As there is no ready-made solution to common European education, the main task is to arrange solid fundamentals for a competitive HE system. This means to guarantee sufficient university capacities, the right balance between research and teaching, autonomy of HEI, and to reinforce relations to non-university institutions in research and teaching.

As the signatories of the Bologna Process agreed during the meeting in Bologna, major distinguishing features of the EHEA should be:

- A system of easy-to-understand and comparable degrees;
- A study system essentially based on two cycles (undergraduate/graduate);
- A performance-oriented credit-point system (following the European Credit Transfer System (ECTS));
- Promotion of mobility of students, professors, and staff (by removing mobility obstacles);
- Promotion of Europe-wide co-operation in quality assurance;
- Establishment of a European dimension of higher education.

These initial steps were supplemented during the Prague and Berlin meetings by the objective to establish a life-long learning system and inclusion of doctoral studies in the process. Supplemented by the consideration of the social dimension of HE, the work program comprises at

present nine major activity strands, aiming for the EHEA in 2010 (Ministers of Education Council 1999).

In order to achieve the objectives, several conferences and meetings were arranged, and ministers and specialists concerned meet every second year to discuss progress, changes, and development of the process (Ministers of Education Council 2003a). The development of the EHEA builds on principles of quality and transparency. While cherishing cultural diversity and inherited richness, the process sets the objective to turn Europe into a knowledge-based society (Ministers for Education 2005).

3.3 Bologna Conferences

3.3.1 Lisbon Conference and Definitions

In April 1997 in Lisbon, European Ministers of HE adopted the convention on the recognition of qualifications concerning HE in the European region. Terms which would be frequently used and could be varyingly interpreted were defined (ETS 1997, No. 165).

Definition of Higher Education

“All types of courses of study, or sets of courses of study, training or training for research at the post secondary level which are recognized by the relevant authorities of a party as belonging to its higher education system.”

Definition of a Higher Education Institution

“An establishment providing higher education and recognized by the competent authority of a party as belonging to its system of higher education.”

Ministers taking part in the Lisbon conference also agreed on terms concerning the recognition of qualifications giving access to HE, the recognition of periods of study, and the recognition of HE degrees. Thus, the Lisbon Treaty cleared the way for a facilitated European student exchange (ETS 1997, No. 165).

3.3.2 Sorbonne Joint Declaration

In May 1998, on the occasion of the 800th Sorbonne anniversary, German, French, Italian, and UK ministers of education signed a joint declaration on harmonization of the architecture of the European HE system. They stated that Europe not only needs to be a well-connected economy, but claimed that it must be a Europe of knowledge in order to prosper and develop. Most points mentioned in the later Bologna Declaration were already roughly stated in this

declaration, leading to the initiation of public discussions about the EHEA and following conferences and projects (Sorbonne Joint Declaration 1998).

In 1998, a follow-up conference of European ministers of education took place in Baden, Austria, to provide the opportunity for a first exchange of views on the Sorbonne Declaration. This conference already showed the impact the Bologna Process would develop. Chaired by Austria, the meeting was attended by representatives of the TROIKA, being the previous, current, and next president of the EU, as well as by the Sorbonne signatory countries, the Europeans Rectors' Conference (CRE), and the EC. It was the Italian minister of education who presented the invitation to a subsequent conference of ministers in Bologna in 1999, which initiated the *Bologna Process*. One outcome of the Baden meeting was the set up of a working group to prepare for the Bologna meeting. Another important decision was the establishment of a yearly study on trends in HE, the future *Trends Reports I - III*, which from then on summarize and comment on projects and initiatives linked to the Bologna Process (Haug 2000; BM BWK 2004).

3.3.3 Bologna Declaration – A Europe of Knowledge

All EU, European Free Trade Area (EFTA), and EFTA/European Economic Area (EEA) countries and associated members were invited to the ministers' conference in Bologna. On June 19, 1999, 31 ministers from 29 countries signed the Bologna Declaration, agreeing on an extensive reform of their HE systems.

Within the framework of their institutional competences, the signatories agreed on six targets, with the intention to promote European citizens' employability and to increase the competitiveness of the European HE system (CRE 2000; Osterwalder 2001; EUA 2001b). Firstly, a study system essentially based on **two main cycles** was adopted in which access to the second cycle is obtained by successfully completing the first. Secondly, contents of **undergraduate and graduate studies** were defined, with the first cycle lasting for at least 3 years. The undergraduate degree is to be accepted on the European labor market as an appropriate level of qualification. Thirdly, the establishment of a system of **credits** to develop comparable criteria was decided, having as outcome the fourth target, which is to promote student and professorial **mobility**. As the fifth objective, the promotion of European cooperation in **quality assurance** is to establish recognized levels of quality and measurements for service and performance in the European HE area. Finally, a **European dimension** in curriculum, inter-institutional cooperation, and study programs shall be established.

Between the Bologna conference in Italy and the next meeting of ministers in Prague a series of conferences and workshops were initiated to guarantee the pursuit of the defined objectives and the exchange of information (Ministers of Education Council 1999).

The initially purely political process was joined by HEI and students by the conference of the institutions of HE in Salamanca, Spain, in March 2001 and the Student Göteborg Declaration (ESIB 2001). The objectives of both parties were to position their intentions and ideas in the process and clearly express their will to shape their own future by taking an active part (Ministers of Education Council 1999). Main objectives were the demand for more autonomy of HEI and the openness of the labor market to the new degrees. In order to react to the challenge of “*environmental changes*” the Bologna Process imposes on the institutions, these claim increased freedom of action and responsibilities. This request of empowering universities goes hand in hand with their will to be held responsible for the use of this freedom. A major concern of students was the acceptance of the new two-tier education system and related degrees on the European labor market. In response to this challenge, systems of life-long learning and a diversity of entry and exit points in each study period were proposed.

3.3.4 Prague Communiqué – 1st Follow-up Conference

At the conference in Prague on May 19th, 2001, Croatia, Turkey, and Cyprus joined the Bologna signatory states, raising their number to 33. To enable the participation of other interested nations, conditions for accession to the Bologna Process were altered, allowing all signatory countries of the European Cultural Convention to join as of the Berlin Conference in 2003. The current members decided on the opening of the Bologna Process to all countries allowed to participate in SOCRATES, LEONARDO, and TEMPUS/CARDS programs of the EU. All these are programs for educational development.

In Prague an update of achieved targets and discussion of where to put the future emphasis characterized the meeting. Three new points were added to the original six Bologna objectives:

- Life-long learning (as a basic principle in the EHEA);
- Integration of students and HEI (by active participation of the National Union of Students in Europe (ESIB) and the European University Association (EUA) in the Bologna Process);
- Expansion of the Bologna Process (to attract European and worldwide students).

The Prague Communiqué asked for national contact points in all participating countries, which were to make up the *Bologna Follow-Up Group*. Chaired by the respective EU presidency, the group is advised by the EUA, ESIB, European Association of Institutions in Higher Education (EURASHE), and the Council of Europe (Ministers of Education Council 2001).

Every university and HEI connected to and interested in the Bologna Process, was asked to nominate a Bologna liaison person responsible for promoting the process in their respective home institutions. After initial dominance of statesmen in the Bologna Process, HEI gained influence on the process by organizing in the EUA. Working groups achieved results in the areas of degree structures, qualification frameworks, and quality assurance that were recognized as astonishing progress by observers. The process developed more smoothly than expected and obstacles were overcome by joint effort instead of wasting time in long and fruitless discussions. The concept of integrating all affected parties in the process and making them work in small international groups went well and reinforced the entire process by providing effectiveness and possibility of common European action (Erdsiek-Raven 2004).

3.3.5 Berlin Communiqué – 2nd Follow-up Conference

On September 19, 2003, the ministers of science and education of all signatory states assembled in Berlin, for stock-taking and to set priorities and new objectives. The number of Bologna signatory countries increased to forty. The Berlin Communiqué defined the targets to be achieved before the next conference, planned for 2005 in Bergen, Norway. Main points of this declaration were agreements on:

- Two-tier study system (implementation as of 2005);
- Diploma supplement (automatically and free of charge);
- European research area (new aspect in the Bologna Process);
- Doctoral programs (as addition to the two-tier study system);
- Organizational changes (a board and secretariat support the only decision-making body of the Bologna Process; establishment of the Follow-Up Group).

In order to explain and justify the political impact of the Bologna Process, ministers affirmed that HE is a public good and a public responsibility. Their common statement was to preserve academic values, such as free-of-charge supply and equal access to HE for all citizens. The

subject of a European research area was brought up to strengthen the basis of a *Europe of knowledge*, and ministers stated that institutions have to secure close links between educational systems of participating countries. Ministers also declared the wish of all participants of the Bologna Process to preserve Europe's cultural richness, but to foster its potential of development through a common HE area (Ministers of Education Council 2003b).

Within two years following the Berlin conference, the Bologna signatory group strengthened its efforts to implement the two-tier study system, to promote effective quality assurance systems, and to increase recognition of degrees and periods of study in their respective countries.

The follow-up report of the Berlin conference, Trends 2003, reflects the political aspects of the Bologna Process, and takes into account perspectives of students and HEI having joined the process (Reichert and Tauch 2003). The report asks participants to take the Bologna objectives as a package and relate them to each other, in order to help to implement changes and to benefit from links facilitating the adaptations. The study also emphasizes the fact that not only teaching and education are concerned by restructuring, but the process extensively affects organizational structures and support services. Lack of attention towards Europe-wide recruitment of professors and teaching staff was criticized. The report set the agenda for programs of the European work-groups until the next conference in 2005.

3.3.6 Bergen Conference and Forecast

At the 3rd follow-up conference in Bergen, Norway, in May 2005, the Bologna Process comprised forty countries and 5 applicants, all voluntarily gathered around the process to construct the EHEA.

Developments to that date concerning aspects and systems of quality assurance, implementation of the two-cycle study systems, integration of additional doctoral studies as a third cycle, and progress of recognition of degrees and periods of studies in Europe were discussed and progress reviewed. The gathering of information and the survey about respective results was done by application of a "*Bologna Scorecard*", allowing an equal evaluation for all countries' activities. The national reports handed in by all forty member countries are the fundamentals for the stock-taking process, as well as the results of the EURYDICE questionnaire (BFUG 2005b; Ministers of Education Council 2005).

A quality assurance system, including students and external observers in the evaluation process, has been installed in most of the participating countries. Adaptation of measures on the European level still has to be improved, but is in progress. The great majority of countries

have made very good progress in developing or restructuring a two-cycle study system (BFUG 2005b). Bachelor and master will be the two degrees awarded to current and future European students in all fields of HE. Stock-taking on acknowledgement of degrees and study time is not as positive as other points evaluated. Assuring diploma supplements for all studies is a slow process in most countries, and the ECTS concept is far from being the common credit system.

Further to the positive results of stock-taking, the next ambitious objective in the process is development of the common research area. Equal accessibility to HE for all students regardless of their social or economic background has still to be improved, and the offer of governmental support in this field is necessary. HEI themselves can improve the social dimension by providing counseling and guidance to respective candidates. The ministers of education have also stated their will to further improve conditions for mobility of students, staff, and teaching personnel of HEI (Minister of Education Council 2005). All participants in the Bologna Process have agreed to promote the EHEA and make it attractive for partners in the whole world. The Follow-Up Group should elaborate and agree on a strategy to develop this international dimension (BFUG 2005).

Five recommendations of the stock-taking groups aim towards the surrounding conditions of the EHEA (BFUG 2005b). Firstly, employer organizations at the national and European levels should be engaged in the process in order to assure development of adequate positions for students and to integrate demands of employers into the process. Secondly, the level of equitable access to HE in every country should be measured by a work-group. Identification of associated key-issues is the primary duty. As a third point, each country should provide an action plan, demonstrating improvements and process of recognition of foreign qualifications. The fourth recommendation was to develop support mechanisms to help participating countries in the implementation of the Bologna Process. Recommendation number five concerns the advice to continue stock-taking and publicly demonstrate the progress of the EHEA.

Ministers of education of all participating countries stated that the collective and voluntary inter-governmental process is a success and will lead the future EHEA towards a success on the international market beyond 2010. The next conference will take place in London, UK, in 2007.

3.4 Initiatives Independent of the Bologna Process

Initiatives of cooperation and international development of HEI were taken before the Bologna Process started in 1998. Institutions have acknowledged the need of internationalization as an answer to students' expectations and employers' needs for an internationally skilled workforce (EURYDICE 2000, p. 158ff. and 168). The high number of students studying abroad without using European exchange programs, but self-organizing their foreign studies shows that international mobility can be realized without concrete programs, but following the needs and demands of institutions and students (Philipp 2000, p. 16). The European Confederation of Upper-Rhine Universities (EUCOR) is an impressive example for independently organized efficient HE cooperation between a number of countries. The initiative is described in detail in Part 5.4.4, as one example for academic cooperation.

With initiation of the ERASMUS activity program in 1987/88 the European Community took an important step in organizing and structuring the various exchanges between extremely differently organized HEI, and in offering a simplified solution to the increasing demand for exchange studies (EC 2003a, p. 11ff.; Teichler, Maiworm and Schotte-Kmoch 1999, p. 7ff.). Without harmonizing systems or adapting structures, this action program achieved the organization and financing of the exchange studies of European students. Agreements on ECTS and recognition of courses and exams were the main adjustments that were done to realize increased mobility of European students. In 1990 the EU started the TEMPUS programs, supporting transformation processes of HEI and aiming at connecting institutions in Eastern and Western Europe (BMBF 1999a). By providing financial aid for equipment and help to develop curricula, and by supporting and initiating institutional innovations, the promotion of exchange of students and teaching personnel was achieved (Kehm 1998). Today the program is still in place, fostering the realization of the Bologna decisions.

Liberalization of trade in services, initiated by the World Trade Organization (WTO) in 1996, had been affecting the educational sector before the Bologna Process started (WTO 1998). Discussions about the General Agreement on Trade in Services (GATS) and its impact on European HE mirror the significant effects of global economic liberalization on the education sector (Hahn 2004, p. 58ff.; Surssock 2004).

Three basic principles of GATS are defined:

- Market Access – The agreement covers all services except those offered by governmental authority;

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- National Treatment Principle – No discrimination in favor of national providers is allowed;
- Most-Favored Nation – Any concession granted to one provider on a national level is immediately and unconditionally extended to all members of the agreement.

These powerful principles are rounded up by general and specific obligations, differentiating between sectors and activities (WTO 1998 and 2005).

While GATS explicitly excludes services provided by governmental authority, the education market is influenced since many commercial operators already offer their educational services abroad (Adam 2001, p. 11). Especially the USA, leading exporter of educational services worth estimated at \$8.5 billion in 1997, followed by Australia and the UK, is pushing the WTO's negotiation process about opening markets in HE and training. Obstacles that are still to be overcome are national legislation and policy, which hinder foreign institutions to obtain licenses as degree-granting institutions (Reuter 2003, p. 88ff.). Immobility of people related to visa problems and payment demands are another barrier. This development forced the EU in 1999 to act on internationalization and mobilization, and had impact on the initiation of the Bologna Process. The USA actively offers negotiation principles for liberalization of trade in the educational sector to members of the WTO (WTO 1998; Surssock 2004). On the other hand, Europe is just starting the process of discussing the impact of GATS and possible implications and reactions internally (EUA 2001a).

A liberalization of the educational sector implies the inflow of foreign providers of education on the European market, especially in the HE area. The establishment of accreditation and quality assurance measures is, therefore, an important first step for European HE development (UNESCO 2003). Efforts of the Bologna Process to establish European quality measurement systems show this understanding. Initiatives of individual HEI to obtain accreditation from international or regional accreditation institutions, as for example from the Association to Advance Collegiate Schools of Business (AACSB) and the European Foundation for Management Development (EFMD), are also recognition of this issue.

In their studies about education in Europe in 1993, Derenbach and Pierret claim that HE politics can be seen as a field where actions are ahead of the legal clarification of competences (Derenbach and Pierret 1993, p. 32.). This was the case in the time before and at the beginning of the Bologna Process. A change in this succession was only brought about with the union of stakeholders in HE. Today, decisions and plans are ahead of activities and the sce-

nario has changed drastically in most parts of the HE sector. Demand for internationalization and related initiatives were already in place before the Bologna Process started. Nevertheless they were not Europe-wide organized and their outcome was far from being a step towards a common HE area. The overall impact of European politics enabled by the Bologna Process can be questioned, but the process itself seems to contribute the final unity, needed to transform individual activities into the development of a EHEA.

3.5 Discussion of the Bologna Process

Political influence taken on a European level and having effect on national HE is a critical process, provoking approving and disapproving reactions. An overview is given, quoting positive and negative effects the Bologna Process is said to have on the European HE systems. None of the participating institutions and organizations generally rejects the Bologna Process and its consequences. Nevertheless, diverging points of view challenge the development of the process at each meeting. It is regarded as a remarkable sign of approval that argumentations mainly focus on the structure and approaches of the Bologna Process, rather than on its necessity and success.

3.5.1 Achievements of the Bologna Process

A study of the comments of 17 participating organizations in the Bologna Process has brought about a very positive result (Tauch and Wuttig 2002). The process is fully approved by seven organizations while another ten organizations approve of it with certain reservations. This high approval rating of the Bologna Process can be explained by the chances offered by the general agreements. Commonly formulated and adopted objectives present a range of possibilities for development of national HE systems. At the same time they include a clear statement concerning study contents in the countries: The Bologna Process has the definite philosophy not to strive for harmonization but to **respect the existing variety** (de Wit 2002, p. 62ff.; Reuter, Fuchs and Linde 2003, p. 20ff.).

While in some countries educational institutions and governments demand national independence in HE, other European countries underline the necessity of harmonization (Amt für amtliche Veröffentlichungen der EG 1993, p. 33). Mainly France, Italy, Greece, and Portugal are convinced of the need for European regulations **fostering mobility of staff and students**.

To guarantee restriction of European politics in national competencies, the subsidiarity principle was introduced in the European Treaties. Since its appearance in the first contract for the

European Community, signed at Maastricht in 1992, this principle has stood for the respect of the identity of nation states, for ensuring European policy, and for increasing Europe's efficiency (Große Hüttmann 1996). Regulating European policies' influence by the subsidiarity principle means to lay **responsibility in HE in the decentralized hands of national politics**, while the EU only plays a supporting and complementing role. This procedure is stipulated in § 5 (former § 3b) of the contract of the European Community (EC) (Amt für amtliche Veröffentlichungen der EG 1997).

Apart from withdrawing from harmonizing the HE area, the Bologna Process is heading towards **establishment of a free market for HE**. The process establishes prerequisites for a neo-liberal restructuring of the European HE market. Conversion of universities into service businesses is one step, in order to allow them to offer their services on a competitive market to well-funded customers. This neo-liberal idea is not explicitly included in the Bologna Process; objectives and developments of the process nevertheless promote such a concept for the future HE market (Keller 2001, p. 32f; Keller 2003, p. 46ff.; Bienefeld 2002).

Another positive effect of the Bologna Process can be seen in the growing awareness of the necessity of an HE system to provide European employability to its students, and to offer life-long learning structures. Both ideas assure European citizens access to education and further training during all periods of their life, in order to prepare them for a European or even international world of employment (Keller 2003).

While in the initial stage of the Bologna Process reactions to developments and prospects were rare and the subject not an issue for research, this attitude has changed in recent years and **research on HE development is a rising field of study** (Hahn 2004, p. 97ff.; de Wit 2002, p. 207ff.). In this context, HE research clearly acknowledges the outstanding role of EU education programs for the internationalization process. Studies about impact and influence of European HE programs, as for example the ERASMUS, COMETT, or TEMPUS programs, emphasize the EU programs' important role for continuous internationalization of HEI (Teichler 1998, p. 88ff.).

Establishing the EHEA means reforming and adjusting European university systems and is a **commitment to the cultural foundations uniting all European countries**. Basic cultural and academic values are similar in the ideology of European universities, and the efficient progress of the Bologna Process shows the level of unity European HE and the people concerned already have reached (Bulmahn 2004). This process of common HE activities has effects on many other fields of European interest (European Council 2000, p. 2ff.). Providing

internationally renowned HE, and, therefore, relying on a store of basic research and highly educated people has an impact on the economic development and social structure of Europe (BMBF 2002a, p. 6). While realizing this development, Europe aims at becoming a **crucial factor of stability and prosperity in the world** (Moratti 2004; EC 2003a, p. 5).

Today's Bologna Process is a deeply European internationalization process, but the developments in European HE have been aiming at the international market for a long time. The EC did not limit its measures for mobility and exchange to the European Union. Non-EU countries were involved in the ERASMUS and SOCRATES programs, as were countries in the Americas, Australia, and Asia. After the first successful years of the Bologna Process, when establishment of a common understanding of structures and objectives in HE was put into place and widely accepted, the process now aims to realize European educational **competitiveness on the international market for education** (EURYDICE 2005b). This is a mirror of former attempts to integrate European studies in the curricula of international students by mobilizing them with the help of standardized exchange programs. Today, mobilization of students and staff, and with it internationalization of the respective HEI, takes place by harmonizing degrees and study cycles, and by opening doors for research and staff exchange. The Bologna Process makes available a framework for HEI to develop themselves and their partners to become competitive elements on the international education market.

3.5.2 Criticism on the Bologna Process

Certain basic structures in the Bologna Process and various developments are judged critically by observers. As a complement to the quoted positive characteristics, disapproving key arguments are presented.

A former critical point was seen in the European decision-making process; while common policies were decided by a qualified majority, the Council of Ministers still decided by a simple majority on educational questions. This procedure was changed by the Nice Treaty signed in 2001, and coming into effect in 2003 (Amt für amtliche Veröffentlichungen der EG 2003). All common European policies, including education, are now decided by qualified majority. Critics of the old system argued that **simple majority decisions supported centralism and harmonization** spirits in politics; a development that can be traced back to the beginnings of European politics until the late 90s (Lammert 1991; Schröder, Hardt and Meves 1991, p. 32).

Another source of problems is related to joint HE decisions and activities of EU Member States (Philipp 2000, p. 19f.). The subsidiarity principle, one legal foundation for the EU de-

cisions, is only able to work if a consensus on HE policies is found. The principle is meant to support and foster nationally decentralized education policy, while offering the EU the **possibility to impose measures** if defined targets are not achieved on national levels. It is especially in the educational sector that the EU often sees the need to intervene with national authorities, when commonly formulated targets are not reached efficiently. As a consequence, national governments feel patronized and not as free in HE decisions as they claim to have the right.

A third criticism is targeted at the **short time frame of the process** (de Wit 2002, p. 83ff.; Reichert and Tauch 2005, p. 45f.). Pressure to realize plans and targets and to establish the EHEA by 2010 prevents circumspect implementation of projects and development. The extent of the Bologna decisions has not yet spread to all levels of HEI. The idea and necessity of the process often are only marginally recognized by institutional control keepers.

While the above-mentioned criticism results from structural issues, an additional five arguments are caused by imprecise definitions and rash statements of involved politicians and institutions.

One early criticism of the Bologna Process concerned the **declared wish to harmonize the European HE systems**, expressed in the Sorbonne Declaration in 1998. The negative response to this statement was such, that subsequent documents took great care to avoid the term “harmonization”. Even up to today, the early apprehensions have not been eliminated. Critics assume the end of the process to be the harmonization of national systems, and the creation of one joint European system, instead of a coordinated but diverse education area (Keller 2003).

A second criticism related to the development of an EHEA, is the impression that the Bologna Process **neglects spheres outside the educational field**. Recommendations and plans of the process mostly do not affect research, financing and organizational areas in HEI. These fields are only dealt with in passing, when discussing restructuring of the study system in Europe. The Bologna Process is rather perceived as a process of building a European study system, than one of establishing an EHEA (Keller 2003; BdWi 2003).

A third important criticism concerns the general declaration to assure mobility without defining what the term comprises, which effects mobility might have, and how related activities should be approached (EI 2005, p. 7f.). Comments point out that **mobility is no end in itself**, since subsidy of continuous migration can lead to arbitrary effects, overcrowding costs and, as

a consequence, to welfare losses (Philipp 2000, p. 153ff.). An example is given by a study of Teichler and Maiworm about efficiency and results of the ERASMUS project (Teichler and Maiworm 1997). They assume that the major takeaway-effect observed in the administration of exchange programs could be due to differences in estimations and real numbers of students using mobility programs. Welfare losses due to wrong estimations are the result generated by missing correspondence of financial support and costs.

As a fourth challenging aspect, HEI are often irritated by the discrepancy between declarations and actions of respective national governments (Reuter, Fuchs and Linde 2003; Philipp 2000, p. 69ff.). The Bologna Process is strongly supported by governments and agreements are often turned into law to enforce them. On the other hand, correspondingly needed financial solutions to support the establishment of new structures are seldom available. Since professorial and organizational staff is not numerous enough to deliver the intensive care, expected in the new study systems, the situation of **scarce resources can lead to a loss of the institutions' spirit and cultural function of HE**. As a result, institutions might have to reduce their study offer in order to take more individual care of students. This effect would be the opposite of the declared objectives of diversity and freedom of access and has to be monitored.

A fifth aspect of criticism focuses on the two-tier bachelor and master study system. A loss of freedom in course selection and the danger of reduced possibility to attend classes in related or complementary fields are feared by students. Another argument, aimed against the two-tier system, questions the purpose and **future effects of the drastic restructuring**. The success of the conversion of national study systems into the European two-tier model is tied to the employability of future graduates. The European labor market is still used to and tailored for the established degrees; a quick and relentless removal of these degrees and values could be short-sighted (Reuter, Fuchs and Linde 2003, p. 20ff.; EI 2005, p. 4f.).

A study realized by Philipp demonstrates the close relationship between economic development of the EU area and European education policy (Philipp 2000, p. 69ff.). The study provides evidence for the workability of a free and non-state controlled HE system. Philipp concludes that **governmental control should be confined to regulatory policy**, creating room for educational offers from autonomous HEI. The view of German politics mirrors this conclusion and is more reluctant than approving towards the growing influence the EU has in HE politics. The federal states of Germany deny EU competencies in fields other than in providing exchange programs and financial aid for these. The Conference of the German Ministry of

Education and Cultural Affairs expresses the fear that the EU, with the help of vague definitions and the legal support of the European court, will continue to intervene in the national spheres of HE (Wiesheu 1993, p. 17f.).

Disapproving arguments about the Bologna Process and EU influence on HE do not represent a rejection of the development. They rather show the need for discussion and the room for experimental projects.

3.6 Prospects of the European Higher Education Market

Multiple scenarios are imaginable for the further development of HEI. For the EHEA there is only one option: The establishment of an open and international education market with autonomous and effective institutions offering services corresponding to the demands of stakeholders. The different educational systems existing in Europe represent a challenge for the project to construct such a market by the year 2010. A major advantage of Europe is seen in its offer of a diverse wealth of countries, cultures and educational systems within easy geographical reach (de Wit 2002, p. 15ff.). This fact could lead to a European framework within which national educational identities and distinctive learning experience of the countries contribute to a common HE offer (Gauthier 2005).

Four aspects dominate the discussion about how to reach the objective of the EHEA by 2010. Next to political influence and increasing public interest in the HE sector, internal reorganization of institutions, and the establishment of multilateral academic cooperation are the major challenges (Sporn 1999, p. 72ff.; EURYDICE 2000, p. 171ff.).

The Bologna Process, including the ambiguity of the objectives to conquer the European and international education market, has been presented in Parts 3.2 to 3.5, and highlights the impact of **political influence** in HE. The intention of the process is to reach faster and with more coherence European HE competitiveness. Management of this broad and diverse process and maintenance of the common idea of the EHEA, are challenges dominating all other internationalization projects. Political influence concentrates increasingly on providing a framework within which HE systems and institutions can develop at a high level of individual freedom and autonomy.

This development explains the emergence of **increasing public interest** in HE development and internationalization. Stakeholders in HE, represented by governments, employers, institutions, and students need to define their ideas, targets, and offers and contribute exact guidelines to the development of the HE area (GMAC 2005). As described in Part 2.2.2, companies

and private entities increasingly engage in HE management and funding. Private individuals on the other hand are concerned about rising costs of HE and modified demands of employers concerning education and skills (Qiang 2003, p. 254f). Both stakeholder groups monitor HE development and contribute demands and opinions to the process in order to establish a competitive HE system (EURYDICE 2000, p. 171ff.). Regarding Europe as one of the top addresses for HE is not only an educational policy issue, but has economic repercussions. Someone who was a former exchange student in Europe will better be able to understand European social and business life and its specifics. Therefore, HE has to become an export business in Europe run by professionally managed and competitive HEI. This is the challenge which the demands of individuals and companies contribute to the HE development process.

The third challenge in developing an EHEA is **internal reorganization of HEI**, making them flexible and competitive on an international education market (Reichert and Rauch 2005, p. 48f.). Breakup of traditional links between politics and institutions, emergence of private HEI, and increasing autonomy of public HEI are first steps in this development. Intensive competition between public and private HEI on local and international education markets leads to more efficiency in all institutions and forces state-authorities to grant public institutions more flexibility. Privately managed HEI demonstrate which possibilities public institutions would have if their administration was facilitated and if they were granted increased rights on decisions and development (Jongbloed 2004, p. 87ff.; Massy 2004, p. 13ff.). Internal restructuring means exposing HEI and their management to new organizational and financial concepts and applying lessons learned from other institutions. The change from mostly government-controlled and state-funded education systems towards liberalization, self-management, and private-funding of HEI is a time-intensive process. The new HE system needs to give room to private alternatives, while providing traditional and public institutions with a competitive and flexible structure. To struggle with rising competitors is not a new phenomenon for HEI. In the last century, universities had to learn to compete and live with the emergence of German universities of applied sciences and Norwegian colleges. These early competitors mostly offered different education approaches, higher practical orientation, or shorter cycles, which rather provided a complementary offer than being competitors. Today, core competencies of traditional universities, i.e. research reputation and international, universal orientation in curricula, are affected by competitors (Philipp 2000, p. 6; Landfried 2003, p. 27f.). Internal restructuring of HEI pursues the objective to offer education with relevance to the labor market, to assure comparability of degrees across national systems, to implement international quality

control measures, to increase mobility of staff and students, to establish cooperation on the international level, and to assure an education system able to face competition on the international market (GMAC 2005). The background of this development is the evolution of a European labor market requiring highly educated people who have key competencies for international and inter-cultural work contexts. Such a market on an international context already exists and is served by US-American, Australian, and British educational institutions (Hahn 2004, p. 28ff.; Teichler 1996; Philipp 2000). This worldwide market for educational products, estimated to be of a growing value of around three trillion US\$ in 2001, mostly lies in the field of HE (AACSB 2002, p. 17; BMBF 2000, p. 7; EUA 2001a). To expand and export HE services implies at the same time an increased and active import of international students. Since these students need to be attracted to the respective country, and more explicitly to the respective institution, the challenge for European HEI is to develop new products and to internationally promote their offers (Hahn 2004, p. 30). The internal restructuring of HEI defines which steps are possible in the internationalization process and in which way the respective institution develops. Models of internationalization strategies for HEI are presented in Parts 4.2 and 5.3 of this thesis.

A fourth issue challenging the establishment of the EHEA is the **cluster concept** for multilateral academic cooperation. This approach of cooperation between competitors in order to enter foreign markets and widen their product range is often used for internationalization in business. In the HE sector, cooperation is dominated by standardized exchange. The cluster concept provides a new orientation and an increased intensity to cooperative models in education (Langscheid 2003; Mohr 2003). Proposed by German and French politicians in 2003, the concept of an “*academic airbus*” was the first key word, opening the discussion on cluster concepts in education (idw 2003b; Reding 2003). The “*academic airbus*” approach transferred the successful idea of national aerospace companies, joining forces as a multinational conglomerate and together gaining international relevance and success, to the education sector. The model proposes a cluster concept where HEI join their key competencies in order to form a joint educational offer with international impact. Multinational cooperation in diverse projects enables partner institutions to offer international education surpassing their singular competencies. The concept offers opportunities and threats for European HEI since the new intensity of cooperation is based on trust between partners and long-term agreement on joint mission and goals. Most HEI first need to secure their position on the home market and estab-

lish internal integrity before engaging in cooperation and entering the international education market.

The current discussion about cluster models and new solutions for cooperation opens the way for necessary adaptations and brings educational topics and necessities to public awareness. The concept of multilateral academic cooperation can serve as win-win solution to the establishment of the EHEA and the conquest of the international HE market. Models for internationalization of HEI are developed by HE research and presented in Part 5.3. The models focus on the internal development of HEI and provide the foundation for international cooperative activities. Resulting from current developments, HE research turns towards the issue of increasingly cooperative concepts (Roeloffs and Maiworm 1999, p. 123ff.; de Wit 2002, p. 210ff.; Adam 2001, p. 53; Tabatoni and Barblan 2000, p. 11). The need for a theoretical framework providing a concept for anticipation of common challenges in inter-cultural exchange between HEI is revealed. The model of multilateral academic cooperation developed in Chapter 6 offers such an approach, transcending the internal view of HEI.

4 Theories Related to Cooperation and Internationalization

Besides taking the specifics of the HE sector into account, the model for multilateral academic cooperation developed in this thesis builds on the foundation of theoretical findings on cooperation and internationalization. Theories on cooperative behavior presented in Part 4.1 provide proposals for efficient and solid design of cooperative structures. Part 4.2, on strategic alternatives for internationalization, presents reasons, processes, and strategies for internationalization, as revealed in scientific literature. The general life-cycle of an internationalization process detected by research can be pursued by organizations with individual adaptations. Organizational perspectives which represent alternatives for structural design when entering foreign markets are introduced in Part 4.3. Three standard types of handling transactions – market, hierarchical, and hybrid solution – are presented, leading to the description of individual or cooperative organizational structures for internationalization. The holding company approach and network structures are described in detail. These are complemented by the presentation of a classification scheme for cooperative structures and analysis of a legal framework for an international environment.

4.1 Selected Research Approaches to Cooperation

Internationalization and its special form of multilateral cooperation discussed by this thesis are influenced by two factors. One factor is presented by economic problems of cooperation, which manifests itself mainly in cost questions and organizational behavior. The second factor comprises challenges resulting from diverse norms, structures, and management styles between cooperating partners of different cultures. To take account of both aspects, this part of the thesis first quotes economic theories of the new institutional economics, explaining phenomena based on contractual and transaction relationships. Subsequently, contingency approach and behaviorism decision theory are presented, contributing aspects related to the organizational and environmental issues of internationalization, such as group processes, cultural adaptation, and strategies.

4.1.1 New Institutional Economics

The theory of institutional economics aims to provide recommendations for cooperative behavior and transactions between market partners, and applies varying strict model assumptions (Picot, Reichwald and Wigand 1998, p. 34ff.). In this theory complex, market partners

can be individuals or companies, as well as other entities which are able to conduct transactions. Neoclassical and new institutional economics represent the major streams in the institutional economics theory.

Neoclassical models assume complete market transparency, complete information, and rationality. Problems identified are resolved by assuming the perfect market (Göbel 2002, p. 58f.). The new institutional economics theory is based on more realistic assumptions of restricted rationality, asymmetric information, insecurity, individual utility maximization, and opportunism. While neoclassical theory considers organizations as passive objects, new institutional economics introduces organizations as actors in the theory models. New models take into account that economic entities are willing to act rationally but are restricted in their capabilities and are handicapped by uncertainties about future developments and limited information (Picot, Reichwald and Wigand 1998). This development in microeconomic theory allows a more realistic modeling and an increased applicability of the theories' findings and propositions for organizations (Dietl 1993). Since all theories of institutional economics deal with dyadic relations, validity of their results is not automatically adaptable to network structures, but contributes solutions for specific dimensions in comprehensive structures (Staber 2000, p. 61).

Elements of the new institutional economics are transaction cost theory, principal-agent theory, property-rights theory, and contract theory, all of which are partly related to each other. The four approaches lay the theoretic foundation for the construction of the model for multilateral academic cooperation in Chapter 6. Two central features of the new institutional economics are the assumption of opportunistic behavior of individuals and restricted capacity for information processing (Picot et al. 1998, p. 34ff.; Kaas 1995, p. 4). Figure 5 provides an overview on the related theories.

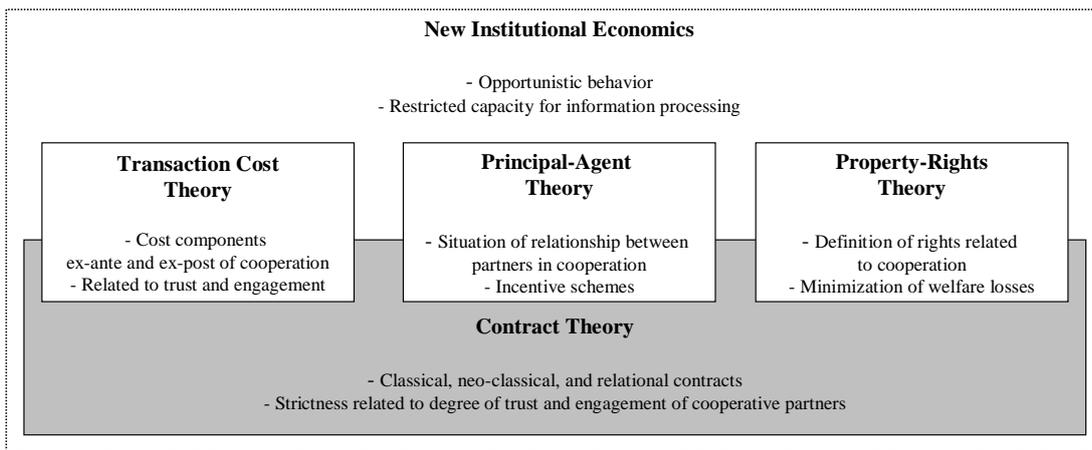


Figure 5: New Institutional Economics

(Based in Part on Kreikebaum et al. 2002, p. 21)

Opportunistic behavior implies that every individual acts according to personal priorities and advantages, and can break commonly agreed rules to do so. Concealing information is a feature of opportunistic behavior, and can result in distribution of false information by both transaction partners. These assumptions of the new institutional theory correspond to the assumption of rational behavior of utility maximization in the neoclassical theory, which is one kind of opportunistic behavior.

By assuming **restricted capacity for information processing**, the new institutional economics state that incomplete information and costs for collecting information have to be added in calculations of the decision process. In these models the transaction partners have to be willing to spend financial resources on information and to reduce information asymmetries between partners in order to achieve equal opportunities (Hax 1991, p. 55ff.).

4.1.1.1 Transaction Cost Theory

The transaction cost approach, initially developed by Coase (Coase 1937) and further developed by Williamson (Williamson 1990 and 1991), deals with transaction relations between market partners. Especially the pre- and post-information exchanges between transaction partners and related costs are observed. The theory is determined by assumptions of limited rationality, opportunistic behavior, and uncertainty, and of strategic behavior as characteristic feature of individual utility maximization. Having impact on transaction costs, these assumptions can be differentiated into environmental factors and supposed behavioral patterns (Picot and Dietl 1990, p. 67).

To complete a transaction between market partners, rights of disposal have to be defined (Coase 1937; Richter and Furubotn 2003). Definition, delegation, and enforcement of these rights are related to costs – defined as transaction costs (Haase 2000; Williamson 1991). Representing costs for information and communication, transaction costs include the following types, separated into ex-ante and ex-post emerging costs:

Ex-ante transaction costs:

Search and information costs, also named initiating costs, arise with the search and gathering of information concerning potential transaction partners and their conditions. Negotiation costs, also defined as bargaining or agreement costs are incurred by looking for an agreement on transaction. They result from negotiations, contract formulation and settlement, and are linked to the respective intensity and time intervals of these activities.

Ex-post transaction costs:

Costs to enforce transaction are split into three components. Handling costs result from steering and management of running transaction processes. Control costs are costs arising for securing of deadlines, quality, price, quantity, and secrecy agreements of transactions. Adjustment costs or failure-correction costs result from the enforcement of supplementary changes of qualitative, quantitative, monetary, or time-wise nature. They result from inadequacies of upstream processes.

Transaction cost theory was further developed by Buckley and Casson (Buckley and Casson 1976 and 1992) who transferred the approach to multinational companies. The emergence of international companies is considered to be a result of internalization of imperfect markets. Especially markets for immaterial goods, such as knowledge, experience, and research are assumed to be imperfect. Internalization of transactions is supposed to be less cost intensive and more secure than trading of these goods on external markets. In order to internalize costs and evade inefficiencies companies can use hierarchical organization or develop networks and cooperation. According to this theory, cooperation is used if transaction costs of negotiation are lower than transaction costs of market regulations (Jongbloed 2004, p. 96; Faulkner and Rond 2000).

By its approach, transaction cost theory aims to rate efficiency of alternative structural arrangements and to construct models for efficient exchange relations. Target of this theory is determination of the structural alternative, providing a minimum of waste of resources (Weiber and Adler 1995). This ideal situation can be achieved by decreasing transaction costs

while keeping transaction results on a steady level. This measure has to be applied by all transaction partners in order to ensure efficient cooperation. The choice of contracts within cooperation also has impact on the ability to reduce transaction costs. Critics of the theory state that the model is more appropriate for sensitizing and building understanding than for practical decision making in cooperation (Sjurts 2000, p. 54f.; Schoppe et al. 1995, p. 148ff.). Recommendations of the approach are taken into account on all levels of the model for multilateral academic cooperation as developed in Chapter 6. Transaction cost theory is of relevance especially in Part 6.5.3, since the implementation of effective management structures in cooperation sensibly contributes to the reduction of costs.

4.1.1.2 Principal-Agent Theory

The focus of the principal-agent theory is analysis of unequal distribution of information between two parties, a principal and an agent, who represent the transaction partners involved. Being part of the new institutional economics, this theory is based on assumptions of utility maximization, limited rationality, and opportunism. The principal-agent approach aims at proposing principles for incentive schemes for efficient and successful transactions and cooperation (Jensen and Meckling 1976; Arrow 1985, p. 37ff.).

Basic constellation of the theory is a customer (principal) delegating duties to a contractor (agent), who gets paid for his work. Both parties can represent individuals as well as organizations. Principal-agent theory takes account of the fact that the activities of the agent are not only affecting his own utility level but also the utility level of the principal – a fact which can lead to a conflict of interest between transaction partners (Picot, Dietl and Franck 1997, p. 82ff.). Division of related advantages is dynamic and can change with the respective situation and information asymmetries. Three categories of information asymmetries are distinguished in principal-agent relations: Hidden action, hidden characteristics, and hidden intention (Göbel 2002, p. 100ff.; Sydow 1992, p. 171ff.; Hungenberg 1995, p. 28ff.).

Hidden action describes a situation where activities of the agent are only partly visible to the principal. In case the principal is able to supervise the agent's activities, it can be possible that the principal cannot interpret activities correctly, as important context information are missing. This situation is described as hidden information and can be distinguished into **hidden characteristics** – appearing before conclusion of contract –, and **hidden intention** – appearing after conclusion of contract. Hidden characteristics exist if the principal does not know all the characteristics of the agent when signing the contract. If the agent uses this information

deficit of the principal, the theory speaks of moral hazard. If the principal recognizes opportunistic behavior of the agent but cannot change it ex-post or does not have sanctions, then this is a case of hidden intention. If the agent makes use of this fact, the theory defines the situation as a hold-up. In both cases, the principal cannot relate the success of the agent to the agent's actions and therefore an economic evaluation of the transaction is impossible.

The described effects lead to three cost components: Signaling costs on the part of the agent, control costs on the part of the principal, and the monetary valuation of the resulting welfare loss (Erlei 1998, p. 118ff.). To prevent principal-agent problems, the ideal situation of complete and free-of-cost information procurement is necessary. In reality, market partners use signaling and screening to minimize information differences (Picot, Reichwald and Wigand 1998; Macho-Stadler and Pérez-Castrillo 2001, p. 185ff.).

Principal-agent theory provides recommendations to organizations concerning the question in which case collusive behavior or competitive behavior is advantageous in internationalization strategies (Faulkner and Rond 2000). The influencing of information asymmetries and the adjustment of divergent interests are additional aspects revealed and respective proposals are made towards organizational management. The approach is taken into account in Parts 6.2 and 6.4 of this thesis, where specifics of multilateral academic cooperation are fixed in contracts and organizational structures.

4.1.1.3 Property-Rights Theory

Resulting from the work of Coase (Coase 1960), Alchian and Demsetz (Alchian and Demsetz 1973) this theory is based on the four basic principles of the new institutional economics: Individual utility maximization, property-rights issues, consideration of transaction costs, and external effects. Property-rights theory has common characteristics with transaction cost theory, focusing on the distribution of rights related to transactions. Property-rights are defined as being the activity rights and rights of disposal linked to the transaction object and entitled to the subject carrying out the transaction (Picot et al. 1998, p. 38f.). They are divided into four distinct rights:

- The right to use a good;
- The right to manipulate and alter the product in its form and substance;
- The right to acquire related gains and the duty to bear related losses;
- The right to dispose of the good and take in the liquidating value.

Property-rights theory provides an answer to the question of the value of a good for the economic protagonist (Osterloh and Frost 2000, p. 179ff.). This value is determined by the good's physical characteristics, and especially by related activity-rights and rights of disposal. In case these rights are limited, the transaction partner might decide against the transaction. This assumption indicates that economic and legal questions cannot be treated independently of each other. Changes in legal features can have economic consequences and have to be judged along their economic implications (Demsetz 1967). The property-rights approach contributes to Parts 6.2.4 and 6.5.2, where legal aspects of multilateral academic cooperation are defined. The theory provides organizational management with approaches to efficient distribution of decision competencies and cross-institutional distribution of functions.

4.1.1.4 Contract Theory

This approach deals with the design of efficient contracts as fundamentals for transactions between market partners or in cooperative structures. Contract theory is linked closely with transaction cost theory and principal-agent theory and is part of the new institutional economics. Three types of contracts are defined: Classical, neoclassical, and relational contracts (Picot and Dietl 1993, p. 314f.; Reve 1990).

Classical contract relations are characterized by strict definitions of the duties and rights of partners and refer to a particular point in time. Performance and counter-performance coincide or are perfectly defined and predictable. Classical contracts correspond to the traditional legal understanding of contracts. No pre- or post-relations are established between transaction partners. This type of contract is used for standardized goods and services which are objects of a short-term exchange between anonymous contract partners. Formal criteria solve possible misunderstandings and differences between parties.

Neoclassical contracts are period-oriented and partly incomplete. Relations between transaction partners are time restricted, but refer to a time period. Conditions that influence transaction cannot be anticipated perfectly. A certain amount of flexibility and will for cooperation are expected from contractual partners. In case difficulties arise, a third party can intercede and mediate.

A **relational contract** is a long-term and complex agreement based on common standards (Williamson 1991). The content of these contracts is essentially undefined. In consecutive negotiations the contract is adapted to current and changing conditions. Identity of partners and quality of their relationship play a dominant role for the transaction. Mutual performance

developed over a long time, common values, reciprocal trust, and solidarity have elemental influence on the quality of relational contracts. Partners have to find an internal solution to any conflict resulting from this complex and specific contract situation (Ebers and Gotsch 2002, p. 221ff.; Picot et al. 1998, p. 51ff.). Introduction of a third party as mediator in case of disagreements is nearly impossible.

Complexity and environmental insecurity in transaction processes determine that incomplete contracts, represented by neoclassical and relational contracts, are the dominant type of contract to be found in international cooperation (Picot et al. 1998, p. 34ff.; Richter and Furubotn 2003, p. 165ff.). Assumptions of contract theory have an impact on the definition of legal aspects of multilateral academic cooperation in Parts 5.4.1 and 6.5.2.

4.1.2 Contingency Approach

Contingency theory, also referred to as the situative approach, declares the structure of an organization as dependent on the individual context the organization operates in (Piber 2000, p. 25ff.). The approach was developed in the 1950s (Reichwald, Möslein, Sachenbacher and Engelberger 2000, p. 41ff.; Weber 1976, p. 125ff.). On the basis of comparable organizational analyses, the theory searches for exogenous determinants which cause significant differences in the structure of organizations. The classical situative approach assumes that only with given correspondence of situation and structure, can efficiency in organizations be reached. Neo-contingency theories honor the interaction of environment and leadership as dominant influence quantity but avoid a rigid approach. Necessity of flexibility and adaptability are deduced as key-factors for a successful organization (Ghoshal and Nohria 1993, p. 23ff.). Conclusions of the contingency approach are, that in stable and calculable environments formalized and centralized organizational models predict success, whereas in turbulent and complex environments it is more likely to find flexible and adaptable organization structures (Schreyögg 1999, p. 326ff.; Mellewigt 1995, p. 45ff.; Kieser 2002, p. 183ff.). The argumentative logic of the contingency approach is represented in Figure 6.

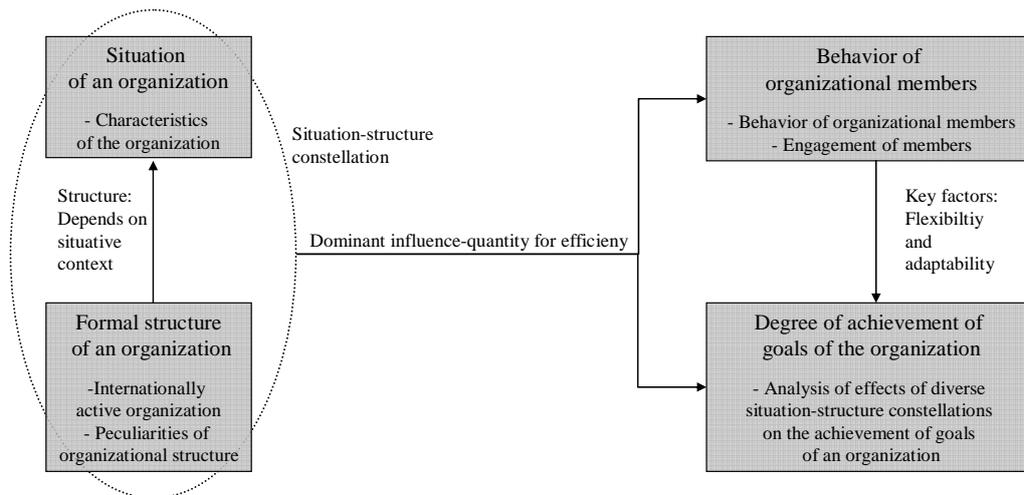


Figure 6: Contingency Approach

(Based in Part on Kreikebaum et al. 2002, p. 24; and Kieser / Kubicek 1992)

Contingency theory is of relevance for the model proposed in Chapter 6 when defining environmental influences which multilateral academic cooperation faces. The specific environmental situations of partners in a network define to a huge extent possibilities of cooperation. Contingency theory provides organizational management with a comprehensive approach to externally initiated cause-and-effect relationships. In Part 6.2 the situative approach contributes to the analysis of cultural, economical, and political aspects defining fundamentals for multilateral academic cooperation and contributes pluralism of perspectives mandatory in multilateral networks.

4.1.3 Behaviorism Decision Theory

Most of the arguments characterizing the behaviorism decision approach are part of the theories described above. The approach can be regarded as a summarizing and connecting theory between sciences (Heinen 1991, p. 12ff.; Hungenberg 1995, p. 26f.). Basic conditions of the behavioral decision theory are assumptions of restricted rationality and restricted information-processing capacity of decision makers. Complex system-environment relations and possible conflicts of objectives are taken into account by the approach as well. Approaches from business administration and psychology contribute to the behaviorism decision theory (Berger and Bernhard-Mehlich 2002, p. 140ff.).

Decisions in single parts of an organization are interdependent with other decisions, and therefore need to be coordinated to achieve optimum results. The theory regards leadership

processes as information processing, solving problems related to defined objectives. In this context, communication is a medium for coordination, and rational decisions are restricted by the imperfect information-processing capacity of actors (Wall 1996, p. 86ff.). The communication's framework is determined by power constellations, culture, and social background of cooperative partners.

The behaviorism approach assumes that only individuals are able to pursue targets, organizations do not. It is the individual actor formulating targets for each activity of the organization and an organization is a construct of activities. Organizational objectives are regarded as being the result of negotiation processes between the organization's participants (Berger and Bernhard-Mehlich 2002). Consequently, conflicts can exist between the official objectives of the organization and the personal objectives of individual actors. Coordination measures have to pay special attention to these conflicts. The behaviorism decision theory contributes valuable aspects to the analysis of internal motivation for cooperation and interaction between network partners in Parts 6.3 and 6.4.

4.2 Strategic Alternatives in Internationalization Processes

Internationalization is the umbrella term for organizational activities reaching beyond national borders and involving cooperative structures with foreign entities. An overview of strategic alternatives for internationalization processes is presented, and is divided into three major aspects: Reasons, processes, and strategies for internationalization.

Each strategy for internationalization is defined by the initial issues leading to the decision to internationalize. Therefore, the first step in the internationalization process is an analysis of environmental conditions, motives, and processes – the **reasons** for internationalization. Given these, an organization secondly has to decide about the **process of foreign market entry**. A typical life-cycle of internationalization steps is proposed in scientific literature, stringing together the use of export and import solutions, foreign investment, licensing, or cooperation for entering foreign markets. This framework determines the third step in internationalization: The choice of **strategy**. Three major strategic directions are presented, having consequences for management structure and the corporate culture of an organization.

4.2.1 Reasons for Internationalization

Regionalizing and at the same time internationalizing markets force organizations to rethink their established strategies and objectives. Instead of holding on to the principle of individual

competitive advantages, organizations tend to turn towards a system of collaborative advantage, gained by cooperation. Other initiating reasons for internationalization are horizontal borders an organization faces because of limited resources. Reasons and motivation for internationalization can be externally or internally initiated and are closely related to environmental conditions of the respective organization (Kebschull 1989; Kumar 1989).

As revealed in scientific literature (Aharoni 1966; Kreutzer 1989, p.8ff.; Perlitz 2004, p. 65ff.; Pausenberger 1994, p. 14), reasons for the internationalization of an organization can be:

- Saturation of national / home markets and search for new markets;
- Access to new or more resources;
- Search for productivity efficiency (reduction of transaction costs);
- Access to new or better technologies;
- Defense of national / home market or established market position;
- Risk dispersion.

These motives for internationalization are elements in the process of economic and rational effort to secure an enduring value for the organization. This objective has different characteristics in each branch and industry. When starting activities on the international market, production industry mainly pursues the reduction of costs and the increase of productivity, while the service industry heads towards increasing quality and reputation (Arvidsson 1997; Pausenberger 1994, p. 23ff.). In addition to economic rationality initiating internationalization, personal interests of members of an organization have an impact on the process. Both aspects have to be taken into account when analyzing internationalization strategies and an organization's general attitude to reorganization (Kreikebaum et al. 2002, p. 9ff.; Zentes and Morschett 2003, p. 61f.).

Figure 7 represents the aspects of an internationalization process organizations have to take into account when developing their strategy. External environmental and internal aspects of an organization have impact on the development of the respective internationalization strategy (Dülfer 1992, p. 207). When operating in multilateral relationships, additional complexity is contributed by the element of culture (Scheuss 1985, p. 87).

Concept for Multilateral Cooperation of Higher Education Institutions

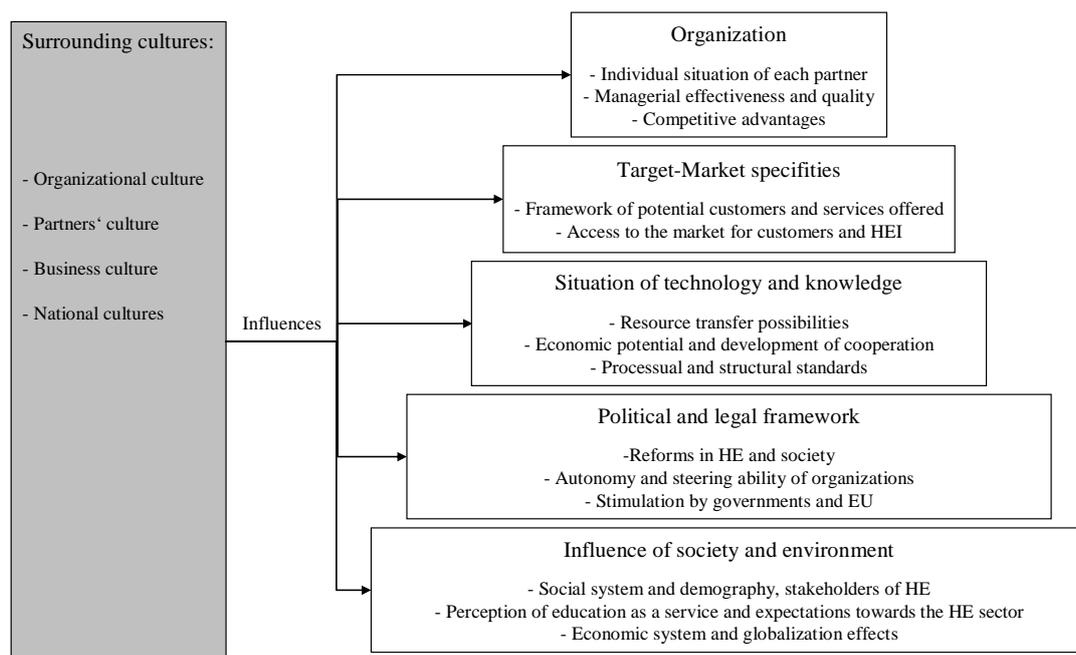


Figure 7: Environmental Factors influencing Higher Education

(Based in Part on Dülfer 1996, p. 218; and Sporn 1999a, p. 281)

Reasons for internationalization revealed by economic theory are likewise observable in the educational sector. Chapter 5 presents corresponding strategies and organizational approaches for HEI. In Chapter 6, initiating motives for cooperative behavior, as presented above, are considered. They contribute to definitions of mission and goals of multilateral academic cooperation and provide explanation for relationship-constellations between network partners.

4.2.2 Process of Foreign Market Entry

The internationalization process of an organization can be described by a three step process, regardless of industry or service orientation. Initiation, expansion, and consolidation are stages, all organizations pass in varying intensity when starting and carrying out international activities. In this process, the aspect of whether international activities are planned or initiated by chance has great impact on how management deals with internationalization.

The internalization theory of Buckley and Casson, presented in Part 4.1.1.1, provides an explanation for this development. Companies arrange activities and transactions via internal hierarchical solutions. Only if internal transaction costs are higher than in the case of cooperation, is the external solution chosen (Buckley and Casson 1976). The theory mirrors the general life-cycle an internationalization process takes, but mainly considers cost aspects. With

the horizontal growth of an organization, transactions and interfaces increase in importance. Transaction costs become a relevant monitoring function and possible principal-agent problems have to be supervised (Göbel 2002, p. 206ff.). In addition to economic aspects, the impact of the particular nation's culture and organizational culture has to be taken into account when entering the international environment.

The rollout of transactions in an international market influences the implementation of management styles and organizational structures. The consequence is a typical life-cycle of internationalization. While following a general course as shown in Figure 8, the process allows development of individual features for each organization's internationalization process.

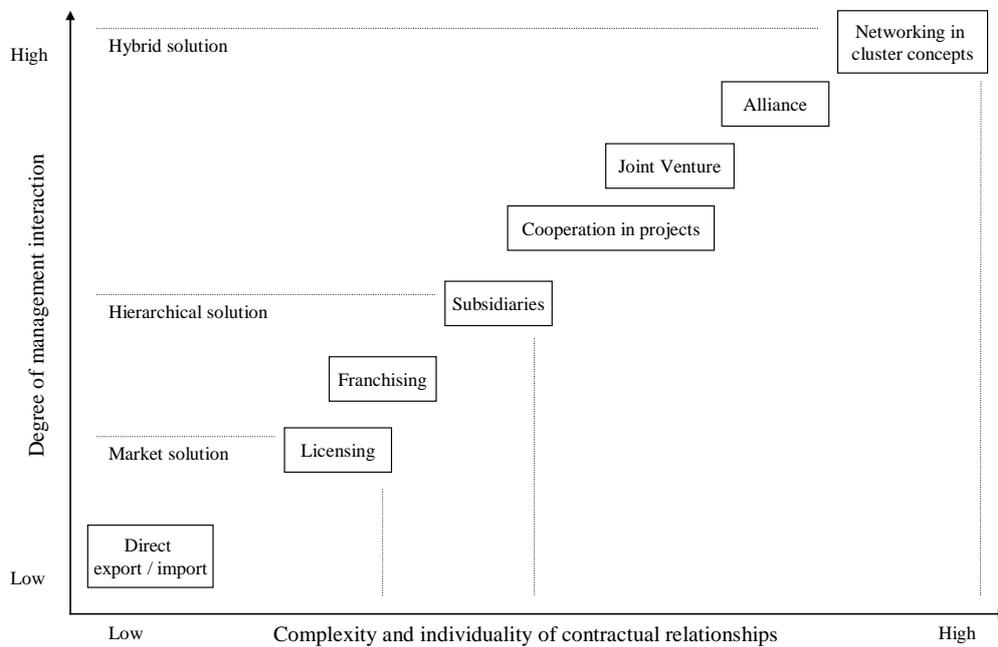


Figure 8: Major Steps of Internationalization

(Based in Part on Kreikebaum et al. 2002, p. 90; and Kumar 1989)

Common types of foreign market entry are the export and import of goods and services (**market solutions**), foreign investment and licensing (**hierarchical internalization solutions**) and international cooperation (**hybrid solutions**) (Perlitz 2004, p. 63ff; Pausenberger 1994, p. 2ff.). As shown in Figure 8, these stages form a linear sequence. Nevertheless, entry to and exit from internationalization are possible at any stage of this sequence, if the organization clearly defines its situation and possibilities (Fayerweather 1989; Kumar 1989).

Market (Spot) Transactions

Concept for Multilateral Cooperation of Higher Education Institutions

Each organization concentrates on core competencies and uses transaction partners as external relations for international trade, without establishing strong boundaries with respect to these partners. Principal-agent problems may arise because interdependent agents represented by firms, government, or individuals trade for their own benefit in the market. Rules of the market are determined by the agents, and emerge out of a collective negotiation process (Sabel 1997, p. 155f.). Therefore, the organizational structure of the market solution is characterized by free entry and exit; rules of exchange are defined voluntarily for each spot exchange while legal enforcement, norms, and regulations maintain control of exchange activities. Advantages of this strategy are a minimum of financial investment and a high level of control over rights on traded objects. Disadvantages are the difficulties an organization faces when selecting the market or partner to transact with. Standardization and modularization are instruments to increase economic profitability of the market solution to internationalization (Brockhoff 2004, p. 324f.; Kumar 1989).

Internalization (Hierarchical Solution)

Transaction partners are internalized by the organization and an internal structure based on confidence is established. The dominating organizational solution of this approach is the holding organization concept. This solution represents the organizational and managerial dominance of one entity, spreading competencies and duties over various subsidiaries. An example of this type of structure is the franchise system. Advantages of internalization are the protection of know-how and competitive advantages. Communication and exchange is facilitated when the implementation of a general culture and organizational structure is given. Disadvantages result from the restriction of resources and investments, necessary to lead and manage a diversified intra-organizational structure. Representing an important organizational solution to internationalization, the holding concept is presented in detail in Part 4.3.1.

Hybrid (cooperative) Structure

When deciding for hybrid organizational structures in order to enter international markets, an organization has to cooperate with external transaction partners. Transaction relations are transferred into an external network, creating an inter-organizational structure. Diverse kinds of principal-agent problems, transaction costs, and contract definitions are to be taken into account, supplemented by cultural diversity aspects resulting from international partners (Brockhoff 2004, p. 326f). Resource and competence complementarities or local market know-how are major reasons for organizations to cooperate with foreign partners in order to enter foreign markets (Faulkner and Rond 2000). Intensive coordination effort and asymmet-

ric information are challenges which can turn into disadvantages for one or all of the partners. These aspects have to be monitored carefully and be taken into account when calculating the transaction costs of cooperative activities. Bilateral cooperation is the simplest kind of hybrid structure. Once in place, a bilateral structure can be enlarged into a network, resulting in increased advantages for all partners if well managed (Zentes and Morschett 2003, p. 61f.). Co-operative structures represent a widespread solution to internationalization, often summarized under the term *network*. Alternatives are presented in detail in Part 4.3.2.

The choice for one of these three types of market entry depends on each organization's specific situation. This situation is defined by the choice of an organizational concept and by environmental conditions.

4.2.3 Strategies for Internationalization

A strategy for internationalization has to be defined as soon as the first steps are taken on an international level, but preferably even before starting an internationalization process (Arvidsson 1997, p. 73f.). Knowing its competitive advantages and how to make them available on markets is the most relevant issue to be treated by the organization's strategic planning. This aspect is of increasing complexity where international activities are concerned. With regard to the subject of this thesis, aspects of internationalization in the service industry are given attention and contribute their specific characteristics to the general process.

In a first step towards an internationalization strategy an analysis of strengths and weaknesses defines an organization's **competitive advantages** on all relevant markets and in all concerned environments. The economic theories described in Part 4.1 provide explanatory variables to the question of competitive advantages, called success-factors in business theory. Four major potential resources of competitive advantages in international cooperation can be defined (Dyer and Singh 1998):

- Investment of all partners in relation-specific assets, representing the contribution of each partner to joint missions and goals;
- Knowledge exchange and joint learning structures, resulting from the level of trust in cooperation;
- Joint offer of unique products, technologies, and services, resulting from combined scarce resources and competencies within cooperation;

- Lower transaction costs than competitor cooperations have, resulting from effective governance mechanisms and management.

Secondly, the organization has to decide **which foreign markets to enter**. The concept of the “fit” between market and organization is an important tool at this stage (Perlitz 2004, p. 162ff.). Organization and environment have to be based on equal understandings or at least complement each other in major aspects. In this context, the geographical structure of the organization’s activities and its cultural strategy do have an impact, and analysis of respective competitive advantages is mandatory (Porter 1999; Frese 1994).

Another important aspect in the analysis and organization of an internationalization process is the distinction between the manufacturing and the service sector. Special aspects a service-oriented organization has to take into account are the **characteristics of service goods**: Simultaneity, perishability, and intangibility (Maleri 1991, p. 106ff.; Corsten 1990, p. 91ff.). Immediate interaction between producer and buyer is described by the term **simultaneity** and mirrors the simultaneous production and consumption of service goods. **Perishability** describes the fact that service goods cannot be stored or delivered at a later moment to the customer than at the moment of production. Resulting from these characteristics is the **intangibility** aspect of service goods, meaning that the customer cannot know what he will get because of information asymmetries to the advantage of the producer. These characteristics make multilateral trade and internationalization processes in the service industry even more complex. A well established network structure can be an important success factor for the internationalization of service organizations. Service, which is often produced through personal interaction, profits largely from a positive and cooperative surrounding when entering foreign markets (Arvidsson 1997).

Related to these initiating decisions and internal conditions, an organization can pursue one of three different strategies for the roll-out of internationalization: International strategy, multinational strategy, or transnational strategy.

International strategy – or global strategy – describes implementation of one core strategy and management in all subsidiaries and markets (Perlmutter 1969). The concept is also known as ethnocentric strategy or global integration strategy. Norms, structures, and products are not adapted to foreign markets but follow one general scheme, dictated by the core organization. Choosing an international strategy implies the choice of a centralized management concept. This strategy was mainly implemented in the 60s and is losing ground because of growing

globalization and market orientation (Meffert and Bolz 1994, p. 61ff.). The strategy is difficult to use when pursuing a cooperative internationalization concept, since it is not meant to adapt to other cultures and management styles (Scholl 1989).

An organization pursuing a **multinational strategy** engages in adapting structures and products to the respective national markets and cultures (Perlmutter 1969). This strategy is also known as polycentric strategy or strategy of national adaptation. A national image is established at each market and subsidiaries or partner organizations are to a huge extent independent of the core organization's management and strategy. A high efficiency in the national segments is achieved, while synergies or economies of scale and scope between the core organization and related organizations are very seldom realized (Scholl 1989; Welge 1992).

Transnational strategy, also known as dual or opportunistic strategy, describes multi-focal orientation of an organization (Scholl 1989). While renouncing standardization, this strategy takes advantage of national differences and simultaneously uses economies of scale and scope. Company-specific resource advantages and arbitrary effects are dominant factors of success in this strategy. Necessary standardization and differentiation advantages need to be defined separately for each market or partner the organization is connected with. Despite this autonomy, all parts of the organization are involved in intense interaction, allowing realization of economies of scale and scope (Welge and Holtbrügge 1998, p. 127ff.).

Main targets pursued by internationalization are the increase of operative efficiency, management of risk, and implementation of organizational learning resulting in improved adaptation capability (Ghoshal 1987, p. 431ff.). In order to realize these targets by cooperation, the organization has to make use of three aspects existing in multinational networks: Economies of scale, economies of scope, and advantages of national differences. It is especially the pursuit of a transnational strategy which demands that management is aware of trade-offs between internal objectives pursued and aspects emerging in interaction with foreign cultures and organizations. Central feature of a successful multinational strategy is a competent management structure which is aware of the correlations between strategies and environmental impact and able to realize advantages for the organization. Figure 9 visualizes specific strategic objectives and success factors of a transnational strategy.

Sources of competitive advantages Strategic objectives	National differences	Economies of scale	Economies of scope
Operative efficiency	Use of factor-cost differences (labor- and capital costs)	Enlargement and use of potential advantages of scale in all activities	Use of investment and distribution of costs on multiple products, markets, and departments
Risk-management	Management of risks resulting from market or politically initiated comparative advantages of countries	Balancing of economies of scale and operative flexibility	Portfolio diversification of possibilities and risk
Learning-effects and innovation	Learning from socio-cultural differences in management concepts and systems; advantages of localization and differentiation	Use of knowledge and experience advantages (cost reduction and innovation)	Joint learning-effects of related organizations in multiple product-segments, markets, and divisions

Figure 9: Transnational Strategy

(Based in Part on Welge and Holtbrügge 1998, p. 125; and Ghoshal 1987, p. 428)

Cultural aspects and interaction between multilateral partners are an issue of growing importance in business. Transnational strategy, taking account of this issue, is a preferred strategy for internationalization processes. The model for multilateral academic cooperation proposed by this thesis assumes the choice of transnational strategy as basis for internationalization processes and multilateral cooperation in HE.

4.3 Organizational Alternatives for Internationalization

In scientific literature the term **internationalization** is generally understood to mean cross-border activities of organizations (Perlitz 2004, p. 23ff.; Schmid 1996, p. 58ff.). Presence and economic activity of an organization in heterogeneous, geographically separated environments are defined as main characteristics. Internationalization here implies at least a European focus of foreign activities and multilateral orientation. The process concerns different levels of management and is of high complexity (Zentes and Morschett 2003, p. 51f.). The entire organization is affected by the internationalization, and all related individuals and branches of an organization have to be made aware of possible consequences.

This chapter presents structural alternatives an organization faces when entering an internationalization process. Internationalization can be pursued with an internal organizational structure, the **holding concept**. Its structure varies from very strict, home-base guided management by one company and its legally independent subsidiaries to an independent organization of subsidiaries. Another alternative is the use of cooperation in order to enter foreign markets. **Cooperative concepts** vary between engagement in joint ventures, strategic alli-

ances, and loose cooperation in networks. These two organizational alternatives are closely linked to strategy decision and the objectives an organization sets, as described in Part 4.2. Since cooperative structures are not clearly differentiated within literature and since definitions overlap in many cases, a **classification scheme** is presented in order to allow distinction of network structures for this thesis. In addition to the organizational structure and cultural issues, **legal aspects** influence the internationalization process. The special case of multilateral cooperation requires contracts having validity in different national legal systems and allowing flexibility at the same time.

As a basis for the decision on solitary or cooperative implementation of an internationalization process, an organization has to analyze its internal approach of management and structure (Pausenberger 1992). A management model described as **unspecific organization** often is the initiating situation in internationalization processes. Leadership has huge decision and shaping powers in order to respond to the unknown and volatile demands of the foreign market the organization is entering. No common organizational strategy is employed to reflect the process, but the respective person concerned with the international activity acts along situative necessities. An evolution towards **segregated organization** is the next step, mirroring the need of management to structure international activities into international divisions for better control. As a last step towards a complex, international organizational structure, an **integrated management** of all sections is to be implemented in order to assure that corporate objectives and strategies are pursued. Defining in which of these three stages of internal structure an organization is situated is crucial for the choice of a concept for internationalization.

4.3.1 Holding Organization Concept

The term holding organization describes the legally independent leadership committee of a group of contractually related organizations. A holding organization provides the legal and managerial framework for relationships within an intra-organizational network (May 1997; Bernhardt and Witt 1995). Hierarchy is an essential characteristic of the holding concept, but its characteristics differ within respective organizational concepts in degree of centralization and intensity (Mellewigt 1995, p. 12ff.). The holding concept gains importance in the internationalization process of organizations, since it allows organizational flexibility and managerial control simultaneously (Kreikebaum, Gilbert and Reinhardt 2002, p. 124ff.).

There are three ideal holding types defined in scientific literature: Financial holding, strategic management holding, and operative management holding (Mellewigt 1995, p. 34ff.).

In a **financial holding**, the leading organization concentrates on the management of financial issues, representing the intermediary on the capital market and not interfering with the management of subsidiaries. Operative day-to-day business is not influenced by the holding; key figures measure performance of the subsidiary and imposed aggregated quantities represent its strategic targets. This model is most often applied to heterogeneous groups with low potential for synergies (Hungenberg 1992; May 1997).

The management holding concept extends a vertical organizational structure over several subsidiaries, providing them with varying power, status, and privileges (Hungenberg 1995, p. 66ff.; Jost 2000, p. 283ff.; May 1997). This organizational structure can simplify the internationalization process by the splitting and adding of subsidiaries. The management holding can either concentrate on strategic issues or exert influence on operative activities of the subsidiaries. A **strategic management holding** is an internalized network of international organizations which follow a commonly defined culture and objectives while staying widely independent and self-managed on national levels (Perlitz 2004, p. 608ff.; Simon 1991, p. 33ff.; Bühner 1992, p.142ff.). The responsibility of the holding organization is the prescription of a corporate culture, and the presetting of strategic targets. In an **operative management holding** the leading organization exerts influence on strategic and operative issues of subsidiaries, aiming at the optimization of synergies (Hungenberg 1992; Kumar 1989). The concept is most often applied for organizations having a homogeneous product or service range with strong interdependence between subsidiaries.

For efficient steering of a complex holding organization, all participating organizations have to identify with the respective objectives and accept the management decisions of the holding organization. An accepted corporate culture is able to overrule leadership measures and bureaucratic mechanisms, forming a strong core around which national diversity of each subsidiary can be arranged (May 1997; Schreyögg 1995). A holding organization can pursue three different concepts of corporate culture: Universal, pluralistic, or synergetic corporate culture (Gilbert 1998, p. 219ff.; Kutschker and Schmid 2002, p. 655ff.). Each cultural approach is linked to one of the internationalization strategies presented in Part 4.2.3, respectively (Hungenberg 1995, p. 156ff.).

Development of a **universal** corporate culture is related to the choice of an international or global strategy for internationalization. A common culture is spread over all organizations in the holding structure, going along with a centralized management concept. While the internal

management and loyalty is strengthened by this approach, flexibility and adaptation of subsidiaries towards external markets and related demands is restricted.

When applying a **pluralistic** corporate culture, the holding organization follows the concept of a multinational strategy for internationalization. The holding organization allows subsidiaries to develop their own sub-culture, based on the national culture the respective subsidiary is situated in. This implies a renunciation of synergies between related organizations, but increases the flexibility and innovative force of each subsidiary.

A **synergetic** corporate culture reflects the implementation of a transnational internationalization strategy. A combination of pluralistic and universal cultures is used to develop a consensus-oriented steering of subsidiaries in national contexts, while some basic rules build a cultural and normative framework for the entire network.

The possibility of the leading organization to keep general control and secure internal know-how is an essential advantage of the holding organization concept. Access to and use of subsidiaries enables the holding organization to cover necessary national adaptations and respond to the local needs in the respective foreign countries. Another positive aspect of the holding organization concept is the possibility to diversify widely as a result of the multiple competencies that can be unified in one holding structure. To lead and manage such a diversified organization which acts on various markets and in multiple industries demands a powerful, deeply accepted and efficient management system and a strong corporate culture (May 1997; Hungenberg 1992; Hofstede 1994). The major disadvantage of the holding concept is the hierarchical structure, which tends to become bureaucratic. The private governance mechanisms often restrict the exchange to members, and development and flexibility of the organization and its subsidiaries are limited. In order to stay flexible and adaptable enough to react to the markets' demands and to changes, the holding structure is limited in size. These restrictive aspects have to be taken into account when deciding on the internationalization strategy and organizational structure (Hollingsworth and Boyer 1997, p. 13ff.; Brockhoff 2004, p. 326f.; Mellewigt 1995, p. 39f.).

4.3.2 Concepts of Cooperation

With regard to internationalization processes multiple inter-organizational forms, named e.g. network, alliance, or cooperation, are mentioned in literature (Jarillo 1993; Powell 1990; Sydow 2003; Schubert and Küting 1981, p. 6). They are all described with similar features and overlapping definitions. Therefore, names, cooperative forms are given, are not the distin-

guishing characteristics. Rather it is important to analyze the intensity of interaction and the distinction of the underlying organizational structure in order to determine the specifics of a cooperation (Balling 1998, p. 15ff.).

The generic term **cooperation** defines the joint initiative of at least two legally and economically independent entities on a voluntary basis (Koza and Lewin 1998, p. 258f.; Schauenberg 1991, p. 348). Transactions of these entities are located between the polarized transaction solutions of market and hierarchy. Cooperation aims at a competitive advantage for all partners, and appears in various organizational structural forms (Picot et al. 1997, p. 123f.; Zentes and Morschett 2003, p. 52f.; Sjurts 2000, p. 73ff.). Strictness of contracts within a cooperation indicates the intensity of relationship and the level of trust between partners. Use of no contracts at all, neoclassical, or relational contracts is to be differentiated, as described by the contract theory in Part 4.1.1.4.

Three descriptions of types of cooperation dominate in scientific literature: **Joint ventures**, **networks**, and **strategic alliances**. The definition of the term joint venture is explicit, the terms network and strategic alliance are described with varying features, but mostly common characteristics (Schubert and Küting 1981, p. 118; Perlitz 2004, p. 601ff.; Rotering 1993, p. 6f.). A clear distinction between these two types of cooperation on the basis of scientific literature is not possible. The definition of **multilateral cooperation** takes account of this issue and summarizes characteristics having impact for the assumptions of Chapter 6 in order to clearly distinguish the approach from other cooperative forms.

A **joint venture** is defined as a capital-based sharing of management functions and risk in a newly founded and legally independent entity (Welge and Holtbrügge 1998, p. 110ff.; Contractor and Lorange 1988, p. 7). All organizations involved in the joint venture keep their own identity and legal independence. They hold a share in the new entity and add it to their organizational portfolio. Joint ventures mainly result from sales-oriented motives. This kind of cooperation, i.e. creating a new organization, is not considered further by this thesis.

Definitions of the term **network** represented in literature describe manifold organizational structures using varying contractual and relational solutions (Jarillo 1993; Miles and Snow 1986). The term describes cooperation between generally autonomous organizations involved in a construct of relations. Partners emphasize cooperative behavioral patterns instead of competition in order to gain competitive advantages. A network is a complex, hybrid organizational structure of minimum three members operating between market and hierarchical organizational solutions (Sydow 2003, p. 1ff.; Sydow 1992, p. 79; Welge and Holtbrügge

1998, p. 110ff.). Network structures are defined as counterpart of vertically integrated or horizontally diversified organizations with flexibility being the distinguishing characteristic. Despite its cooperative structure, hierarchical elements in the inter-organizational management are necessary to lead the hybrid organization in pursuit of its economic activities (Siebert 2003, p. 10; Windeler 2001, p. 231ff.; Perlitz 2004, p. 611ff.; Hage and Alter 1997, p. 98). No organization in the network has absolute authority and all partners maintain some autonomy. Terms used as synonyms for networks are: Coalition, value-added partnerships, inter-organizational cooperation, strategic network, and collaborative arrangement (Sydow 1992, p. 54; Berg 1991, p. 74; Schubert and Küting 1981, p. 7f.).

An **alliance** is characterized by a formalized long-term agreement between a minimum of two partners who stay economically and legally independent (Welge and Holtbrügge 1998, p. 115ff.; Rall 1994, p. 34f.; Sjurts 2000, p. 83f.). The union in an alliance serves to compensate for individual weaknesses by the strengths of the partners and is meant to secure and foster market and competitive positions for all members. A major distinction to a *joint venture* is that in an alliance capital investment is not mandatory and that entities stay legally independent while pursuing common objectives. The intensity of the relationship between only a few partners differentiates alliances from other network forms. While a network is defined as having a minimum of three partners, an alliance can be bilateral. Alliances are a strategic instrument, focusing on highly important projects, managed jointly by a small number of organizations. Alliances are often built for research cooperation and exchange of know-how and information (Göbel 2002, p. 211ff.; Koza and Lewin 1998; Sydow 1992, p. 63f.). They are mostly organized as horizontal cooperations between equal partners exchanging intangible assets. Problems in strategic alliances result from the fact that partners can still be competitors in other areas than the ones, served by the alliance. Opportunism is possible and information asymmetries are difficult to suppress.

An overview of cooperative structures and their most relevant features is given in Figure 10, highlighting the problematic of overlapping definitions in network literature.

Concept for Multilateral Cooperation of Higher Education Institutions

Aspects of differentiation	Network	Alliance	Joint Venture
Resources	Partly joined for certain projects	Widely joined in cooperative activities	Self-managed and owned by new entity
Management structure	Multi-focal, polycentric structure (seldom centralized)	Multi-focal or centralized, often polycentric structure	Centralized, monocentric structure
Partner system / openness of cooperation	Min. 3 actors, loose cooperation open for new partners	Min. 2 actors, very restricted access for selected partners	Min. 2 actors, closed cooperation of selected partners
Duration and stability	Short-term to long-term, project related	Long-term with strategic orientation	Long-term
Contractual solution	Neo-classical and relational contracts, large range of degrees of engagement, reservation of certain autonomy at each entity	Relational contracts with highly individual applications, intensive engagement of partners, diminishing their autonomy	Founding of new entity, binding legal construct, standardized contractual solutions as basis
Investment	Know-how, trust, competitive advantages; capital possible	Know-how, trust, competitive advantages, management capacity; capital possible	Know-how, competitive advantages; capital mandatory
Complexity of engagement	Mid-level	High	Low

Figure 10: Possibilities of Cooperation

A strategic aspect and international focus are dominant characteristics of the growing number of cooperative structures in business. Respecting the impact of internationalization in business, research concentrates increasingly on analysis of multilateral cooperation as a new tendency in theory and practice (Sydow 2003).

Multilateral cooperation is defined by this thesis as cooperation actions with long-term purpose between more than two partners in more than two countries. Multilateral cooperation is an organizational structure which merges aspects of the network solution with the intense relations of strategic alliances. The multinational level of interaction adds cultural challenges to the general features of cooperative structures. A cooperation whose members are geographically spread out and who belong to different cultures demands particularly flexible and sensitive management. Since culture is a relevant issue in multilateral cooperation, existence of a cultural “*fit*” between the partners is necessary for successful and long-term engagement. Operating in multiple cultures and business surroundings requires additional attention to the development of transaction costs and principal-agent problems. The more partners are involved, the more difficult it is to monitor these aspects, making a common culture and business ethic less homogeneous. Organizations engaged in multilateral cooperation act in a field of tension since they have to cope with cooperation and competition at the same time. Reciprocity and single-sided power are antagonistic characteristics of multilateral cooperation, and stability and dynamism are both necessary features (Börsig and Baumgarten 1997; Faulkner

and Rond 2000). A strong and well-defined management of partner institutions and cooperation itself is needed in order to establish a balanced multilateral cooperation which is able to face these challenges. Relational contracts are foundations which provide a framework for respective organizational structures. This framework has to be stabilized by trust and engagement of members. Multilateral cooperation is an extensive and thorough engagement, the investment in which is only worthwhile if long-term cooperation is endeavored.

Organizations operating in multilateral cooperative structures have to cope with diverse cultural environments. Organization's own corporate identity and organizational culture are complemented by cultural aspects contributed by partners of the network. Each organization needs to establish a culture which provides a stable framework for the organization and which is flexible enough to adapt to the standards of foreign partners. The cooperation itself also has to define a cultural framework built of respective national aspects and the international demands of the markets approached. This demand is answered by the concept of a **synergetic** corporate culture (Thomas 2003, p. 300; Schreyögg 1995). A combination of the characteristics of pluralistic and universal culture is used to develop a consensus-oriented steering of partners in national contexts while the entire network follows some basic rules, building the cultural and normative framework.

4.3.3 Classification of Cooperation Types

Definitions of cooperative structures cluster around some focal characteristics. The major characteristics of cooperation that can be found in most definitions are:

- Complex, hybrid organizational structure;
- Position between market and hierarchical organizational solutions;
- No organization has absolute authority;
- All partners maintain some economic autonomy;
- All partners are legally independent from each other;
- Compensation of own weaknesses by the strength of the partners.

Opinions differ concerning the reasons for existence of cooperative structures. Whether networks and alliances are voluntarily, deliberately organized structures, or if their appearance and development is an incidental process, is discussed controversially in research publications about networking (Sydow and Windeler 2000; Miles and Snow 1986.) Regardless of these

differing basic assumptions about their cause, the fact that cooperative organizational structures are becoming increasingly important in today's business leads to the general appreciation that their economic and political steering is the main question to discuss.

Classification schemes were developed in order to classify types of cooperation and to determine respective strengths and weaknesses. A general system of criteria to analyze strategic collaboration is proposed by Sjurts (Sjurts 2000, p. 71ff.). Using five elementary questions "who – what – why – where – how", cooperative structures can be described and distinguished from one another.

Who – The number of partners and their degree of dependency is the focus of this question. Size of cooperation and legal and economic situation of the members are distinguishing features in cooperative structures. Within the network the strategic and cultural "*fit*" between partners is a success factor (Perlitz 2004, p. 249ff.). Differing management styles, non-corresponding organizational structures, and internationalization models expose partners to manifold internal adaptations and compromises (Welge and Holtbrügge 1998, p. 93ff.).

What – This question is concerned with the subject of cooperation, paying special attention to international issues (Sjurts 2000, p. 71ff.). Cooperation can have the objective of internal exchange or be oriented towards the external offer of joint services. Another distinguishing characteristic is the strategic or operative orientation of cooperation, defining content and intensity of the network structure. Differing contractual and relational fundamentals are related to the respective orientation. Depending on assets shared and time and intensity of exchange between partners, cooperative relationships range from loose networking to a strategic alliance.

Why – Organizations engaging in cooperation strive for competitive advantages, better accessible through the combined forces of a network than in solitary activity (Perlitz 2004, p. 65ff.; Zentes and Morschett 2003, p. 63f.). The relationship between partners can be distinguished into cooperative, competitive, and ambivalent interdependencies. It is not mandatory that cooperation implies cooperative behavior on all levels in the partner organizations; cooperation and competition can exist simultaneously in the network. This situation, described as *coopetition*, is an issue which is gaining in intensity in multilateral cooperation (Sjurts 2000, p. 71ff.).

Where – Cooperation can take place on all levels of an organization. Whether a vertical, horizontal, or lateral cooperative structure is chosen gives insight into the treated market of a network and the intensity of exchange between partners (Sjurts 2000, p. 71ff.). The emphasis lies

on distinguishing the levels which are concerned by the interaction within each organization. Another aspect is the cultural orientation of cooperation. Cooperation can concentrate on the national, European, and international level, the distinction being respective geographic orientation of activities and partners.

How – The organizational concept of cooperation can correspond to a chosen variation of a spectrum from centralized to decentralized management and financial solutions. Partners have to agree on trade-offs between self-interest and relinquish some degree of power in order to allow the network to be able to make joint decisions (Hungenberg 1995, p. 154ff.). A common vision, charisma of leadership, know-how, and trust are essential characteristics to steer cooperation efficiently and to assure flexible but effective management. These soft factors need to replace authority in as many situations as possible to assure long-term and successful interaction. In multilateral cooperation partner organizations face various information asymmetries and principal-agent problems resulting from cultural diversity. Differences in culture and history of partner organizations make it particularly necessary to adapt structures and organizational cultures on all sides. Cooperation is focused on joint activities between equal partners; respecting power distribution in cooperation is, therefore, an essential aspect when fixing leadership structures (Sydow and Windeler 1998; Staehle 1992).

In order to develop a framework for organizational structuring of multilateral cooperation, this thesis uses six selected characteristics to define the nature of cooperation. The features are aspects of cooperation revealed by organizational theory, presented in Chapter 4, and they are presented in relation to the classification of Sjurts.

- Environment of the cooperative structure (external influences on the cooperation – an issue not treated by the scheme of Sjurts, but playing a dominant role in classification of cooperation);
- Self commitment of the members (internal preparation of each organization, refers to the questions “ what“ and “why “);
- Extent and kind of cooperation (internal preparation of each organization, refers to the questions “who”, “why” and “where”);
- Trust and reliability between the members (internal agreements between the partners, refers to the questions “who”, “why” and “how”);

- Characteristics of the interrelationship between participating organizations (internal agreements between partners, refers to the questions “where” and “how”);
- Negotiation behavior and kind of contracts (structural agreements defined by partners, refers to the question “how”).

Having varying intensity depending on the type of cooperation, analysis of these characteristics allows a specification of the selected cooperative concept (Sydow and Windeler 2000, p.11f.; Ebers 1997). This classification contributes the fundamentals of the framework for multilateral academic cooperation developed in Chapter 6.

4.3.4 Legal Aspects of Multilateral Cooperation

Each exchange relationship has specific rules and refers to a legal framework. Exchange on markets is regulated by price mechanisms, and hierarchical organizations rely on formal rules about routines and authority to control their economic activities. Organizations which are engaged in cooperation stay legally independent, but become functionally dependant on each other. Continuing support by solid social structures, serving as motto and framework for efficient teamwork, is an essential characteristic of successful cooperation (Bachmann 2000). This aspect is more complicated, the more cultural and economic backgrounds come into play in cooperative structures. Studies demonstrate that challenges and conflicts in cooperation are better managed by social steering measures than by strict legal contracts as applied in free market transactions, or formal and legal rules as applied in hierarchical organizations (Staber 2000, p. 64ff.; Osterloh and Weibel 2000, p. 94f.; Küpper and Felsch 2000, p. 237ff.).

In addition to these informal rules, multilateral cooperation has to be based on a legal framework (Backhaus, Braun and Schneider 2003, p. 72f.). National administrative and leadership systems of multinational partners often differ considerably from each other and need to be combined in a common action scheme for successful multilateral cooperation. Legal aspects of multilateral cooperation are a critical issue since national legal systems vary greatly. National and international law has been influenced in scope and content by increasing internationalization and globalization; a framework of generally accepted rules and norms crystallizes on the international level (Held 2002; Slaughter 2000.).

Multilateral transactions and international activities are currently backed up by individual contracts compiled of national laws and common agreements between contractual partners (Moecke 1989; Pappi et al. 2004, p. 11f.). Freedom of contract, acknowledged in all legal

concepts of the world, facilitates this procedure for international cooperation. The process of generating an international legal framework is supported by the fact that three major legal law systems lay the foundations for all other national laws: Anglo-American, French, and German principles provide these foundations. An international coherence in legal questions can be reached by the use of international agreements and business practice. This individual implementation of international agreements guides national laws to adapt to the need of internationalization and globalization.

In 1982 a legal form allowing transnational activities between companies or individuals was created on the European level: The European Economic Interest Grouping (EEIG). The EEIG was the first and is still the only transnational legal form adopted by the EU (European Council 1985; EC 1998b). This instrument follows the example of a French law, the *groupement d'intérêt économique* (GIE), enabling small and medium enterprises to cooperate on a cross-border level (AGEG 1999; Wüllrich 1973; Schlüter 1973). A minimum of two organizations from two EU Member States need to be involved in cooperation, which can make use of different legal forms: Private or public limited companies, freelance, or association cooperation. The EEIG facilitates transnational cooperation by providing a reference framework asking for basic agreements and leaving room for individual, project specific regulations. A corporate meeting and a general manager are the only fixed authorities; others can be established if desired. Foundation of an EEIG is possible without financial investment. Liability is distributed between members of the cooperation. Approximately 1200 EEIG were registered in 2001, some of which are well known, e.g. Airbus, Carte Bleue, and the German-French television company ARTE TV (Gleichmann 1989; EURYDICE 2004; Zahorka 2001 and 2005). In Part 6.2.4, this legal alternative for multilateral contracts is proposed as one solution, facilitating definition of contracts for multinational academic cooperation.

5 Implementation of Internationalization in the Higher Education Sector

A description of characteristics of the internationalization process in HE opens this chapter. Impact and process of internationalization are presented in Part 5.1 with reference to the general economic findings of Part 4.2. Organizational solutions and theoretical models which are developed and applied specifically in the HE sector are presented in Parts 5.2 and 5.3, drawing a parallel to theoretical findings on cooperation and internationalization as discussed in Parts 4.1 and 4.2. In the light of concrete examples, an overview of existing internationalization concepts of HEI is given in Part 5.4. This analysis leads to a conclusion about similarities in the concepts in Part 5.5 and reveals the need for a general framework for multilateral academic cooperation.

5.1 Impact and Process of Internationalization

The impact of internationalization on HE is obvious in the achievements of the Bologna Process - striving for the EHEA as described in Part 3.3 - and in the manifold earlier activities of HEI which were established to offer a competitive international education service, as described in Part 3.4. Organizational change in HEI is essentially accelerated by the Bologna Process and by public discussions about HE internationalization. Cooperation between HEI contributes to this organizational development by improved exchange between HEI about alternative management structures and efficient leadership concepts. Cooperative structures increase competition on the market, and force HEI to revise and adapt their organizational and management concepts. The major factors which have been identified to initiate the need of internationalization within HEI, are increasing competitive pressure on the markets and financial gaps within institutions (Davies 1998). As a consequence, HEI react along their respective property advantages, internationalization advantages, and advantages of location in order to develop strategies for market penetration and to implement varying degrees of internationalization (Brockhoff 2004, p. 323).

Besides initiating internal changes, the positioning of HEI on the international market, and the development of education as a commodity, lead towards the need to evaluate competitors and to profile-oriented distinction. As a result, a rising issue for HEI is the strategic decision about programs, mission, and goals, and the question with whom to cooperate for efficiency and competitiveness. Strategic orientation of an HEI is not an internal governing principle any

more, but builds the face the HEI shows to competitors and customers on an international level (Zimmer 2001; Davies 1998; Dorn 2003).

The process of internationalization in HE follows roughly the same steps as the internationalization processes of organizations, described in Part 4.2. As an initial step, HEI have to define their **competitive advantages and success factors**. Secondly, the institution has to analyze **cultural backgrounds** of potential markets and partners. This step is mandatory in order to act efficiently and be accepted on foreign education markets and in a multilateral cooperation. The decision about the **organizational strategy** for market entry is the third step to be taken. Individual or cooperative activities represent possible solutions for internationalization. All three steps of the internationalization process are closely linked to each other and while following a certain sequence, they represent a reiterative rather than a linear process.

Careful analysis of **success factors** an institution has or can develop provides the basis for the internationalization process. A definition of Leidecker and Bruno explains the meaning of success factors applied in this thesis:

“...those characteristics, conditions, or variables, that when properly sustained, maintained, or managed can have significant impact on the success of a firm competing in a particular industry.” (Leidecker/Bruno 1984, p. 24).

Internal and external parameters can be distinguished, which can be turned into success factors, if the HEI follows the right approach (Bufka and Perlitz 2000, p. 3ff.; Davies 1998 and 2000, p. 17ff.).

Internal factors can be influenced by adapting structures, orientation, and resources. It is a matter of internal organization and persistence to generate corresponding competitive advantages. Internal measures for HEI to succeed on markets and counter competitors are:

Strategic orientation – Customers, markets, and partners are to be chosen and need to be consistent with the HEI general orientation and internal mission.

Integration – Internationally active HEI act in different cultures and social environments; institutions need to define for themselves a mission and gain a reputation that corresponds to this environment.

Flexibility – Capacity to adapt the HEI structure and services offered is essential for acting effectively on different markets. In addition to the adaptation to external demands, internal

restructuring has to take into account aspects of change management and conflict management.

Size – The steps an HEI can take in the internationalization process depend on respective know-how, financial resources, team ability, and management structure given or developable in the HEI itself.

External factors are given quantities to which an institution needs to react to, and interact with, as effectively as possible in order to develop respective competitive advantages. External issues influencing the success of international activities in the HE sector are:

Market growth – Competition in growing markets is easier since there is still place for new and alternative offers. Careful market analysis, intensive benchmarking, and sound positioning enables HEI to generate competitive advantages.

Competition intensity and kind – Whether price, quality, marketing, or reputation are dominant success factors of competitors is an essential aspect for an institution's own strategy. The competitive situation and starting position of the HEI have an impact on its development possibilities.

Environmental security – Culture, political system, and social environment influence the HE market in all countries. Current and future development of these factors is essential when choosing an internationalization strategy and for the durable establishment of the HEI in a market.

The cultural "*fit*" between the HEI, its partners, and markets is an additional success factor (Perlitz 2004, p. 249ff.; Davies 1998). **Cultural aspects** have impact on all internal and external success factors and have to be analyzed and integrated when drawing up the internationalization strategy. Development of a corporate culture is a comprehensive process, closely related to the external cultural environment of concerned HEI and the activity area of cooperation. The cultural diversity of Europe and the world makes evolution of a corresponding corporate culture a demanding process. A careful analysis of structure and content of all concerned cultures is mandatory for the success of international academic activities and cooperation. Being a product of a social environment and traditions, the evolution of a corporate culture is a process demanding long-term investment and a clear strategy.

After the revision of internal and external factors and related competitive advantages, development of a personal notion and acceptance in all relevant cultures challenges HEI (Davies 2000). When developing a corporate culture the internal structure and organizational design of

HEI is of relevance. Consequently, third step in the internationalization process is to define and implement an **organizational structure** for internationalization, and to spread mission and goals as fundamentals for this process.

When classifying orientations, identified in HE internationalization processes, a distinction between two main strategies can be made: Program or project strategies and organizational strategies. **Program strategies** are academic activities and services that integrate an international dimension into the main functions of HEI. This includes academic programs, research and scholarly collaboration, technical assistance, transnational and internal transfer of know-how, and extracurricular activities. Program strategies are the most common way of internationalization of HEI, since they often start with standardized contracts and facilitate first contact. Only few HEI pursue an explicit **organizational strategy** for internationalization with a developed work program (de Wit 2002, p. 121ff.). To define such an organizational strategy, an institution identifies priorities and integrates these in strategic plans and organizational structure.

As a concluding step in the internationalization process, established international relations need to be communicated to the market in order to guarantee competitiveness of the HEI. Rankings, accreditations, and increased international communication are measures for the implementation of this step. German universities find support within the network GATE, established by DAAD and HRK (Landfried 2003, p. 38f.). This consortium provides services like event organization abroad, media services, and consultancy for international development. According to a study realized by the DAAD in 2003, out of 29 study offers of German HEI in foreign countries, 18 are defined as export, 12 are provided within cooperation, and six are delivered by branch offices (Thimme 2003). Compared to the highly experienced world-market players Australia, USA, and Great Britain, German HEI still have to learn how to construct efficient and long-lasting structures for the internationalization of their educational offer.

Peter Scott, researcher and editor in the HE field, made the following statement in 1998:

“ ... So perhaps the most likely outcome is a highly differentiated development – of a few world universities (or, more probably, of world-class elements within them); of networks of existing universities that trade in this global market place while maintaining their separate national identities...of growth of hybrid institutions that combine elements of universities with elements of other kinds of “knowledge” organizations...of the emergence of “virtual” univer-

sities organized along corporate lines...and, inevitably, of a few global universities on a News Corporation or Microsoft pattern.” (Scott 1998, p. 129).

Two main factors are identified by current research and studies to be hindering a flexible and free internationalization process in HE. Firstly, **state-owned and controlled** structures of most HE systems prevent an economical approach to the process (Tavenas 2002; Reichert and Tauch 2005, p. 43ff.; Sporn 1999, p. 67f.). Secondly, the customary limitation of the term *internationalization* to student and research exchange needs to be extended to **all aspects of HEI** (Hahn 2004, p. 369f.). With regard to this point, many HEI have installed facilities to look after international contacts and exchanges, adding their forces to the traditional offices dealing with international relations (Roeloffs and Maiworm 1999, p. 55ff.). This solution introduces more and more people on different institutional levels to the internationalization process, spreading the idea over the entire HEI. As a result of this procedure, academic exchange offices deal with standardized exchange offers of HEI, while academic and research departments directly monitor their own complex and individualized international projects. Despite its importance, a concept for multilateral cooperation or even a specific organizational structure explicitly pursuing internationalization is not yet visible in most HEI (de Wit 2002, p. 121ff.; Roeloffs and Maiworm 1999, p. 119ff.).

5.2 Organizational Structures for Internationalization

In order to define a suitable organizational structure supporting internationalization of HEI, it is important to respect the characteristic circumstances in which institutions are placed. From the point of view of a financially independent and organizationally autonomous private institution, the strategy options for internationalization are different than the alternatives of a state-owned university. While private institutions are supposed to have more flexibility and financial resources, public HEI are often assumed to be less autonomous because of strict governmental regulations. Regardless of these differentiating aspects, the general process of internationalization for private and public institutions follows an equal framework. As is the case in the models for internationalization of companies described in Chapter 4, individual orientation of HEI is possible within this framework and allows multiple variations of internationalization solutions.

Figure 11 provides an overview of organizational alternatives HEI can choose for engagement on international markets. Two types of organizational structures for internationalization dominate the choice of HEI: The holding organization and network structures (WTO 1998, p.

7f.). Reasons for the decision for one of these concepts and characteristics of the respective solution are presented next.

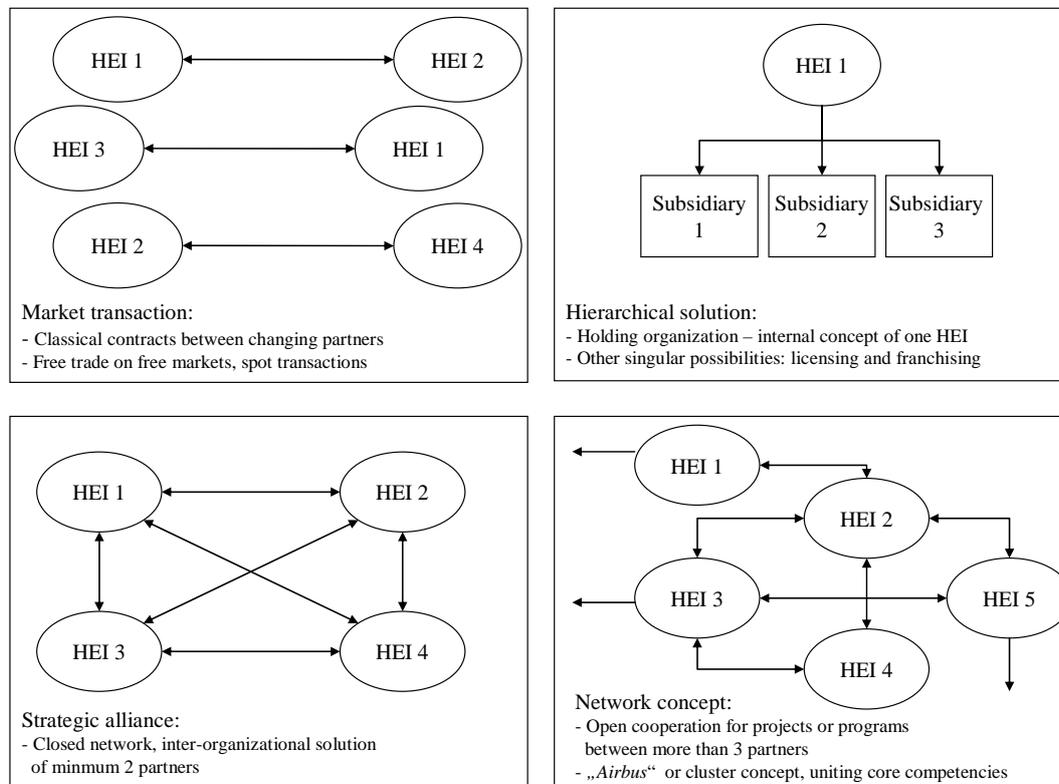


Figure 11: Organizational Structures for Internationalization

5.2.1 Holding Structure

A holding organization is a hierarchical structure for internationalization in trade and industry as described in Part 4.3.1. This concept is also applicable to the educational sector. Special characteristics of HE evaluated in Part 2.1, which resemble features of the service industry, have to be taken into account. To offer education internationally is economically and technically difficult. The establishment of subsidiaries within a holding structure offers an internal solution, facilitating internationalization of HEI. The hierarchical structure enables the institution to keep immaterial assets and related resources in-house, while operating via subsidiaries which are integrated in national markets and familiar with foreign legal and cultural settings (Bufka and Perlitz 2000, p. 2f.). Establishing foreign subsidiaries can have two objectives: Firstly, to offer a platform for the HEI and its members in foreign markets; and secondly, to offer an answer to the respective markets' demands for foreign education. In both cases HEI decide for a holding structure if the offer on the spot in the respective foreign market is more

efficient than cooperation with local competitors. Entering a foreign market by applying a holding concept is a worthwhile long-term investment, if, for an education seeker, the costs of the foreign education offered in a local market are lower than the costs arising to an education seeker for an exchange study.

One advantage of internationalization by a holding concept is the control HEI keep over offered services in the foreign market. By applying this hierarchical solution, the HEI relies on approved and well-known internal structures and quality. Disadvantages of this organizational choice are high investments for kick-off and construction of location and management structures in foreign markets. The complexity of an efficient and well-controlled subsidiary structure has to be taken into account, and the difficulty of management in and know-how about foreign markets are additional aspects to be considered when heading for internationalization by this individual concept (Clark 1998, p. 137ff.; Kreikebaum, Gilbert and Reinhardt 2002, p. 125f.).

As presented in Part 4.3.1, an institution can decide between three types of holding organization: Financial holding, strategic, or operative management holding. Management holding concepts are of major impact in the internationalization process of HEI, given that the critical point in internationalization is the offer of immaterial goods and the steadiness of their quality. These features can only be maintained on a steady level if successful products and corporate culture of the initiating institution are transferred to subsidiaries and contribute to their local recognition (Adam 2001, p. 13ff.). In most cases, HEI maintain a strategic management holding, imposing on subsidiaries a general concept, while allowing them otherwise independence from the parent organization. Financial independence is the consequence, making subsidiaries operate as profit centers, making them similar to franchise systems.

An example of an institution applying a management holding structure and spreading its renowned concept and contents of education to foreign countries is Henley. Examples of holding organizations in HE are presented in Part 5.4.2.

5.2.2 Inter-organizational Networks

In order to describe the meaning of networking between organizations, in this thesis also referred to as **cooperation**, the definition of Ebers is cited:

“Inter-organizational networking represents a particular form of organizing, or governing, exchange relationships among organizations. While networking can take different forms, all these forms are characterized by recurring exchange relations between a limited numbers of

organizations that retain residual control of their individual resources yet periodically jointly decide over their use.” (Ebers 1997, p. 4).

Motives for HEI to engage in cooperation with other institutions are greater flexibility in resources, cost savings, and enhanced learning. HEI often start to establish international networks by intensifying relations with already known partners. Bilateral agreements are a frequently used first step to an enlarged network of partners. Memoranda of Understanding (MoU) and Letters of Intent (LoI) build the pre-contractual but official framework for joint projects, academic exchange, and multilateral cooperation in the educational sector (De Wit 2002, p. 194ff.). Types of inter-organizational networking in HE vary from loose cooperation and dynamic development to concrete agreements and complex interaction in a close and stable partnership (Kreikebaum et al. 2002, p. 124ff.; Adam 2001, p. 13ff.).

The fundamentals of inter-organizational networks can be distinguished by analyzing the relationships that link the respective HEI. The intensity of resource flows, information flows, and mutual expectations have primary importance. Cooperation in HE underlies the same challenges and problems as cooperation between companies, described in Part 4.1. Differing **power distribution** between cooperation partners and possible domination of one partner are major potential problems to monitor. Elaborate decision-making committees and balanced management structures can assure joint steering of cooperation. Attempts to distribute competencies in the network on multiple levels and between multiple partners assure equality of power. Because of the resulting complex decision-making structure and the continued autonomy of HEI, cooperation is difficult to manage and coordinate (Hage and Alter 1997, p. 96f.). While cooperation can reduce **transaction costs**, it can also increase them by causing intensive communication structures, negotiations, or by leading to utility maximization or externalization of costs of a single partner institution (Wilkesmann 2001). Because of these uncertainties, cooperation needs to rely on relationships based on trust. All members of an inter-organizational network need to have the will to join forces in order to contribute to a common mission and goals, and not to behave opportunistically. Trust reduces uncertainty, and thereby transaction costs. As trust is a risky investment, cooperative partners can surround their activities by a legal framework providing mechanisms to prevent betrayal. Legal measures which do not destroy or replace trust are necessarily of a latent kind and are not dominantly imposed on actors (Bachmann and Lane 2003, p. 80f.). This implies the use of relational contracts as described in Part 4.1.1.4 and the use of pre-contract arrangements such as MoU or LoI.

The decision of HEI to engage in cooperative structures can be initiated because of resource complementarities given with one or more partners. Another advantage of inter-organizational networking is a facilitated market-entry in foreign countries by local partners which know the market and have already established a reputation. Disadvantages of cooperation are related to asymmetric information between network-partners, leading to unequal advantages, opportunistic behavior, and rising costs for intensive coordination procedures (Brockhoff 2004).

In 1995 a study carried out by Rudzki in the UK education market, networks and strategic alliances were named as one of the major future developments in internationalization of HE (Rudzki 1995b). An analysis of Roeloffs and Maiworm on the German education market corroborates these statements by revealing partnerships with foreign institutions as being a regular instrument of internationalization in German HEI (Roeloffs and Maiworm 1999). The diversity of networks in certain scientific fields, of separate faculties, or in the context of European programs points to the manifold ways to create value by international cooperation. This kind of cooperative activity takes place in all European HE systems and emphasizes the importance of cooperation for each institution within its process to develop a competitive educational offer.

The Community of European Management Schools (CEMS) represents a large network of European HEI that maintains cooperation on all educational levels. Among others, this example of international cooperation in networks is presented in Part 5.4.

5.3 Models for Internationalization

Models proposed by research on internationalization in HE are still in development. The models for internationalization presented cover internal aspects and the steps of internationalization processes in HEI. While the model of van der Wende focuses on curriculum development as a specific issue, the other models describe the comprehensive process of internal adaptation and preparation within an institution. Each model follows a different approach when defining motives, actors, and process of internationalization within an institution. The presented models allow insight into necessary adjustments in existent systems of HEI and contribute essential aspects to Part 6.3.

5.3.1 NUFFIC Model

The approach of this model, developed by Marijk C. van der Wende in 1996, is the internationalization process of HEI seen as an internal restructuring of institutions (van der Wende

1996; van Dijk 1995). The idea resulted from a model designed for the Netherlands Organization for International Cooperation in Higher Education (NUFFIC), and identifies three factors for internationalization: Goals and strategies, implementation, and effects of the implementation. Van der Wende notes that the model concentrates on educational aspects of internationalization, especially the curriculum, while other aspects such as research and technical assistance are excluded from the analysis.

The model assumes that an institution develops international targets and strategies on the background of existing cooperation contracts. This process happens under strong influence from politics. Resulting from the state-dependence of most European HE systems, external EU policy and national policy have even more impact than the proper institution's policy. Implementation of targets and strategies affects all levels of the HEI, including the mobility of staff and students, but major focus is put on curriculum development. Van der Wende divides the impact of the internationalization process into short-term and long-term effects. Short-term effects are defined as results of internationalization visible on the student and staff level and in day-to-day education. Changes at these levels are quickly detectable. In the long run, repercussions on the quality of education, the output of the institution, and, as a consequence, positioning of the institution have to be kept under observation. The internationalization process described by van der Wende is ongoing. Effects are reported and observed in order to re-design the definition of future objectives and strategies at the beginning of the process. Figure 12 presents the elements of the NUFFIC model for internationalization of HE.

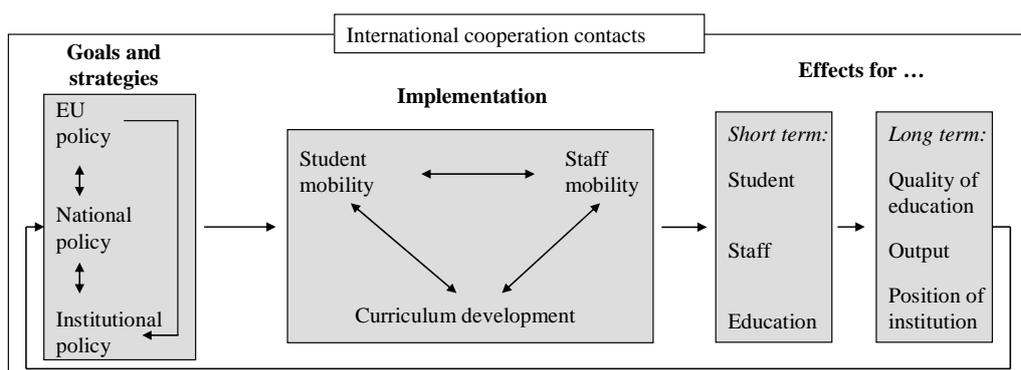


Figure 12: NUFFIC Model for Internationalization of Higher Education

(Source: van der Wende 1996, p. 8)

Critics point out that the model excludes nearly all other aspects aside from curriculum adaptation and its effects – an option which was chosen by van der Wende in order to concentrate on the characteristics of curriculum internationalization (Hahn 2004, p. 260ff.). The second

limiting factor of the model is seen in the assumption that institutional policy is mainly initiated by (supra-) national governments and their policies (de Wit 2002, p. 134; van der Wende 1996, p. 193). Possible internal motivations for internationalization and the HEI organizational structure are ignored. On the other hand, the Bologna Process, pushing the development in European HE and overruling individual initiatives of institutions, shows the partial soundness of the approach. Another criticism focuses on the general statement of using contracts to internationalize without taking into account the related cultural and legal aspects of this process (McNay 1995). Van der Wende suggests widening the cooperative process to international activities, but does not describe how international aspects of diverse cultures and educational systems are to be integrated into this process.

The differentiation between the long-term and short-term impact of an internationalization process on a HEI is an essential contribution of this model. The assumption of van der Wende, that HEI use existing contracts with partners and extend these in order to intensify cooperation, mirrors the fact of the lacking awareness at HEI of alternative contractual solutions. Proposals for such contracts are made in Part 6.2.4.

5.3.2 Fractal Process Model

With a programmatic approach to strategies, Romuald E. J. Rudzki provides a framework for assessing individual levels of international activity within HEI (Rudzki 1995a/b). For his model, Rudzki identifies four key dimensions of internationalization: Student mobility, staff development, curriculum innovation, and organizational change. In his primary attempts to design a model for internationalization, Rudzki outlined a reactive and a proactive model. These approaches were redefined into the fractal process model developed in 1998 (Rudzki 1998).

Reactive Model of Internationalization

In the first stage of internationalization, academic staff engages uncoordinatedly in making contacts with colleagues in foreign HEI. Curriculum development towards increased international content is one initial issue that is looked after. This stage still suffers of limited mobility and rare exchanges between contact partners. Purpose and duration of common activities lack clear formulation. In the second stage, some of the links are formalized with institutional agreements. Resources and their allocation within the HEI is still a point to approve, therefore, agreements are not always turned into activities. Soon after the first formulations of a general internationalization strategy, central control by the HEI enters the process. Growth in

Concept for Multilateral Cooperation of Higher Education Institutions

activity demands engagement of central management, which needs to gain control of the internationalization process and to lead the various small projects towards an institutional strategy of internationalization. At this stage, conflict can emerge if staff and management do not agree on a joint plan to pursue the internationalization activities. It is possible that activities decline and disenchantment leads to a stop of the internationalization process. In this case, institutions often turn towards a proactive approach to internationalization.

Proactive Model of Internationalization

This approach to internationalization begins with the development of awareness in the HEI about what internationalization is and what it entails. Reasons for and against internationalization, and a strategic analysis of short-, mid-, and long-term objectives are discussed. Besides a strengths and weaknesses analysis (SWOT) and cost-benefit analysis, staff is involved in the development process. The next step is to choose a strategic plan and policy, where mutual interests of staff and organization are taken into account and result in a commonly agreed and pursued internationalization strategy. Performance measures are installed, resources allocated, networking with internal and external organizations starts. During the whole implementation process and the running of the internationalization, performance measures assure the continuous assessment of performance against policy and plan. A process of continual improvement and quality assurance leads back to the first step and gives the process an iterative characteristic.

Fractal Process Model of Internationalization

The proactive and reactive approaches to internationalization were united to create the fractal process model of internationalization, developed to allow a sequential analysis of actions and issues in the internationalization process. The approach has six stages, strung together and leading to a substantial and well-planned internationalization process for HEI. As a first step, Rudzki uses the term “*context*” to describe the external environment of the institution. The second stage is the “*approach*”, which defines internal factors such as history and culture of the institution. The element “*rationale*” then refers to political, cultural, economic, and educational issues influencing the HEI. The fourth stage of internationalization concerns “*actions, dimensions and activities*” of the institution. After the implementation of internationalization the phase of “*monitoring*” and “*periodic review*” is the fifth step in the fractal process model. Consequently, “*adjust*” and “*reconceptualization*” are the final steps as defined by Rudzki (Rudzki 2000). Figure 13 visualizes structure and elements of the fractal process model.

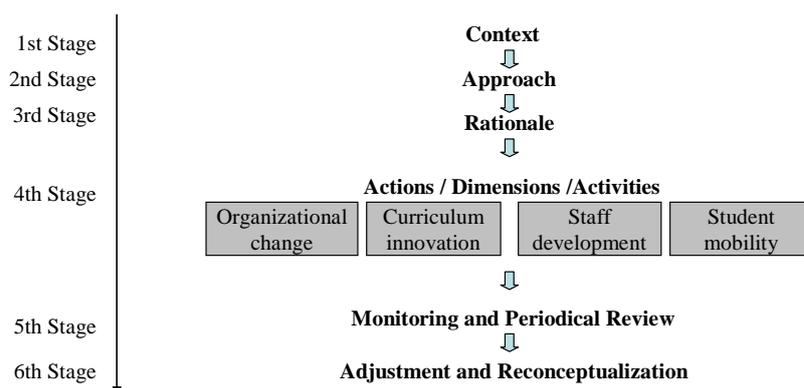


Figure 13: Elements of the Fractal Process Model

(Based in Part on Rudzki 1998, p. 248)

Aspects of the model are put to question by de Wit. The use of the terms “*context*” and “*approach*” instead of external and internal context is questioned, because the latter description seems more logical to de Wit. He also remarks that the hierarchical order of these two elements implies a more important role of the external environment in the strategic planning process than the internal process has. Additionally, de Wit criticizes the three explicit dimensions – “*curriculum innovation*”, “*staff development*” and “*student mobility*” – to be a subjective choice by Rudzki, excluding other aspects or summing them up under the fourth and generic term “*organizational change*” (de Wit 2002, p. 128f.). In fact, this term is defined by Rudzki vaguely as “*the process by which an educational establishment reacts to factors in its environment in order to ensure its continued survival for the purpose of maintaining teaching, research and related activities*” (Rudzki 1998, p. 240).

Despite these criticisms, the fractal process model is comprehensive and allows description and analysis of the complex process of internationalization within an institution. Rudzki goes on providing explanations and guidelines for internationalization of HEI in further publications, his approaches concentrating on internal concerns of the respective HEI (Rudzki and Stonehouse 1999). The model contributes to the framework for multilateral academic cooperation in describing external factors affecting HEI, and internal restructuring, necessary in order to act efficiently on the international market.

5.3.3 Knight’s Internationalization Model: Continuous Cycle

Based on a process approach, Jane Knight stresses that the internationalization process is a continuous cycle (Knight 1993 and 1994). While some internationalization models assume a

linear process of internationalization, Knight explicitly designs a cycle of elements and checkpoints which integrates internationalization in the institution's structure. Six phases are identified which an HEI goes through at its own pace, giving an individual intensity and duration to each internationalization process. The circle has to be surrounded by a supportive culture, meaning that HEI and related stakeholders have to be favorable to the internationalization in order to make the process successful.

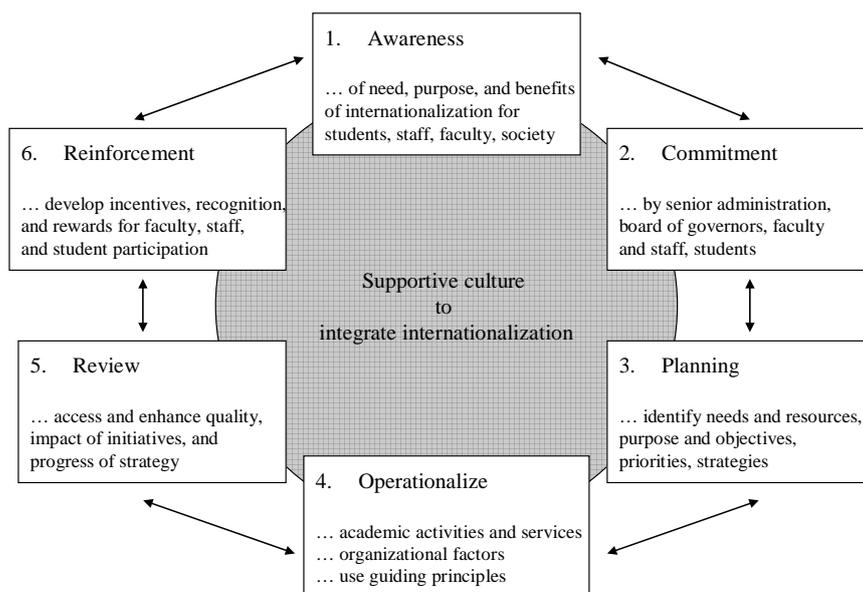


Figure 14: Continuous Cycle

(Source: Knight 1994, p. 12)

As visible in Figure 14, it is obvious that there exist a certain phase sequence, nevertheless, Knight stresses the fact that a two-way flow of information and activities runs between the six phases.

Awareness – Students, staff, faculty, and society have to be aware of the need, purpose, and benefits of internationalization.

Commitment – Students, staff, faculty, senior administration, and board of governors, in short all stakeholders, need to commit themselves to the internationalization process.

Planning – In order to develop an internationalization strategy, the needs and resources of the HEI are to be identified; purposes, objectives, and guiding-principles must be defined and priorities set.

Operational – In this step, academic activities and services are put into action, organizational factors play an important role for further development potential, and the use and respect of guiding-principles is essential for successful continuing of the cycle.

Review – Between all phases, a permanent information exchange is to be guaranteed and assessment reports are to be made. This measure enhances quality and allows the impact of the internationalization process to be monitored. Progress of initiatives and success of strategy are evaluated and communicated within this step.

Reinforcement – The model is designed as a continuous circle; all contributing and concerned stakeholders have to be motivated to pursue the process over a long period and with several repetitions. The development of incentives, open recognition, and rewards for faculty, staff, and students' participation is, therefore, necessary.

Knight shows a wide internationalization process focusing mainly on the incidents in the internal structure and development of an HEI. The mentioning of the necessity of long-term engagement and reward systems for the personnel involved is a specific contribution of the model. The importance of a supporting culture is mentioned, but no external parties are named or external relations are specified in order to allow an analysis. Cooperative aspects are not included in the course of this model.

5.3.4 Davies' Approach and the Internationalization Cube

According to Davies (Davies 1995 and 1998), changes in the external environment of institutions are regarded as the initiator of the internationalization strategies of HEI. Davies bases his model on this assumption and displays a framework of HE activities in response to globalization and political changes. Two sets of factors – internal and external – are identified as influencing HE, as well as three corresponding elements for each of them.

The three internal elements influencing internationalization are defined as:

- University mission, traditions, and self image;
- Assessment of strengths and weaknesses in programs, personnel, and finance;
- Organizational leadership structure.

The external elements considered to be influencing HE internationalization are:

- External perceptions of image and identity;
- Evaluation of trends and opportunities in the international marketplace;

- Assessment of the competitive situation.

A strongly prescriptive model is the result of this approach by two factors and six elements. Davies assumes that an HEI striving for internationalization should have clear statements of where it stands in the international context, and its mission should influence the planning process as well as agendas and resource-allocation criteria. The strategy for internationalization should serve as an internal standard defining a set of basic and stable beliefs and values.

According to the definitions of Davies, an HEI applies one of **four different strategies** for internationalization, portrayed in Figure 15:

Marginal – Ad Hoc Strategy: Nearly no activities take place and those which do are not based on clear decisions or following a mission.

Marginal – Systematic Strategy: Activities for internationalization are limited but well organized, and based on clear decisions.

Central – Ad Hoc Strategy: Throughout the HEI a high level of activities takes place, but no clear concepts are defined, and internationalization procedures have individual character.

Central – Systematic Strategy: A large volume of international work is to be found in many categories, and projects have intellectual coherence and reinforce each other. The mission of internationalization is explicit and supported by specific policies and procedures.

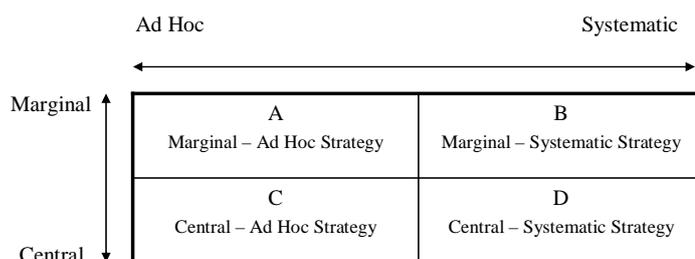


Figure 15: Four Internationalization Strategies by Davies

(Source: Davies 1995, p. 16)

The model of Davies does not take into account stakeholders' interests or political obligations as external influences given in HEI. The overview is restricted to external issues HEI can influence directly. Further attempts to structure organizational aspects of internationalization in HE have used Davies' model as foundation (Hahn 2004, p. 327f.; McNay 1995). The model is

especially useful for an initial and rough assessment of organizational strategy and to set the objectives of an HEI. While an extensive environmental analysis of influencing external factors has to be added.

The model of Davies was extended by van Dijk and Meijer, who introduced three additional dimensions of internationalization: Policy, support, and implementation (van Dijk 1995; van Dijk and Meijer 1997). Following their assumptions, a policy can be marginal or a priority to an institution, support can be one-sided or interactive, and implementation of internationalization measures can be ad-hoc or systematic.

The resulting model was named **Internationalization Cube**, and its eight cells allow for a distinction between three options for achieving internationalization in HEI (van Dijk 1995, p. 21ff.). So-called “*slow-starters*” follow an ad-hoc start, with one-sided support and marginal policy. Implementation gets increasingly systematic and develops into a thought-out approach and well-structured organizational culture. “*Organizational leaders*” start quite unorganized but soon develop a priority policy, leading to strong international commitment and an organized institutional culture. Both strategies are most often present in public HEI, as these are handicapped by restricted reaction capability because of their administrative structure and state-dependence. HEI defined as “*entrepreneurial institutions*” react quickly to external developments and, besides pursuing a variety of activities on different levels, have a strong commitment to their projects. This last approach to internationalization mainly concerns private HEI, providing of high flexibility, freedom of choice, and financial independence. Figure 16 provides an overview of the resulting alternatives.

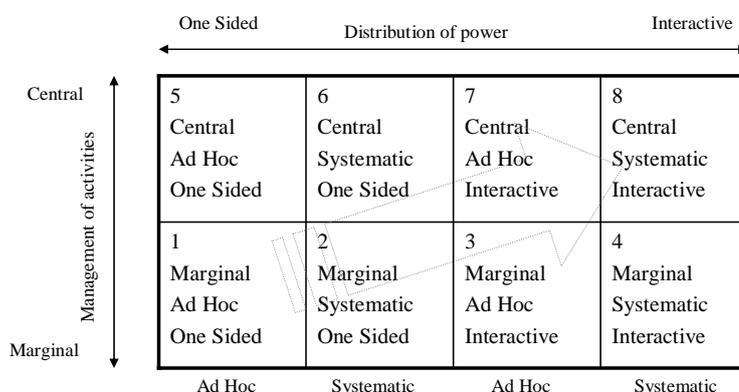


Figure 16: Internationalization Cube

(Based in Part on van Dijk 1995, p. 20)

The extension of the model of Davies allows for a distinction between different processes of development within HEI. The model highlights the fact that institutional strategies can be implicit or explicit. There is reference towards the reactive and proactive internationalization models of Rudzki, presented in Part 5.3.1. Neither the internationalization cube nor the model of Davies present a new paradigm for strategies of internationalization, but both provide useful information and tools able to serve as a general framework for internal internationalization processes. With the help of this theoretical approach to an internationalization process, rough assessment of present organizational structures and future orientation of an HEI are possible (de Wit 2002, p. 133; Davies 1995, p. 17).

5.4 Characteristics of Selected HE Cooperation

Theoretical fundamentals and approaches to internationalization and cooperation in HE have been presented. The next part provides insight into practical examples for academic cooperation in international surroundings. The four solutions selected allow an overview of the current situation of cooperative activity in the HE market. The diverse solutions for internationalization by cooperation are discussed, including an analysis of their strengths and weaknesses. Resulting from the findings, the need for a general framework on how to enhance international academic cooperation is visible. Chapter 6 takes into account this analysis and blends practical experience with theoretical suggestions in order to propose an efficient framework.

5.4.1 Contracts as Differentiation

The three solutions for transactions in business – market exchange, hierarchical organizations, and networks – mainly differ in the contracts underlying their structures as described in Parts 4.1.1.4 and 4.3.3. Market transactions are based on **classical contracts**, whereas hierarchical structures rely on **neoclassical contracts** – referring to a restricted but intense commitment of partners. For networks and long-term strategic alliances, **relational contracts** are dominant, allowing all partners certain flexibility in the fulfillment of contractual agreements (Ebers and Gotsch 2002, p. 210f.; Pappi et al. 2004, p. 2ff.). Thus, they assure necessary autonomy of each HEI when engaging in cooperation. Explicit and implicit contracts are a central management and steering measure for networks and cooperation. Common viewpoints and objectives already existing, or being negotiated in the cooperation process, are mirrored by the legal foundation of the respective network. Even if there is always potential for conflict in inter-organizational relations, contracts assure certain stability in a cooperation – particularly in

multinational surroundings. Relational contracts mirror the incompleteness of environment of HEI and allow adaptations of rules and norms along these environmental conditions. Therefore, legal guarantee for academic cooperation based on relational contracts is limited (Sjurts 2000, p. 262ff.).

Besides the choice of contract, elementary fundamentals for strong and long-lasting cooperation are the complementarities between partners and the balancing of interests. Cooperation is an especially useful solution to transactions and projects if the value of exchanged goods is difficult to define and can be subject to intense negotiation. This is the case for educational services, and HEI can profit from the experience with contracts already applied in the service sector. As described in Part 4.3.3, contracts have to be supported by trusting relationships between trading partners and establishment of mutuality. This is reflected in the relational contractual framework that cooperation is based on (Powell 1996, p. 224ff.). Relational contracts leave large degrees of freedom to connecting parties to define exchange and conditions of their activities.

With the EEIG the EU offers a solution to contractual engagement in the HE sector which is scarcely used. The framework is designed for cross-border cooperation of small and medium enterprises, with HEI fitting exactly within this scheme. As described in Part 4.3.3, the legal framework provides necessary basic rules for contractual cooperation while leaving vast spare room for individual agreements of academic cooperation. This is necessary, given that the organizational forms of HEI and their respective freedom of choice and legal status vary.

Diverse contractual solutions for internationalization in HE are in use (de Wit 2002, p. 194). Public HEI maintain a large number of binational standard exchanges with foreign institutions. This kind of standard contracts and pure student exchange is not regarded as representing an internationalization strategy and is, therefore, not treated by this thesis. Situations of interest range from individually maintained internationalization of private HEI, using spot transactions or long-term contracts with elite partners, to alliances and networks using relational contracts to frame their long-term commitment for more than one project (Koza and Lewin 1998, p. 258f.). Respective levels of commitment and trust applied in these contractual solutions define the differences of academic cooperation.

5.4.2 Internationalization by an Internal Concept

There are two options HEI can use as an internal structure for internationalization. Either the HEI starts its own existence with an international concept, or the institution develops its original structure towards an international holding concept.

In the EHEA today only the relatively young private HEI have an international concept. Traditional public institutions mostly lack the flexibility and resources to reshape the national education system and organizational structure, which is also ruled by the government they depend on. An **international concept** is a unique selling point for private institutions. International lecturers, English as the language of instruction, international student exchange with partner institutions fixed in the study cycles, cooperation with international companies – all of these features are established in the institutions' basic structures, whereas public universities are still working on the realization of even some of these points.

German examples for private entities in HE working with an internal international concept are the International University Bremen (IU Bremen) and the European Business School (ebs). Both institutions operate as internationally oriented business schools in the national market, attracting students from all over the world with their offer (ebs 2004; IU Bremen 2005). In the initial concepts of such HEI all international aspects and activities are already unified, instead of being achieved by a merger of networking partners. The major internalized international characteristics are:

- English as the language of instruction and research;
- International faculty;
- Balance of theory and practice in curriculum;
- Internationally renowned degrees (bachelor and master);
- Additional services (campus life, small classes, personal development);
- International partner institutions.

The University of Maastricht pursues a different internal concept by establishing relations to other international business schools and institutions, offering joint programs and running research centers (University of Maastricht 2004). This approach demonstrates how public institutions can enlarge their bilateral contracts with foreign partners towards an international concept. Maastricht is renowned as the most progressive and innovative university in Europe.

Concept for Multilateral Cooperation of Higher Education Institutions

The second alternative for internationalization via an internal process is the decision for a **holding organization structure**, as described in Part 5.2.1. Having gained reputation and stability in its home market, the holding organization is represented by the recognized HEI and strives for new markets and customers with a network of local offices on the international level. Since quality and reputation of services offered is closely linked to the parent institution, branch offices are subject to restrictive management and content regulations by the holding organization. Characteristics of this hierarchical internationalization process are:

- One core institution (providing concept and reputation);
- Branch offices in foreign countries (operating as subsidiaries in local markets);
- One educational offer (equal quality and price for all markets).

INSEAD was the first French HEI which made the step from a national institution towards an internationally represented business school. Originally situated near Paris in France, INSEAD has gained worldwide reputation with its educational offer for nearly the last 50 years. In 2000, the institution established a campus in Singapore (INSEAD 2005). Taking note of the growing international demand for education and the possibilities which ensue, other HEI followed this example. Another French institution, the École Supérieure des Sciences Économiques et Commerciales (ESSEC), reacted to the Asian demand for education and research and established the ESSEC Asian Center in Singapore in 2004 (ESSEC 2005). Both INSEAD and ESSEC have kept their regular program range, but at the same time have been able to enlarge their portfolio by the experiences gained on foreign markets. New business partners and new approaches to education and research are transmitted, even if branch offices are subject to the strict government of the parent institution. Compared to the French institutions, Henley, the oldest UK business school, already has an extensive international network of local offices in more than 40 countries, and not only attracts foreign students to its campus in the UK, but it also delivers local courses worldwide (Henley 2004). The strength of Henley's internal internationalization concept is attracting business partners in the respective country and delivering high quality education to their employees.

The case of HEI being established by supra-national institutions is infrequent. This choice for internationalization is comparable to the organizational structure of a **joint venture**, where institutions add their strength to build a new entity operating in the international market without being linked to the founding organizations. A successful example of this concept is the University of the United Nations (UNU) established 1973 in Tokyo (UNU 2004). The UNU

offers education to young researchers and postgraduate students, especially from developing countries. Its faculty is recruited from universities and institutes worldwide. An endowment fund assures the existence of UNU. Initiated by Japan, today more than 50 countries contribute to the financial base (Simai 2000). The idea of a European Institute of Technology (EIT) was introduced by the EC in 2005 and is a current project following a similar intention. The EIT was planned to be a new, multi-site, legal entity that would attract international researchers and foster the development of the European research area as foreseen in the Bologna Process (EC 2005a). This plan was revised by the European Research Advisory Board (EURAB). The time it would take to establish a new institution with a respective international reputation and the top-down approach of the EC was criticized. The need for a joint European endeavor for education and research is acknowledged widely. Proposals coming from EURAB, politics, and HEI suggest a close network of existing HEI contributing their strength to joint projects (EURAB 2005; EurActiv 2006).

All cited examples of internalized internationalization concepts are based on the centralized responsibilities, duties, and rights in one HEI. This core institution decides on the level of commitment in international activities and projects. As most of these are run internally, the level of commitment to other institutions and the needs for inter-organizational trust are low. By internalizing an international profile, only self-made rules have to be followed and classical and neoclassical contracts are sufficient for the management of existing external relations.

5.4.3 Cooperation of Two Close Partners

The cooperation between two close partners coming from different nations is another possibility for internationalization in HE. This is a critical step for most HEI since intensive cooperation means revealing advantages and know-how to the partner. The “*fit*” between cultures of the partners is a challenging aspect of bilateral cooperation as well. Besides these psychological aspects, cooperative structures need a legal framework. It is especially public HEI that are not flexible in their choice of engagement and commitment, and before gaining relevant autonomy, such contractual relationships are very difficult. In most cases, intensive cooperation between two partners is restricted to certain areas of the institutions. This limitation of interaction makes it possible to monitor exchange of know-how and upcoming principal-agent problems. The supervision of transaction costs and management structures are facilitated. The agreements MoU and LoI are initial steps towards a formalization of cooperation. They clearly state joint targets and lay down management structures and financial issues (EEA

2005; GSBCA 2002). Both agreements are without legal impact, but serve as internal psychological and ethical standards. Cooperation, willing to engage more deeply by sharing risks and financial aspects of the joint activity, has to base the engagement on legally accepted relational contracts, adaptable to the specific situation. A formalized instrument of coverage is provided by the EEIG, presented in Part 4.3.3. This framework provides a simple legal solution and facilitates cross-border cooperation by the application of common European law (EC 1998b).

Three binational cooperative structures which are most often used can be distinguished: Two partners can focus on a program, on a (research-) project, or they can engage on multiple levels of HE. Program orientation is described by a long-term engagement of two partners in order to offer a joint education program on the international market. Project orientation is given in most cross-border research cooperation. Institutions join their human and infrastructural forces and financial resources in order to achieve quicker and better results in research projects. Examples of this kind of international activity are numerous; however, often they have not achieved public awareness. A broad cooperation of two partners affecting more than one level of HE is rare. A close alliance needs to have a strong leadership system, since the distribution of responsibilities and rights between partners is complicated. If cooperation comprises more than one project, HEI need to define their joint mission and organizational structure in order to efficiently cooperate on a stable long-term basis. Most of these close bilateral partnerships are based on existing long-term relationships which were enlarged into an alliance. Difference between the concepts is made by the intensity of cooperation and financial and personnel engagement an alliance stands for. Neoclassical or relational contracts replace standard contracts, and the organization and management of joint programs and projects affect multiple levels of the partner institutions. A development from restricted program- or project-oriented cooperation towards a comprehensive strategic alliance is possible.

Program-oriented cooperation is often applied in the MBA market or on the graduate level, offering double-degree programs. The Duke Goethe Executive MBA of Frankfurt University's Goethe Business School, Germany, and the Duke University's Fuqua School of Business, USA, represent a program-oriented binational alliance (Fuqua 2005, Universität Frankfurt 2005). Duke tried to enter the German education market via an individual campus and program in Frankfurt in 2000. After failure of this internal internationalization attempt, the alliance with Frankfurt was founded and today offers a joint EMBA program. Other program-

oriented binational cooperation are manifold double-degree programs offered by German and foreign universities and business schools (DAAD 2004).

An example for **research-oriented cooperation** is the joint Ph.D. program of École des Hautes Études Commerciales (HEC), France, and the University of Cologne, Germany (Universität zu Köln 2000). Bilateral research cooperation often focuses on a specific project and duration is limited to the project's lifetime. In the presented example, the institutions had known each other from common years in the CEMS network, and engaged in 1999 in exchange of Ph.D. students (CEMS 2004).

The ESSEC & MANNHEIM alliance represents a **multi-level, binational cooperation**. In addition to a double-degree program since 1992, the intensive cooperation in a full-time MBA program, and a joint executive MBA program, are the result of a deepening relationship between partner institutions (ESSEC 2005; Universität Mannheim 2004). Faculty exchanges and joint research projects are state-of-the-art and contribute to the international profile of both institutions.

As described in Parts 4.3.2 and 5.2.2, a close relationship between two partners demands for relational contracts, including joint responsibilities and definitions of shared duties and rights. Contracts need to allow freedom to settle specifics of cooperation and to integrate respective national laws of partners. The institutionalization of exchange in both HEI is an additional necessity not enforceable by contracts but only by a high level of commitment and trust. Forming a binational alliance and operating between two cultures is a challenge for HEI and a significant tool for their internationalization.

5.4.4 International Academic Network

An increasingly popular way to internationalize is cooperation between HEI in the form of networks (de Wit 2002, p. 193ff.; EC 2003a, p. 21f.; Sporn 1999, p. 74f.). Networks are defined by the close and continual cooperation of more than two institutions, as described in Parts 4.3.2 and 5.2.2. Two reasons dominate the decision of HEI to engage in networking: Financial benefits and the sharing and fostering of know-how. The first reason mainly results from poor economic situations, which are often the case in public HEI, forcing them to engage in networks in order to share human, financial, and infrastructure resources. In the past, sharing of know-how in joint projects was often limited to cooperation in a certain field without contact to other levels of participating institutions. Most of today's networks are related to various levels of the HEI and demand full commitment of the entire organization. In recent

years, academic networking has followed the market demand and has become increasingly international. Major success and failure factors of multinational networks can be described as follows:

- Overcoming cultural differences;
- Congruence of missions;
- Clear decisions on property-rights and management structure;
- Will to invest budget and human resource capacity;
- Awareness of time needed for implementation and for growth of reputation.

These factors are revealed by network researchers and actors in HE having experience with multilateral cooperation (Koza and Lewin 1998, p. 258f.; Prichard 1996, p. 8f.; Rudzki 2004; Ginkel 1996, p. 101). The framework proposed in Chapter 6 is based on these commonly accepted success factors, given that they represent elementary aspects to be turned into competitive advantages in order to make cooperation successful.

Besides the increasingly broad character of academic networks, three main forms can be distinguished: Program-oriented cooperation, research-oriented cooperation, and multipurpose networks. Measures available to steer a network are much differentiated. While some cooperations assign management and administration to a general office, others spread responsibilities equally over partner institutions. Definition of common targets, budgets, and responsibilities in all areas of cooperation is essential for long-term assignments, but implementation far from follows a generally approved structure.

Program-oriented multinational networks concentrate their activities on one or more educational programs, joining their forces to offer a competitive solution in the international market. The Mannheim Professional European MBA program of Mannheim Business School (MBS) is an example from the MBA market (MBS 2005; Universität Mannheim 2000). Started in 2002 as a joint offer of ESSEC, Warwick Business School (WBS), and the University of Mannheim, the program today is a tri-national, full-time MBA offering its participants exchange within a European partner network. The general structure for all participants is a one year full-time program structure to which all partner institutions are able to send selected candidates. Administration and recruitment is pursued at each HEI separately and no common marketing is done, but the partners operate as a closed network coordinating curriculum and additional services. Other examples are graduate exchange programs where students spend

some months of their studies at three or four international partner institutions. These institutions offer coordinated exchange possibilities, but are mostly independent concerning all other issues. This concept is pursued by many German universities of applied science, e.g. FH Nürnberg in cooperation with Bristol and Nancy, and some universities such as the University of Mainz (Mainz – Dijon – Bologna) (FH Nürnberg 2004; Dijonbüro 2004).

The European Confederation of Upper Rhine Universities (EUCOR) is an example of a **research-oriented** network on the European level. EUCOR was created by the cross-border federation of seven universities situated in the upper Rhine region (EUCOR 2005). The institutions participating in the network are the two German universities Albert-Ludwigs-Universität Freiburg and Universität Karlsruhe (TH); the University of Bale in Switzerland; three universities in Strasbourg, i.e. Louis Pasteur, Marc Bloch, and Robert Schuman; and the Université de Haute Alsace in Mulhouse-Colmar. In 1989 these HEI decided to promote cooperation in research. The network has a common office situated in Strasbourg since June 2000. Independence of all institutions stays untouched, their legal basics are not changed, and all instances of HE policy are maintained. Nevertheless, all institutions declare their common will to adapt legal basics in a suitable way to support the cooperation agreed on and facilitate exchange on all academic levels. The presidency is the executive body of the network. Its chairperson, the representative of one participating HEI, is elected for one year. The presidency is supported by the common office, costs of which are shared equally between partners. Communication in the network is in German and French. Many aspects of the Bologna Process were realized in this network, even before the political process of harmonization started, and activities were soon enlarged beyond research projects. The exchange of students and lecturers, the mutual acknowledgement of examinations and diplomas, and joint programs in research and teaching are main activities with which EUCOR promotes cultural exchange and international knowledge (Wächter 1995b; de Wit 2002, p. 198).

Founded in 1997, *Universitas 21* is today an international **multipurpose network** of 18 leading, research-intensive universities in ten countries (Universitas 21 2005). The partners pursue the objective of overcoming limits of traditional bilateral alliances. The organizational structure is given by a board consisting of the Chief Executive Officers of the member institutions, and an executive committee running the day-to-day activities. The legal structure is a company limited by guarantee (LBG). In 2001, *Universitas 21* used its platform to spin off the online joint venture *Universitas 21 Global*, followed by two subsidiaries. A committee decides on new members, as the network is to be expanded. *Universitas 21* sees its mission in

fostering international exchange on three levels: By collegial activities like exchange programs, by collaboration between members in all educational and research issues, and in presenting opportunities for entrepreneurial activities (Robinson 1998). Another **multipurpose network** is the Community of European Management Schools and International Companies (CEMS). In 1988, this strategic alliance was initiated by four European institutions (ESADE, HEC, University of Cologne, Bocconi), and was expanded to 17 members by 2002. In 1998, a strategic decision opened the European network internationally and four associate academic members have joined CEMS since 2001 (CEMS 2004). The alliance is restricted by its decision that each country can only be represented by one institution. The organizational structure of CEMS is made up of a European CEMS office as the permanent organizational body, an Executive Board as the governing body, and task-forces as small, specialized groups for specific projects and areas. During an annual meeting ratification of strategic decisions is carried out. CEMS offers a degree program taught at each of its member universities, and diverse educational and business projects are run between a number of members of the network. CEMS presents itself as a highly professional, multicultural exchange, offering an alliance for the future of European business.

All presented networks employ a different management and leadership structure. They have in common joint responsibilities for their activities and shared duties and rights concerning the respective projects. Institutionalization of exchange in HEI and the establishment of a central monitoring unity for cooperative activities are still infrequent. This is a new characteristic making its appearance with strategic networks like Universitas 21 and EUCOR. The level of commitment between partners and the orientation cooperation takes – either project-oriented or multilateral, with a short-term or long-term purpose – are essential characteristics of all types of networks. In all network relations, trust has to be established, given that the most valuable asset of HEI is shared within cooperation: Know-how. Networking requires relational contracts, leaving free room for the specifics of cooperation and international legal and organizational aspects contributed by multinational partners. Researchers and actors in the HE area predict the emergence of manifold network structures as the future of European and international HE (Robinson 1998; Scott 1998; Ginkel 1996; Davies 1997; de Wit 2002).

5.4.5 Airbus Idea

In connection with the Bologna Process, a German-French initiative intensified the discussion about elite institution development. First mentioned during a meeting between Germany's

Chancellor Schröder and French President Chirac on January 22, 2003, the idea to develop an “*academic airbus*” concept prompted the HE discussion in the EU Member States and especially in Germany (Cornuel 2004; EC 2003b; Reding 2003).

The “*academic airbus*” idea was founded on the successful example of German-French business partnership: the internationally successful Airbus Company. As the international and European education markets began to open and to become more and more competitive, leading politicians in Germany and France started to talk about joining educational forces in order to develop the European market vis-à-vis the international – i.e. American-dominated – one. The Airbus example served as a European success story, providing the proof that this new kind of academic cooperation can be successful. Starting with a partnership of German-French cooperation, the network of HEI should develop itself into a cluster system of elite-institutions. European HEI were encouraged to join the initiative and form specialized HE syndicates. EU commissioner Mrs. Reding welcomed the initiative and underscored the correspondence of the “*academic airbus*” project with the general European strategy to create centers for excellent academic work. These centers intend to unite leading universities of Europe to work together and offer international study and research programs (EU 2003). Various models of cooperation in the EHEA exist, as described in Part 5.4. From partnerships to alliances, from simple student exchanges to complex networks of exchanges on study, research and teaching levels, all kinds of cooperation can be observed. “*Excellence clusters*” as a bundling of key competencies of selected HEI are a solution the EU strives for in order to structure the European HE market and to ensure its competitiveness (EC 2003a). The “*academic airbus*” is one concept to bring this strategy to life. A connection of the best HEI is accepted to be the solution to a competitive EHEA. Actors and interested parties in the HE area are discussing possible alternatives to realize this concept (de Wit 2002, p. 204f.; Cornuel 2004). Current statements and proposals on HE development demonstrate an agreement on the fact that a differentiated development of internationalization models will take place. Global leadership in the HE market is thought to be only manageable by concepts unifying the strengths of multiple institutions into one network. Thus, the “*academic airbus*” concept has merged into the network development in today’s HE market. Until today, the global academic network, providing high quality and a reliable educational offer, is still a theoretical construct; CEMS and Universitas 21 are the nearest examples to this concept. Nevertheless, the future importance of these concepts is undisputed.

5.5 Remarks and Suggestions

As shown by the synthesis in Part 5.1, and by the above presentation of models and strategies within HE, internationalization concepts in the educational sector follow similar objectives, while HEI pursue diverse organizational options for their realization. The pursuit of international activities is also similar in most HEI, regardless of the organizational structure chosen. Initial steps are an internal analysis of strengths and weaknesses, followed by identification of competitive advantages, and then contact with respective potential partners. The internationalization process in HEI follows the general life-cycle presented in Part 4.2. Nevertheless, individual internationalization processes in HEI differ in their impact on the respective institution. The scope of activities and the resulting intensity of interaction between partners define the character of each cooperation. Chapters 3 and 5 demonstrate that development of a distinguishable profile, an internationally-oriented product range, and cultural openness are essential success factors for HE internationalization. Examples of successful players in the international HE market, given in Part 5.4, demonstrate how these objectives can be reached.

The solutions presented in Part 5.2 are organizational systems transferred from business to the educational sector. Restricted autonomy of most HEI, resulting from state-dependency, complicates their free choice for an organizational concept. A status as corporate body or foundation of public law inhibits the capability to analyze economic conditions and consequences of internationalization, and to unrestrictedly choose a structure corresponding to international objectives. Current reform processes give public HEI autonomy, and private and public HEI are increasingly able to self-determine their organizational structure and external relations. Holding companies and network concepts are the most often applied options of internationalization in HE, regardless of the private or public status of the institution. Holding companies, as the examples demonstrate, have great flexibility in management decisions and financial issues. This concept is seldom to be applied by public HEI. For these, cooperation is still easier than founding subsidiaries; however, with rising autonomy this organizational concept is applicable to public HEI as well. Realization of network structures is facilitated, since even public HEI are able to agree independently on relational contracts. Advantages and disadvantages of both organizational solutions presented highlight the fact that the network concepts are the most suitable for flexible and short-term manageable solution to internationalization in HE.

Models for internationalization in HEI, developed by research and presented in Part 5.3, focus on the process within an organization and pay attention to respective internal relations and

activities. Theory models do not offer a clear solution to management and cooperative challenges, but help to analyze emerging problems and propose approaches to reduce difficulties and uncertainties. No model is meant to replace management, nor is it an alternative to consistent and solid work within a chosen structure. Nevertheless, used by management in an appropriate way and with reflection, a model is a solid framework for decision making and leadership. The variety of theories and models, presented in Chapters 4 and 5, exemplifies the complexity of the research field dealing with internationalization and cooperation. Intersection within the models described in Part 5.3.3, and the similarity of their assumptions and advice with the economic theories presented in Part 4.2, demonstrate that the same key issues in internationalization were revealed by researchers working in diverse scientific areas. This enables the development of the framework proposed in Chapter 6, which reduces complexity by treating general aspects of multilateral academic cooperation and by offering efficient solutions for these central aspects. The organizational model presented by this thesis, leaves space for development of an individual characteristic for multilateral academic cooperation.

Examples in Part 5.4 demonstrate how HEI individually design internationalization by applying varyingly intense cooperative structures. Very seldom can scientific descriptions of cooperation be found as organizational phenomena in HEI, or even within their internationalization processes. The result of this practical analysis identifies networks as a future concept for HE cooperation. Positive aspects common to all cooperation examples are the bundling of key competences, increased capacities and experience, and rising public awareness. On the other hand, differing levels of engagement between partners, principal-agent problems, and cultural conflicts are revealed as negative aspects of multilateral cooperation. The contract decision in HE cooperation is additionally challenged by financial issues and the distribution of individual contribution, as well as by difficulties in defining rights of disposal. Within all examples presented, the need for a centralized management unit, monitoring activities and objectives of cooperation, is obvious.

Christopher Robinson, one of the founding members of the Universitas 21 network, describes the situation brought about by internationalization in the HE sector as follows (Robinson 1998, p. 92.).

“Universities seeking to respond to these challenges can contemplate several different approaches to internationalization. They can adopt strategies involving the international expansion of a single institution through the establishment of offshore campuses. Alternatively, an existing institutional “brand” can be franchised to agencies in other countries. Or, there is an

option that already has proven itself in other multinational industries: a consortium organized as a network.”

In the HE sector academic networks are of increasingly international orientation. Multilateral academic cooperation is the result, which is not yet provided with a general framework by research. This thesis presents a first approach towards such an organizational framework. Chapter 6 takes into account findings of economic theory, specifics of the educational sector, and experience of practical examples in order to propose a framework to facilitate multilateral academic cooperation. This definition of one general approach leaves room for individual adaptations. While avoiding standard faults and problems arising by establishing cooperation along the proposed framework, HEI can give cooperation individual characteristics.

6 Framework for Multilateral Academic Cooperation

The conceptual approach presented by this thesis is meant to guide HEI in the process towards the establishment of enduring and professional multilateral academic cooperation. The term was defined in Part 2.3.2:

“A cluster of higher education institutions with a multinational extent, engaged in cooperation in research and teaching, in order to offer a joint educational service to third parties. This strategic and long-term oriented cooperation contains joint engagement in management and financial aspects of common projects.”

The model presents an outline of strategic considerations to be made by HEI when pursuing cooperative internationalization, and provides a coherent plan and integrated approach to multilateral academic cooperation which can be transferred to institutions of diverse kinds and cultures. Three general assumptions are underlying this process model:

- The general decision of HEI to internationalization of structure and services offered; this implies the application of a transnational strategy, as described in Part 4.2.3.
- The decision to pursue this process by cooperation with a variety of international partner institutions; multilateralism and network approach, described in Part 4.3.2, implies the cooperation of minimum three partners.
- The restriction of the focus of multilateral exchange on academic cooperation between HEI; resulting in the joint offer of study programs.

A synthesis of theories and strategies for internationalization and cooperation is given in Part 6.1 and underlines the need for an organizational concept which leads HEI in their approach to multilateral cooperation. The pursuit to establish multilateral academic cooperation is presented by this thesis as a process divided into four stages. These interdependent stages are external analysis, internal analysis, strategic choice, and implementation. This approach is based on the findings of theories and models, as explained in Chapters 4 and 5.

The **first stage**, represented by Part 6.2, comprises the detailed and extensive analysis of the environment of HEI and cooperation. This part highlights aspects to be considered by HEI in order to develop understanding of diverse environmental settings. Reactions to external influences are deduced in order to enable HEI to cope with international cooperation. The **second stage** of establishing multilateral academic cooperation deals with internal preparation HEI

have to undertake when aiming at cooperation. This is elaborated in Part 6.3. Adjustments in established systems comprise preparation of organization, personnel, and stakeholders of HEI for cooperation and multilateral challenges. Pre-selection of possible partners, fitting to the institutions' objectives and competencies, is an additional task of internal preparation. After review of external environmental conditions and internal restructuring processes, HEI are prepared for engagement in cooperation. Discussion of pre-contractual arrangements between the new partners is the **third stage** in the establishment of multilateral academic cooperation, presented in Part 6.4. Primary necessity of joint engagement is to determine *soft factors* – objectives and intention – of cooperation. These are the basics which define the individual character of a specific multilateral academic cooperation. Based on these agreements, the **fourth stage** concludes the organizational establishment of multilateral academic cooperation. Part 6.5 proposes an approach for settling legal and organizational structure, fixing strategic objectives, and time-planning. The commitment to these *hard factors* of cooperation is the last step, providing multilateral academic cooperation with the frame for long-term orientation and stability.

By assessing these four dimensions, HEI construct multilateral academic cooperation on a stable foundation and can subsequently engage in details which define their characteristics. Two additional aspects of considerable impact have to be taken into account. Parts 6.6 and 6.7 describe approaches to quality control and assessment of cooperation and discuss the necessity of conflict management within multilateral academic cooperation. These two aspects represent supportive functions rather than complex strategic decisions. Part 6.8 concludes the chapter by providing an overview and synthesis of the model developed. A rough overview of the concept's four stages is given in Figure 17.

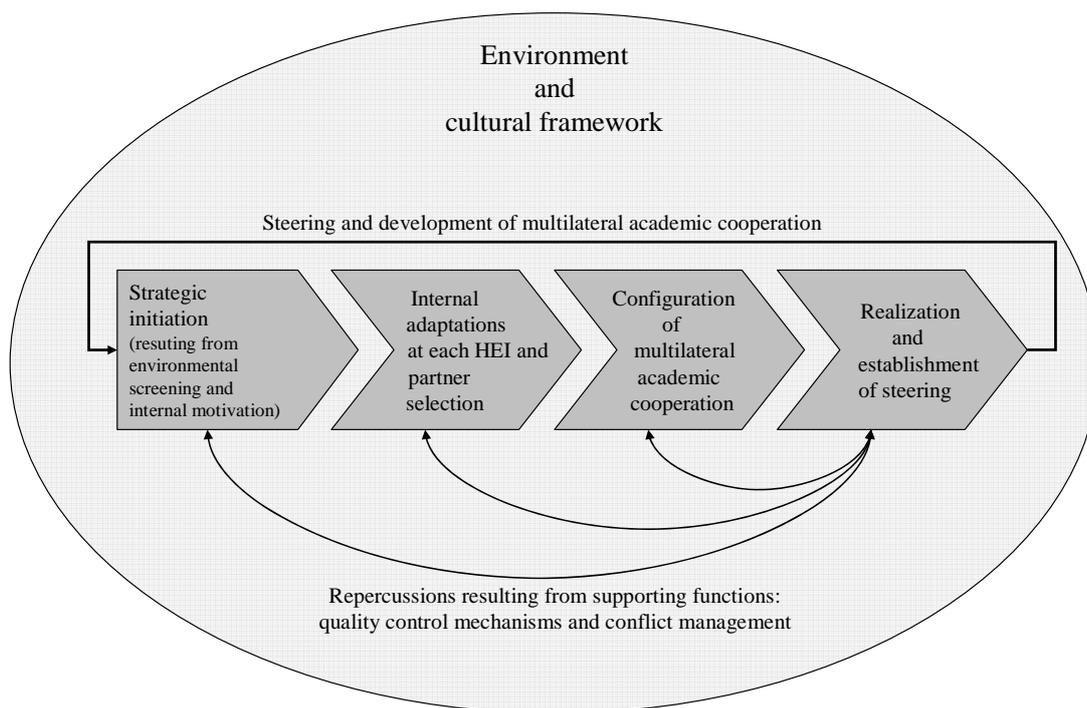


Figure 17: Overview of the Four Stages towards Multilateral Academic Cooperation

6.1 Synthesis of Studies and Inference

The process model presented integrates independent ideas about cooperation and internationalization in HE, outlines the characteristics of multilateral academic cooperation, and presents these issues within a coherent framework. This thesis refers to research in economic theory and the HE sector and takes account of current developments in HE. By this approach key elements within a cooperative process of internationalization are identified. A framework for assessing levels of multilateral academic cooperation is provided subsequently as a four-stage model.

In Chapter 2 HE and related institutions are defined and special characteristics of the HE sector are outlined. Diverse influences from politics, society, and business are analyzed, and differences between government and private investment in HE and respective repercussions are distinguished. Development in the HEI itself towards increased autonomy and self-management is of interest for a comprehensive analysis of environmental conditions HEI are placed in. This chapter brings about fundamentals for Parts 6.2 and 6.3, contributing definition of external influences on HE and description of institutional restructuring processes.

In Chapter 3, the historical development and current situation of the European HE sector is described, laying foundation for the first assumption of this thesis: The need of internationalization in HE and the consistent decision of an HEI for this step. The internationalization process of HE in Europe is catching up with demands on the international market and aims at facing international competitors. A strong tendency towards cooperative initiatives in order to best serve the market's demand is visible in the HE sector. Allocating scarce resources and competencies within cooperative structures is assumed to be the future concept for HEI striving for an international reputation.

The impact of Chapters 2 and 3 contributes to the general assumptions the model is based on. As a first assumption, this thesis states that HEI are facing the need to internationalize internal structures and services offered and assumes the institutions' decision to do so. Because of scarce resources and market demands, the HE sector follows the same development towards the international division of labor as the business sector does. The second assumption of this thesis concerns the focus on multilateral cooperation as one possible way for HEI to internationalize. Studies presented in the first two chapters have shown that multilateral academic cooperation is increasing and HEI are in need of a conceptual framework in order to efficiently manage this process.

Theories for cooperative behavior and concepts for internationalization in business are the subject of Chapter 4. Approaches and findings are applicable to HEI, given that the institutions are becoming increasingly self-dependent, efficiency-oriented organizations. Especially public and former public HEI can take advantage of the theories' suggestions and internationalization models. For a long time, public institutions were purely government dominated and detached entities. They are not used to the development of strategies and the management of cooperation. Approaches to the internationalization process and reasons and solutions for respective steps are offered by presented theories and models. They are taken into account in Parts 6.4 and 6.5, where structure and intent of multilateral academic cooperation are defined, proposing HEI an approach for internationalization via a cluster model.

Chapter 5 undertakes a synthesis of external and internal issues influencing HE, places findings of economic theory in the context of HE, and presents internationalization models related to HE. The chapter merges theoretical and practical aspects in order to reveal assets and drawbacks in current internationalization processes in HEI. Research on internationalization in HE has traditionally focused on internal procedures and individual processes leading to curriculum changes and mobility of staff and students. Today there is increasing attention on

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multilateral cooperation in HE which can be explained by the reforms and market demands described previously. The thesis honors these findings and highlights the importance of a high level of internal motivation and competent leadership, able to manage such complex engagement. The approach presented points out the necessity of HEI to overcome traditional education systems and rules in order to define a new kind of international HE cooperation. How cooperation in academic activities can contribute to this development of international profiles is not yet defined by research. This thesis undertakes the necessary step from descriptive to prescriptive and guides HEI in the professional development of multilateral academic cooperation.

The four-stage model for multilateral academic cooperation, evolved by this thesis, is founded on the basis of the above quoted research findings and the author's own work. Figure 18 gives an overview of factors influencing HE and contributing to the model.

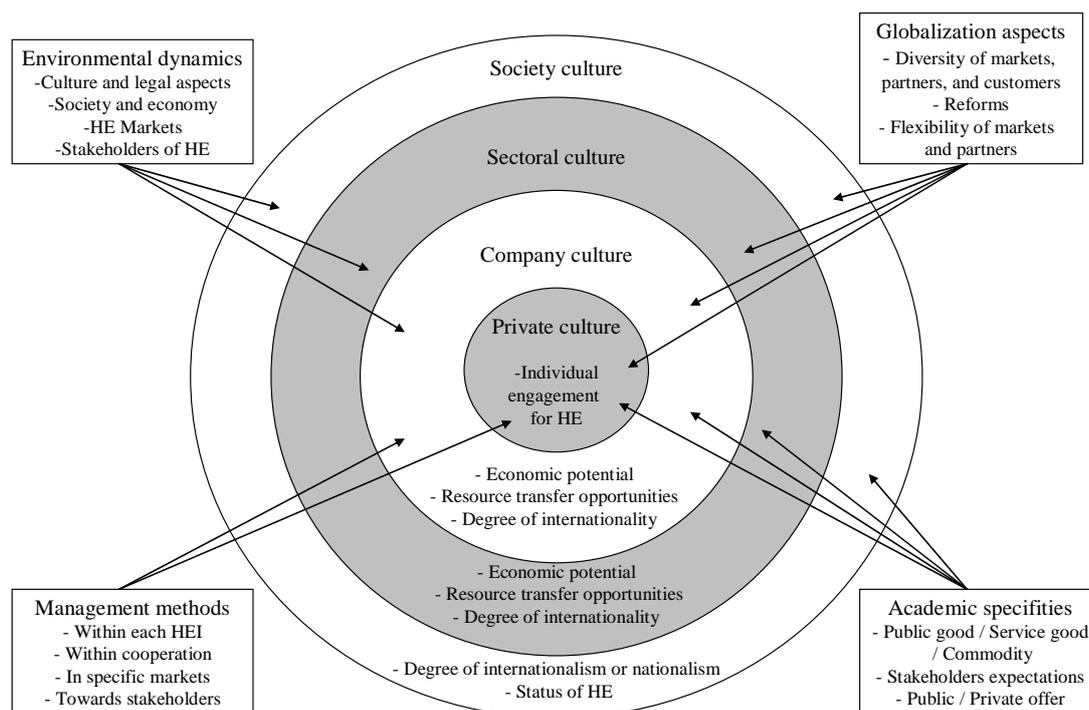


Figure 18: Internal and External Environment of Multilateral Academic Cooperation

(Adaptation of Fayerweather 1989, p. 927; Dülfer 1996, p. 218; Scheuss 1985, p. 87)

The presented theories and strategy approaches demonstrate that HEI neglect strategic thinking in their internationalization process. A conclusion that can be drawn from the findings of Chapters 3 and 5 is that HEI have made their strategic decisions in an ad-hoc manner, based on emerging tendencies and spontaneous opportunities. Until recently, organizational man-

agement and multilateral cooperation were only recognized as a research area in HE, and not accepted as an issue to be implemented in HEI. This attitude has changed, and today HEI demand applicable concepts for internationalization and cooperation. The model developed by this thesis offers an approach to one option in the HE internationalization process: Multilateral academic cooperation. In addition to purely hierarchical solutions of implementing subsidiaries in foreign countries, or purely market solutions of buying course packages at foreign institutions, the presented model offers a solution to multifaceted international exchange in the academic and educational sector. The particular impact of this model lies in the multilateralism of academic cooperation. Cultural influence is, therefore, a dominating issue in all aspects of the model.

6.2 Environment of Cooperation

Multilateral academic cooperation is situated in a complex environment of diverse cultures and stakeholders which influence HE and the institutions involved. Adequate reaction of HEI to this environment has similar features in all cultural surroundings. From definitions in Chapter 2, economic theories in Chapter 4, and models for HE internationalization in Part 5.3, five main sources of external influence affecting HEI are deduced by this thesis: Politics, society, stakeholders, law, and culture. These environmental factors cannot be influenced directly by HEI and cooperation but are given parameters, as presented in Part 2.1. They are decisive external factors with regard to content and process of multilateral cooperation between HEI. These factors determine environment of cooperation to a great extent, and a comprehensive analysis provides HEI with a concrete idea of cause-effect relationships (Mintzberg 1983, p. 32ff.). Only adequate reaction and constructive interaction can result in a positive impact of these factors and contribute competitive advantages, as described in Part 5.1. The process model provides proceedings applicable by HEI in all environments, and deduces statements having general validity for academic cooperation in the international HE sector. Figure 19 visualizes the ongoing process of environmental analysis, necessary to solidly establish and efficiently maintain multilateral academic cooperation.

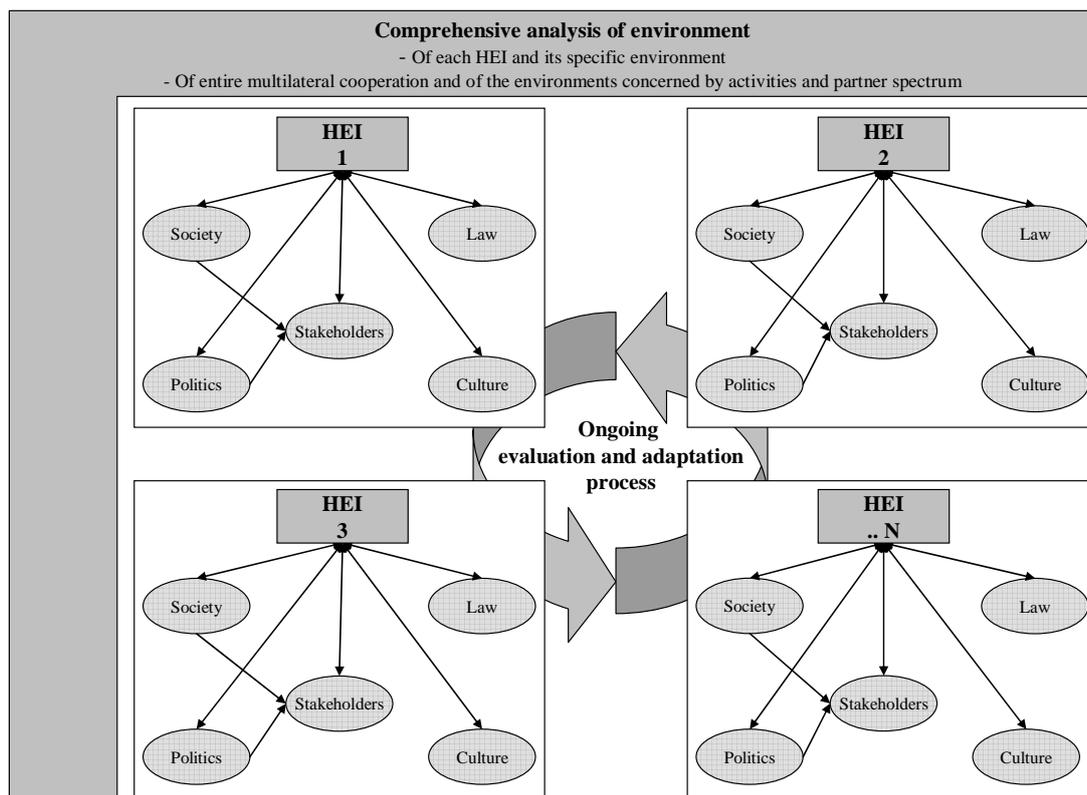


Figure 19: Environment of Multilateral Academic Cooperation

Politics influence the HE sector since most education systems are state-governed and underlie strict regulations. Institutions operating within one or even more political systems have to be aware of the national political settings and expectations, and of the degree of influence these exert. In addition to taking into account reforms which change standards and vary the levels of autonomy respective partner institutions hold, HEI also have to anticipate future developments.

Society has impact on HEI, their activities, and development by its expectations towards the educational system and services offered. It is crucial for an institution's positioning whether society regards education as a public good or as a commodity, and which attitude society has towards the fostering of elites. The demand for educational services in a country determines an institution's ability to enter the respective market.

Politics and society are traditionally accepted **stakeholders** in HE. Current developments enlarge this group to students and external parties, such as companies and foundations. In a multicultural environment management of cooperation has to take account of varying perceptions and changing relations between groups of stakeholders and participating institutions.

National and international **law** shapes diverse legal frameworks for HEI and their activities and the services offered. Aspects to take into account are legal systems of national HE and legal regulations in foreign markets, as well as the choice of contracts multilateral academic cooperation has.

Culture is of dominating influence in a multilateral network since this factor is omnipresent and affects all other aspects of cooperation. As a fundamental for international success, HEI have to define their internal culture and to be successful within their respective national settings. As a second step, partners have to be able to successfully lead multilateral cooperation in diverse cultural settings. A “*fit*” between individual cultural concepts of HEI and a merger of these into a joint mission for multilateral academic cooperation has to be achieved.

In addition to these five dominating factors, certain environmental conditions favor cooperation and networking in the HE sector. The existence of specific competencies, distributed among potential partners, and education markets with high innovation demand and high risk potential, present such situations. In these cases HEI tend to cooperate in order to increase their learning ability, flexibility, and efficiency. Contingency theory delivers the theoretical foundation for this assumption, connecting environmental conditions and cooperative forms by an efficiency hypothesis, as described in Part 4.1.2. Recognizing the external factors mentioned above, and mastering them at each HEI, is a mandatory step towards multilateral cooperation and development of competitive advantages. The know-how about the respective influence of environmental factors at partner institutions and a joint agreement on how to treat and react to them is prerequisite for assessing success factors, as described in Part 5.1. The framework for cooperation proposed in this thesis reduces complexity of environmental conditions by recommending an approach to the five dominating factors, which are of equal relevance for all kinds of HEI in all surroundings.

6.2.1 Political Influence

State-dominance in most European HE systems makes appropriate reaction to politics a factor of success for HE cooperation. National and international levels of political influence exist in multilateral cooperation, resulting from the diversity of partners. The multitude of influences of national and European politics in the context of HE reforms is presented in Chapter 3. On a national level, political expectations and conditions are given parameters for each HEI. It is necessary to develop solutions for ideal management and development of institutions under these conditions. On an international level, reform processes and diverse educational systems

have to be respected by HEI, and the ability to cope with diversity and react flexibly is essential for multilateral academic cooperation.

A primary consideration at each institution is the **general attitude of national politics** concerning multilateral academic cooperation. Actors need to be aware whether politics is interested in intensive international long-term cooperation between HEI or not. In addition to encouragement, meant to increase the capabilities and competitiveness of national HE systems, reactions of disapproval can occur, given that the loss of competitive advantages and know-how are possible results of cooperation. Such conflicts between political targets are of relevant impact for decisions of HEI. National political **expectations** towards the HE sector are presented in Chapter 2. Dominant aspects of HE, which politics expect to be delivered and respected, are:

- Access for entire population;
- Moderate study fees;
- Quality assured by self-assessment and accreditations;
- Awarding of state-recognized degrees;
- Basic research.

By these expectations politics want to assure that education is the source of development for their country and economy. Political **conditions** to provide these services are given by formalized education systems. Within these, a responsible body, clearly and hierarchically distributed responsibilities, and administrative and decision processes of HEI are defined.

Expectations and conditions of national politics further the character of education as a public good and can prevent efficient management in the sector, as described in Chapter 2. Political expectations often focus on quality and do not include the financial perspectives. In addition, political conditions are mainly concerned with providing a structural framework instead of financial options. The result of this approach is an unclear autonomy status for HEI and financial addiction between HEI and related stakeholders, especially governments. This causes principal-agent problems, as described in Part 4.1.1.2. A principal, in the given case the local government, has a mission and financial resources and enables agents, the HEI, to perform certain tasks, represented by education and research. This concept is meant to lead to rational decision-making in HEI, without making the institution rely or depend completely on the market's invisible hand or on strict hierarchical structures. The broad understanding is that a

pure market solution to educational services would not serve the public interest. For this reason, it is argued, as presented in Chapters 2 and 3, political influence should always be a part of HE, without overpowering the institutions' own management. Since HEI are expected to produce value rather than profit, they face the challenge to act efficiently on the market, while respecting quality expectations and regulations of politics.

This thesis proposes four major activities as a reaction of HEI to this contradiction:

- Application of new organizational models for HEI;
- Preoccupation with local and foreign HE system;
- Making use of political incentive measures;
- Exercising influence on educational politics.

Breaking up traditional relations and dependencies between politics and HEI can be achieved by application of **new organizational models**. These should intend to steer institutions from a distance through a funding organization, while there is a significant amount of autonomy in management within the institution itself. Intensified relations to external stakeholders and alumni enable HEI to increasingly access alternative funding and become independent from governmental influence. With a rising degree of autonomy in financial and managerial issues, HEI leave the sphere of political impact.

In order to best react to diverse national politics which influence multilateral cooperation, an intense **preoccupation with the respective national education systems** is mandatory. Successful management of HEI and cooperative relations is only possible if specific national interrelations between politics and institution are known, and if actors in HE are able to apply relevant measures for taking influence on these interrelations. This necessitates a good understanding of the degree of autonomy HEI in a respective foreign country have, and a thorough awareness of the impact of politics in foreign HE systems and institutions. The analysis of foreign HE systems enables HEI to detect corresponding educational systems and potential partner institutions for academic cooperation. Manifold studies provide an overview and classification of national HE systems (Teichler 1990a; Philipp 2000). Institutions can use these to get to know proper and foreign HE systems and to be able to influence and develop educational politics. Figure 2 in Part 2.2.3 presents characteristics of a selection of European HE systems and provides a rough overview of diversity, multilateral academic cooperation faces.

As an additional measure to assure that politics recognize the will of HEI to change and develop, these have to **make use of proposed political incentive measures** for internationalization and cooperation. These are represented by standardized exchange programs for students and staff, financial support for infrastructure, and advisory services for internationalization strategies. DAAD is the major partner for German HEI, followed by various foundations supporting HE development. Signaling engagement in internationalization is the best way to allow HEI to demand more political support in this process.

On the international level, the influence of politics concentrates on general reforms of HE concepts. As described in Chapter 3, European and international reform processes are having an increasing impact on cooperative activities in the HE sector. This results from the intention of international politics to harmonize national systems of HE to a certain degree. Related changes in national systems and diverse structural options for the HE sector demand the attention of all actors in HE. Major projects on the international political level concern concepts for elite-fostering, establishment of study fees and financial support measures, discussions about education as a public good or commodity, and projects for the harmonization of the diverse systems and degrees.

The **engagement of HEI in these reform processes** is the only and mandatory solution to having an influence on international political developments. To engage in designated committees in order to shape the national frame for HE is a time-consuming, long-term approach. Staying in contact with respective representatives and committees is necessary in order to form positive conditions and to give the EHEA the shape institutions need. Only when represented on the international political level, can HEI be aware of directions in reform processes and react adequately within their respective environment.

Political impact on multilateral academic cooperation is currently of a great extent. With ongoing reforms, leading to an increase in efficiency in the HE sector, greater autonomy of HEI, increasing market transparency, and new orientation in HEI services and structures, the influence of politics is decreasing. The increasing internationality of markets, harmonization of educational systems, and growing independence of HEI facilitates academic exchange and cooperation. This thesis regards knowledge of the political impact in foreign and national education systems, and a certain level of suitability of the partners' educational systems, as mandatory prerequisite for long-term and efficient multilateral academic cooperation.

6.2.2 Impact of Society

Society influences HEI, their activities, and development by expectations towards the educational system and the services offered. This thesis reduces the variety of influencing factors by selecting four aspects of social influence, characterized as dominant by the analysis in previous chapters:

- Changing relationship between governments and HEI;
- Expectations of the labor market;
- Socio-political developments and peoples' attitude towards education;
- Self-image and external perception of HEI.

The dominant impact of society on HE results from the strong boundaries between **HEI and government**. As described in Chapter 2, this relationship is strictly regulated in most European countries. The HE sector underlies specific rules made by the government and is dedicated to fulfilling the demand for general education for the nation (Webler 1990, p. 65f.; Müller-Böling 2000, p. 92). Relationship between HEI and society is changing, related to national and European educational reforms which increase autonomy of institutions and internationalize the HE sector as described in Chapter 3. Therefore, HEI engaging in cooperation need to intensely analyze the relationships of institutions and society in other countries. This evaluation allows HEI to detect positive and negative repercussions academic cooperation can have. HEI have to be aware that current reforms result in quickly changing environmental conditions, and make it difficult to estimate the situation of potential partners and markets.

A second societal impact on HE results from the expectations of the **labor market**, which focus on inter-cultural competent and intellectually flexible employees, willing to learn. The educational sector has to respond to this need by offering life-long learning concepts, by training people to take responsibility, and by teaching them to deal with increasingly complex situations on an international level. In addition, information and communication technologies are of increasing impact in business and education. Academic cooperation has to strive for contact with the labor market, accordingly with companies, wherever possible in order to assure the necessary mix of theory and practice in education. As one approach, conferences and discussions about subjects related to current issues can be integrated into curriculum and service packages. Such offers attract attention and increase interaction on organizations' and participants' levels. In recent years, soft-skill courses, educating participants in societal as-

pects, have become an elemental part of education in nearly all HE systems. In order to respond to market growth and competition, described in Part 5.1, HEI have to revise their structure and offer. Given the restricted resources at each institution, HEI are best able to respond to markets' demands by multilateral academic cooperation. By joining forces, HEI can offer an advanced mix of theory and practice, facilitate the combination of education and business life, and, by using of multiple competencies, HEI can establish a comprehensive life-long learning concept.

As a third aspect, **socio-political developments** influence the educational sector in two ways: Internally and externally. Internally, decisions about structure and services of HEI are to be revised under the aspect of demand in educational markets. This demand is closely linked to the social structure of each nation. Externally, society has an impact on HEI and cooperation by its attitude towards education and its demands towards the educational system. Relevant aspects of societal perception, which HEI have to detect by an environmental analysis, are the level of understanding of education as a public good or a commodity, and the attitude of society towards study fees. Given that the educational sector is highly integrated in the development and shaping of society, as described in Part 3.1, its actions need to represent an example in terms of correct and normative management. The socio-political element, representing public interest, adds to the economic demands asserted towards HE and cooperative management. Ethical aspects have great influence on decisions in the educational environment. The attitude of society towards fostering of elites is an additional issue to be taken into account by multilateral cooperation. Understanding and acceptance of elite-fostering varies among nations and has an impact on educational services cooperation can offer in the respective market. One measure to foster understanding and acceptance between society, participants in education, and HEI are social projects, embedded in educational programs.

The fourth influence society has on HE is related to the perception of institutions and services by society. Self-image and **external perception** of HEI or cooperation do not necessarily correspond. HEI have to apply different measures in order to establish their identity on national and international levels. Optional measures to do so are social engagement, scholarships, life-long learning systems, and alumni concepts. The case is even more complicated concerning image and reputation of academic cooperation, since multiple cultures are concerned and cause diverse perceptions of cooperative engagement. Establishing a joint mission and culture is the first step, which subsequently needs to be communicated to and accepted by the market and by respective societies. Codes of conduct having validity in diverse cultures and societies

have to be established in order to clarify the intentions of multilateral academic cooperation. These help to show the interested public that norms and rules of national and international influence are respected and followed. As there are no legal agreements behind these cultural and socio-political orientations of cooperation, they are guidelines imposing psychological pressure without real power behind them (Berg 2003, p. 401ff.).

Multilateral academic cooperation has to respect these four aspects of societal influence and has to take them into account in decisions. Appropriate reaction to approaches from the labor market and society is a success factor for academic cooperation. Society and companies represent the major customer groups of HEI. They are, therefore, important external stakeholders and influence institutional and cooperative strategies and development. In addition, it is important for academic cooperation to provide a message and to be reliable in order to convey the positive example society expects of HEI. With increasing internationality and new educational models, positive perception of HEI and academic cooperation in society becomes a competitive advantage. This development requires increased quality management and transparency of HE offers. Application of internal and external assessment measures, accreditations and rankings, and a competent communication system enable multilateral academic cooperation access to this advantage.

6.2.3 Stakeholders in Higher Education

According to the definition of Freeman and Reed, stakeholders are *“any group or individual who can affect or is affected by the achievement of the organization’s objectives”* (Freeman and Reed 1983, p. 91). Appropriate reaction to stakeholders, and their successful integration into academic cooperation and the respective HEI, is a new challenge in European HE. Engagement of companies and society in HE is a phenomenon resulting from reform processes in many European countries and from the increased awareness of HEI to external demands. Stakeholders have demands towards the educational offer and thus contribute to the development of institutions and cooperation.

Internal and external stakeholders can be distinguished; their involvement in HEI differs in intensity and impact (Neave 2002; Qiang 2003, p. 254f.). **Internal** stakeholders are represented by administration, teaching staff, students, and alumni of the respective HEI. Traditional **external** stakeholders in HE are politics and society. Politics and society are presented in detail in Parts 6.2.1 and 6.2.2, with respect to their complex impact on HE. The group of external stakeholders is enlarged by current developments in HE, presented in Chapters 2 and

3, to include companies and foundations, other HEI, media, and associations. Each HEI has to maintain close contact with its respective stakeholders (Sacconi and Tamborini 2004; Qiang 2003, p. 254f.). Integration of their ideas and impact of their acceptance or non-acceptance of the institution's activities are often neglected. With reference to earlier parts of this thesis, the growing importance of stakeholders as external factor, having influence on multilateral academic cooperation, is evident. The appropriate reaction of HEI to this evolution is the involvement of stakeholders in diverse projects and on multiple levels of institutions and cooperation. Diverse approaches to stakeholder management are analyzed and tested in research. Examples are given by Sacconi and Tamborini (2004) for HE, Scharioth and Huber (2003), and Neave (2002).

Internal stakeholders have direct impact on the development of HEI by their engagement in the institution. Being the backbone of communication and processes in institutions, administration as one stakeholder group has to be involved in restructuring processes. If this stakeholder group is well-cared for, facilitation of internal processes and an essential increase of efficiency within HEI can be reached. Teaching staff and students, as a second internal stakeholder group, are directly affected by changes in curriculum, new programs, and the international impact of cooperation. Their insight has to contribute to planning and definition of international aspects of teaching and research. Alumni, a long-neglected, internal stakeholder group, are highly influential on the positive development of HEI and cooperation. If intensive relations to this group are established, alumni contribute to an institution's company contacts, reputation, and financial resources. Their type of involvement in strategic development also contributes the potential and skills of highly educated people to the processes. Resulting from the establishment of life-long learning structures, internal stakeholders have an increasing impact on educational activities and institutional structures. Measures, enabling cooperative management to steer and control internal stakeholders, are incentive schemes, conflict management, and integration of this group into decision finding and internal assessment. Intensive engagement of students, teaching staff, and alumni over time binds people and their competencies to institutions and cooperation. Having the ability to create such a network, academic cooperation possesses a competitive advantage, difficult to copy by competitors.

Fostering of **external** stakeholders leads to essential competitive advantages for HEI. Politics and society represent traditionally acknowledged external stakeholders of HE, whose impact is described in Parts 6.2.1 and 6.2.2. It is especially society that represents an influential stakeholder, given that this group comprises customers of educational services. HEI have to

react to demands of these groups by engaging in reform processes and by involving society in institutional activities. Contribution to society can be realized by social projects developed within HE programs, or by basic research accomplished at HEI and within cooperation. Companies and foundations are new external stakeholder groups, emerging from the increasing demand for alternative funding resources and from new management options (Slaughter and Leslie 1997). Good relations to companies can result in financial and management support for HEI and cooperation. Boards of trustees are a measure multilateral academic cooperation has to make use of, in order to involve companies in decision processes and to assure respect of their experience and demands (GMAC 2005, p. 85f.). Other HEI, press and media delegates, and diverse associations are additional stakeholders to be taken into account when striving for a good reputation and the stable development of cooperation and related institutions. The press in particular has an impact, resulting from its influence when portraying the multifaceted education market. Public-relations departments of HEI have to deal professionally with information placement and have to respect the impact of the press on the establishment and maintenance of reputation. Other HEI are potential partners or challenging competitors, which need to be monitored. With rising autonomy of HEI and their increasing international engagement, all external stakeholders gain in importance. They contribute to the diversity multilateral academic cooperation is able to offer and are influential parts of the markets HEI operate in.

Besides managing the fostering of their own stakeholders, HEI have to be informed about stakeholders related to partner institutions in cooperation. Contingency theory, presented in Part 4.1.2, offers approaches to analyze the environment and interrelations of HEI and surroundings with respect to specific situations. For long-term cooperation, clear communication about the level of influence and the status of importance of stakeholders within each HEI is mandatory. Meaning and impact of the different groups have to be defined and accepted by all partners, given that internal and external stakeholders' approval and support is relevant for the success of cooperation.

6.2.4 Influence of Legal Settings

Regardless of the level at which multilateral academic cooperation takes place within an HEI, contractual arrangements are necessary in order to coordinate relations among the actors. It is especially in the situation of partner multi-nationality, that the diversity of national legal conditions has to be considered. The objective of contractual agreements is to promote efficiency

among transaction partners and to reduce macro- and microeconomic instabilities. Informal and formal agreements have the objective to minimize distributional conflicts and to reduce disputes. While managing the common ground of international behavioral patterns established for cooperation, partners in multilateral cooperation simultaneously have to pay attention to domestic rules and norms (Hollingsworth and Boyer 1997, p. 31). When defining the legal environment and foundations of multilateral academic cooperation, three levels have to be considered:

- The institutions' internal and national legal conditions;
- General legal aspects of cooperation and transactions;
- Legal aspects of cooperation on the international level, beyond national laws.

Chapters 2 and 3 of the thesis highlight the differences in legal conditions among nations' educational systems. Whether HEI are of private or public structure and which country they are situated in, play a dominant role for the legal framework they are tied to. Since the education systems and institutions of many European countries are state-dependent, the environmental factor of political influence, as described in Part 6.2.1, has great impact. **National legal conditions** influence an institution's autonomy and ability for cooperation. In addition to the promoting, as well as the restricting, effects of their national legal settings, HEI aiming for multilateral cooperation must face foreign national law. The legal situation of considered partner institutions has to be taken into account with equal intensity as national settings. Factors having an impact on the formation and efficiency of multilateral cooperation are: Whether the partner is state-dependent or privately organized; the partner's level of autonomy and organizational structure; the degree of correspondence between concerned national laws. Besides different national legal conditions for HEI, the legal foundation of foreign markets cooperation wants to enter is an aspect to be taken into account. HE reforms taking place on national and European levels, as described in Chapter 3, influence the legal settings and legal autonomy of HEI as well and have to be monitored carefully.

Legal aspects of cooperation and inter-organizational transactions are presented in Part 4.1.1.4. Contract theory proposes differentiated contractual solutions, corresponding to the needs of varying strict cooperative structures and exchange relations. Actors can choose between classical, neoclassical, or relational contracts, corresponding to the level of trust and commitment in cooperation and to the features of transactions between partners. In addition to the choice of a contractual form, legal aspects of services offered demand special attention in

HE cooperation. As discussed in Part 2.1, services of HEI and the offer of the service sector have similar features. Immateriality, the difficulty to determine price and quality, and the need of location-specific production are characteristics demanding special legal agreements. HEI engaging in cooperation have to take into account the special aspects of rights related to these intangibles, as presented by property-rights theory in Part 4.1.1.3. Diverse national regulations demand additional attention of HEI. Besides official agreements on service-related legal conditions, multilateral cooperation has to establish an internal structure of clearly defined targets and responsibilities. This can be done by informal extension of standardized exchange between HEI on the binational level. The fundamentals of primary cooperative agreements are MoU and LoI, representing informal but psychologically binding pre-contracts, which are presented in Part 5.2.2.

Entering a multilateral academic cooperation, with long-term aspirations and a high level of commitment of partners, demands legal structures to be more efficient and binding than these general agreements. Cross-border activities need a special framework of contracts, merging various national laws in order to support comprehensive and long-term international cooperation (Dülfer 1996, p. 339ff.). Legal aspects of multilateral cooperation are presented in Parts 4.3.4 and 5.4.1, highlighting that no international law for cooperative agreements exists. One option to give multilateral cooperation an **internationally accepted framework** is relational contracts based on combinations of national legal structures. As a consequence, isolated legal solutions from case to case are state-of-the-art, allowing HEI to cope with national legal varieties and construct an individual framework for joint engagement. The legal solution to multilateral academic cooperation proposed by this thesis is the EEIG, presented in Part 4.3.4. National diversity is respected and inalienable legal aspects are condensed into one framework accepted by all EU Member States. The EEIG offers a framework applicable for multilateral cooperation even on the international level. The need of multilateral academic cooperation to find a set of legal foundations, acceptable to all partners and stabilizing the cooperation, is answered by this concept. Literature on the EEIG can be found at EC (1998b), EURYDICE (2004), and Libertas (2001); the work of Wüllrich (1972) and Schlüter (1973) analyses contractual issues and application of the EEIG in detail. Application of this legal concept for multilateral academic cooperation is described in Part 6.5.2.

6.2.5 Cultural Issues

Culture has great influence on multilateral networks, since this external factor affects all aspects of cooperation. Culture, being a part of national and socially shared behavior, as presented in Part 6.2.2, is not influenceable by a single entity. Only the choice of partners and markets allows HEI a certain influence on cultural diversity within cooperation and environment (Perlitz 2004, p. 249ff.). This thesis focuses on the cultural aspects directly related to the establishment of academic cooperation and the performance of the network. This limitation excludes the analysis of cultural differences in teaching methods or other cultural aspects being of minor impact for existence of cooperation. The particular focus is chosen in order to facilitate an intensive overview of the dominating cultural aspects which shape multilateral cooperation, and allows HEI to concentrate on these aspects in a first step.

Resulting from the findings of research presented in Chapters 2 and 4, and revealed by the studies of Dülfer (Dülfer 1981) and Skinner (Skinner 1964), major aspects characterizing a cultural system are:

- Values and beliefs;
- Relationships and motivating factors;
- Status symbols and customs;
- Institutions and social mobility.

In addition, HEI and cooperation can make use of the concept of Hofstede in order to identify potential partners for cooperation and to analyze new markets (Hofstede 1993, p. 35ff.). The concept defines four dimensions distinguishing central cultural features, and it allows the detection of compatible cultural environments. By this classification, cultures may be roughly distinguished according to their attitude towards power distance, individualism or collectivism, masculinity or femininity, and risk adversity. This approach is suggested in order to detect suitable partners and to analyze diversity of markets. It enables HEI to reduce complexity and to detect common features in foreign cultural environments.

Assuming, that academic networks consist of more than three partners, the variety of cultures can range from three to an infinite number, as defined in Part 5.2.2. Each institution engaging in cooperation is, therefore, acting in a triangle of cultural systems. Figure 20 illustrates this triangle, which is formed by the respective institution's own culture, societies' cultures, and cultures of markets or partners concerned by the cooperation in question. Complexity of this

Concept for Multilateral Cooperation of Higher Education Institutions

triangle increases with the amount of partner cultures involved in multilateral cooperation. Barriers of different kinds are the result of interaction within these cultural areas, and overcoming the emerging individual and social limits is the task of cooperative management (Kreikebaum et al. 2002, p. 96).

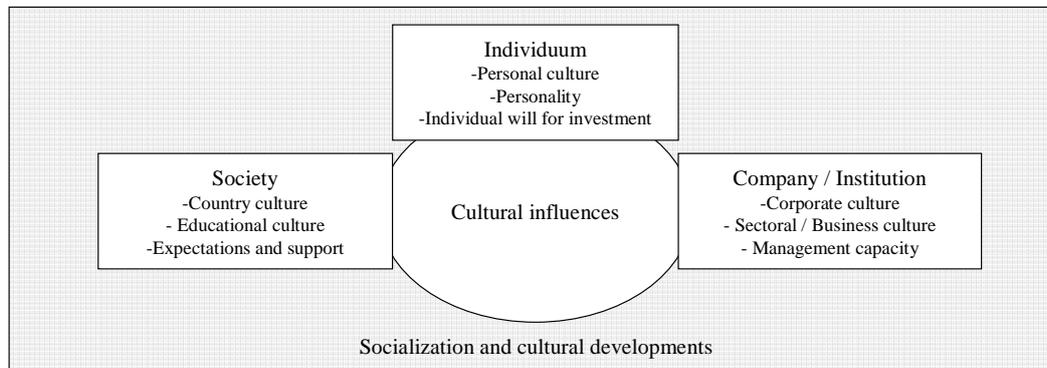


Figure 20: Cultural Triangle

(Based in Part on Perlitz 2000, p. 281; and Keller 1982, p.143)

The **internal culture** of each HEI is a starting point for cooperative approaches. The internal culture is closely linked to and established in accordance with the respective national culture in which the institution is found. In order to develop its internal culture, an HEI has to establish a “*fit*” between its own mission and goals and its environment. While providing a stable framework for daily activities within the institution, culture needs to be developed and adapted to new situations in an ongoing process. This implies the capacity of the cultural framework to cope with internal restructuring, to endure the influence of foreign partners’ cultures, and to provide conflict resolution measures. Major aspects to be taken into account when choosing a partner for cooperation, or entering a foreign market, are: Tension between the organizational culture and the foreign national culture; degree of foreign aspects in other cultures; and possible communication difficulties (Dülfer 1992). In order to adapt their internal culture for multilateral cooperation, this thesis proposes to the management of HEI to consider the findings of the contingency theory, presented in Part 4.1.2. This theory offers approaches on how to organize management structures in different cultural environments. Theories assume, and examples of successful international projects show, that there is no best approach but only individual ways to realize pursued objectives in specific cultural environments. To restrict the resulting complexity, HEI have to establish individual features around a general framework when starting to develop multilateral academic cooperation. As presented

in Part 4.2.3, the choice of a transnational strategy is the best solution to enable HEI international activities and cooperation. This approach allows HEI to take advantage of national diversities, while providing a general framework of norms acceptable to all cultures.

The respective **national culture** is familiar to each institution and does not contain surprising or challenging elements. It rather provides the cultural framework to which local HEI refer. National cultures are developed by society and politics, the two dominating external factors influencing HEI. Institutions, therefore, need to closely monitor national reforms in order to stay informed about changes, exert influence, and adapt their strategies.

The **external cultural environment** of cooperation plays an important role in the internationalization process and the cooperation's performance on foreign markets. International organizations, and thereby multilateral cooperation, act in geographically separated and heterogeneous environments. Sociocultural, political, legal, economic, and technical conditions vary respectively. It is the task of cooperative management to deal with these environmental heterogeneities. Transferring services, productivity structures, and cultural aspects of cooperation to all relevant cultural environments is part of the duty of cooperative management. Integration of the complex conglomerate, established by cooperation, into all cultures, results in a success factor difficult to copy by competitors (Pausenberger 1992). In order to be aware of differences and common aspects within all cultures concerned by cooperative activities, management of cooperation has to analyze the multiple cultural environments. The varying intensity of environmental and cultural factors is to be respected, and interrelations with diverse stakeholders have to be managed. Application of a transnational strategy enables HEI, which strive for cooperation on an international level, to cope with corresponding cultural challenges. External cultural aspects rise along with the increase in the number of partners engaged in cooperation. This issue limits expansion of multilateral academic cooperation to a certain degree. Management of multilateral cooperation has to take into account that adaptability of corporate culture and cooperative activities to all cultural backgrounds simultaneously is not possible.

In order to allow long-term cooperation, a **corporate culture** has to be developed by the partners, which is able to cope with all three cultural dimensions surrounding cooperation. Harmonization of the chosen corporate culture with nation- and industry-specific environmental factors often is the key-issue for achieving excellence in international performance (Nicolaidis and Millar 1997). Leading multilateral cooperation in diverse cultural settings demands awareness and know-how of national cultural surroundings, foreign cultural environments, and related perceptions and behavioral patterns. The management of cooperation has to

achieve a merger of the concepts of each participating HEI into a joint mission. The degree of cultural differences between partner institutions contributes to the definition of such a common normative system and culture for cooperation (Dülfer 1996, p. 180f.). Awareness of the cultural differences between partners increases the possibility of exchange and productive cooperation. Only an open-minded approach of partners allows – within time – the formation of a common organizational culture in an inter-cultural setting.

An additional aspect, determining the pace of development and complexity of cooperative culture, is the amount of transactions and intensity of cooperation. Besides awareness of differences, quality of a corporate culture within academic cooperation depends on the level of trust between partners. The development of a comprehensive and respected corporate culture for cooperation is facilitated if all HEI can rely on strong and open-minded national cultures, backing up the newly developed common system. Since multilateral cooperation is too complex, to be exclusively mastered by legal contracts, economic performance and success of cooperation depend on transaction costs, which themselves mirror the level of trust in cooperation. Therefore, a strong corporate culture can be an essential success factor which supports the economic performance of multilateral cooperation by informally contributing to problem elimination and by developing positive effects which are stronger than contractual agreements (Casson 1991, p. 4).

There are advantages and disadvantages of a joint corporate culture of which management of cooperation has to be aware. The cultural framework of cooperation is not only challenged by communication problems emerging out of language differences, but also by different interpretation of local norms and customs (Dülfer 1992). Some necessary characteristics of a corporate culture, which should arise especially within multilateral cultural surroundings, are tolerance and integration of different points of view, and agreement on similar visions and objectives. Challenges for the definition and realization of a corporate culture in multilateral academic cooperation are diverse national perceptions of duties and demands towards educational institutions. Early education of children, concepts for elite-fostering, and life-long learning are established with varying intensity and acceptance in different cultures. All HE systems have specific characteristics, which in today's HE cooperation are becoming increasingly related and linked to each other. The contingency approach, presented in Part 4.1.2, contributes the advice that successful international cooperation must be capable of flexible interaction and adaptation to specific environmental circumstances. The realization of multilateral academic cooperation is able to contribute to such a *mix of the best* of all cultures by merging

diverse cultural aspects in a cluster concept for life-long learning and by transferring values and norms between partners and environments.

6.3 Internal Preparation at each Higher Education Institution

The initial decision of an HEI for internationalization by multilateral academic cooperation is assumed. Expectation of yield maximization by rationalization and cost reduction within cooperative organization are dominant reasons for choosing a cooperative internationalization solution. Improved positioning on education markets, and rising market-influence of each HEI, is additional motivation for international cooperation (Endress 1991). Reasons and motives for engagement in international academic cooperation are presented in detail in Parts 2.3.1 and 4.1 of this thesis. In addition to these, competitive advantages, and strengths and weaknesses of respective HEI, as discussed in Part 4.2.3, are factors which influence the extent and content of cooperative internationalization. Once decided to engage in cooperation, each HEI has to define its internal potential for such engagement and has to deduce necessary adaptations of its internal structures. Figure 21 illustrates three major aspects of internal preparation this thesis puts in focus and which are described subsequently.

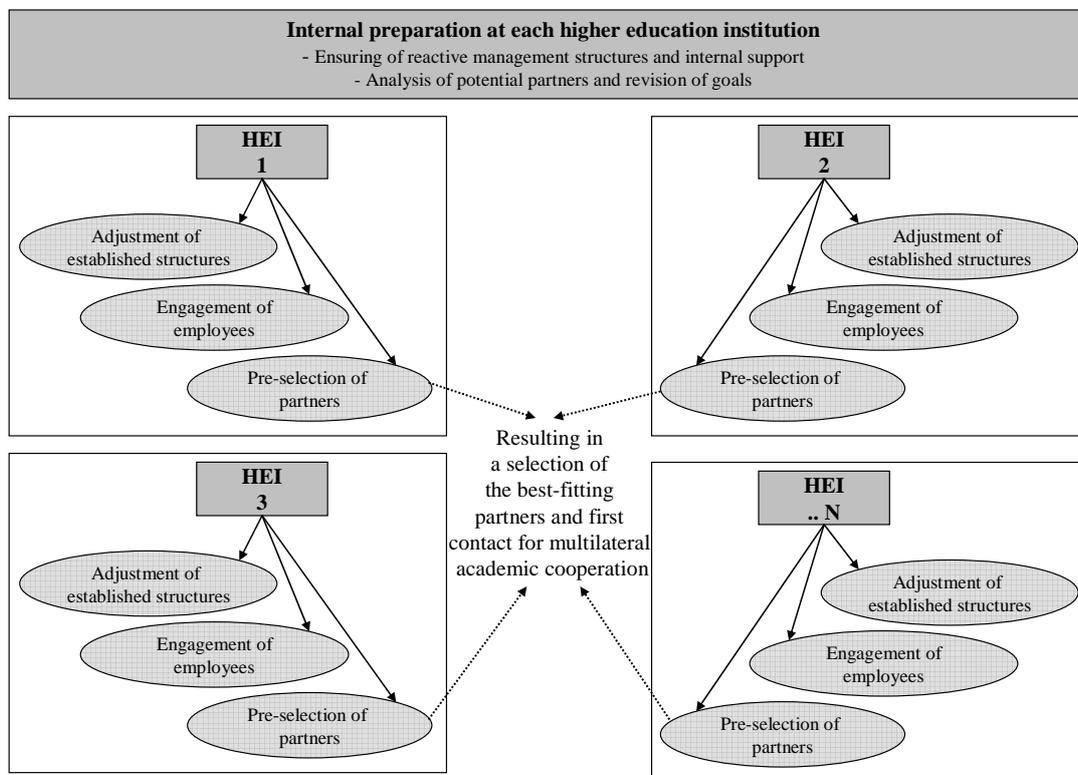


Figure 21: Internal Preparation at each HEI

After having decided for internationalization and before entering cooperation, each HEI has to **adjust established structures** and customs on the internal level in order to be prepared for multilateral exchange. Essential differences in structural adaptability exist between public and private institutions, resulting from diverse autonomy-status and governmental dependency, as presented in Part 2.2. General challenges imposed by multilateral cooperation are identical for both institutional types; they are represented by ambivalence of organization, culture, and mission between institutions and targeted cooperation. Besides the internal decision about how to adjust existent administration and leadership system to cooperation, HEI have to identify their individual need for cooperation. The identification of competitive advantages and options for the development of HE services and institution are essential steps of such internal analysis. Part 5.3 presents internationalization models HEI can apply for this internal preparation.

A second aspect of internal preparation is **engagement of staff**, which represents one part of the internal stakeholder group, in cooperation activities and related structures. Internal stakeholders' approval and engagement are relevant for the success of cooperation and contribute elementarily to the development and realization of multilateral academic cooperation.

Pre-selection of potential partner institutions corresponding to the cooperative idea and possibilities of the HEI is a third step of internal preparation. Before approaching foreign institutions and engaging in activities, a check on the cultural and organizational "*fit*" has to be made and clear awareness of internal expectations towards cooperative mission and structure is mandatory.

6.3.1 Adjustment of Established Structures

Governmental dependency, widespread fields of activities and services, and ambiguity of targets of HEI result in complex management systems and organizational structures, as described in Part 2.2. Supported by various reforms, described in Chapter 3, management of HEI increasingly adapt to organizational structures and cooperative solutions applied in business life and striving for efficiency. HEI face similar challenges as companies do, since they also need to react to national and international competition and the emerging demands of markets. Referring to solutions revealed by theory and experienced in business enables enduring establishment of flexible and competitive structures in HEI.

Management structure, financial structure, corporate culture, and relationship to stakeholders differ in public and private institutions. Chapter 2 describes alternative concepts of HEI and

respective external and internal factors influencing their activities and service offer. Consequently, internal preparation for cooperation is of unequal complexity in public and private institutions, but underlying aspects and necessary steps to be taken for international academic networking are similar. In order to provide a stable environment each institution has to clearly define these aspects and steps. Key issues in the internal adaptation process are defined in comparison with successful foreign institutions and private competitors in the European HE market. Additional aspects are contributed by assumptions of theories, as presented in Chapter 4, revealing complexity and challenges of inter-organizational transaction. This thesis summarizes these findings in eight points, on which HEI have to work, in order to prepare themselves for multilateral academic cooperation:

- Institutional autonomy;
- Institutional differentiation and adaptation of hierarchical structures;
- Competitiveness of the institution concerning students, professors, and capital;
- Service orientation;
- Internal and external evaluation;
- Supporting systems and services;
- Financial backup by national government;
- Private willingness to invest in education.

To further simplify the above list, this thesis divides necessary adjustments into three areas: Organizational management, learning and research structures, and administrative structures. An overlapping issue that has to be achieved is the total and informed commitment of the entire HEI and all stakeholders to the internationalization process and intended cooperation.

Adjustment in **organizational management** concerns organizational and operational structures of HEI. The focus of restructuring has to be put on the implementation of an efficient and process-oriented organizational system by conscious and proactive design of organizational solutions (Kreikebaum et al. 2002, p. 197ff.; Schlosser 2001, p 72). The organizational structure has to provide the framework which leadership needs in order to steer the institution towards long-term protection of competitiveness in the global economy. Besides re-arranging structures, personnel have to be informed about ongoing changes and upcoming new tasks. Early coordination of the internationalization strategy and cooperation is facilitated by effi-

cient organizational structures and can lead to significantly higher achievements in HEI (Borrmann 1997, p. 818ff.). With regard to government-dependent management of most European HEI, necessary adjustments in the organizational management system have to aim for institutional autonomy. Independence is essential for management of HEI in order to accomplish its central duty of institutional differentiation. Definition of objectives and related tasks, and positioning of services of the institution determine future possibilities and compose the individual mission of each HEI. In order to define the right internationalization strategy, institutions can refer to the experiences of business and apply similar procedures, as described in Part 4.2. Application of a transnational internationalization strategy is strongly recommended, given that this approach is most suitable for respecting cultural diversity within multilateral academic cooperation. Another aspect of internal reorganization concerns adaptation of traditional hierarchies, especially present in public HEI. While still being influenced by environmental dynamics, globalization, national interests, and politics, the improved management structures have to assure a flexible and liberal management which is able to react to changes and challenges. Furthermore, the internal organization of an institution has to be as flexible as possible in order to be integrated in cooperative structures without internal management losing control. It is mandatory for the cooperation process to early assign responsibilities and tasks to respective staff. Announcement of key-persons leading the process, being contact points and managing pre- and post-activities of multilateral academic cooperation is necessary internal adjustment. This situation is achieved by installing professional management, which fully concentrates on leading and developing HEI and cooperation, and not being diverted by teaching and research duties. This restructuring includes an intensified cooperation and communication between HEI's administration and teaching staff, as well as intensive interaction between the diverse levels of management and operational staff within the institution. Referring to the differences in HEI organizational structures, only the following general advice can be given: Strategic decision-takers like deans, chancellors and rectors of the institution need closely to interact with project-initiators, like professors, teaching-staff and other scientific personnel when international projects are initiated. Inclusion of administration, like HR department, marketing and communications departments and international office, for refining of organization and roll-out of the multilateral academic cooperation, is mandatory as well. As a result of this step of internal restructuring, each HEI should dispose of an adapted and well thought-out organigram, defining key-contacts, responsible persons and decision takers for the overall internationalization process.

A second aspect of the internal restructuring of HEI is the redesign of **learning and research structures**. Even before engaging in multilateral cooperation, new learning, research, and teaching concepts have to be discovered by analysis of foreign education systems. Adapting national and individual education concepts to international standards and demands is an essential task in the internal adjustment process of HEI. Application of successful new education concepts comprises orientation of the institution's offer towards life-long learning, adult education, and integration of soft-skill training in the traditionally theoretical transmission of knowledge. Additional aspects of improved learning and research structures are increased service-orientation and regularly held internal and external evaluations. HEI offering supporting services, as for example computer facilities, comprehensive libraries, or even complete campus solutions, foster learning abilities of students and enable individual development. Within this increasingly complex educational offer, accreditations provide measures for distinction and quality assurance. HEI have to integrate these aspects of assessment and positioning in internal restructuring processes in order to establish a reputation and gain the acceptance of stakeholders. Each HEI provides certain competitive advantages, as analyzed in Part 5.1. These have to be reviewed according to each new market and to respective opportunities. Discovering new success factors and development potential is possible and can contribute essentially to the further development within multilateral academic cooperation.

The adjustment of established systems of HEI depends on adjustment of **administrative structures**. Administrations are support systems and services which ensure smooth flow of organizational activities. The decision to cooperate and the implementation of related new structures have to become integrated in present administration of the HEI. Human resource aspects and information-processing aspects have to be taken into account by management when pursuing the restructuring of administration. In order to implement internationality and cooperative projects in an institution, administration has to be supportive and capable of dealing with rising complexity and internationality of tasks. New contact points and adjusted responsibilities have to be established, and increased competencies of personnel are required. Decision-making processes within new structures need to be assured and internal structures have to be accepted and running before the HEI enters the even more complex structure of multilateral academic cooperation. In addition to this human resource-oriented aspect, administrative structures contain an organizational aspect. Internal organization, mission, and goals of each HEI have their counterparts in the structures, missions, and goals of cooperation. An ambiguity of systems is inevitable if the two aspects are not soundly aligned. With rising

autonomy of HEI, distinguishing organizational aspects of private and public institutions are fading. The HE sector is on the way to restructuring towards one organizational concept which unifies advantages of public and private HE solutions, as described in Part 2.2.3. In order to help define the starting position and internal organizational situation, HEI can apply the three-stage model of Pausenberger, as presented in Part 4.3. Administrative structures of an HEI mirror its autonomy status and financial independence and decide over its efficiency and potential for development. A system which monitors and reports on the efficiency of HE activities has to be installed by institutions when adjusting internal structures. Multilateral cooperation involves diverse levels of an institution and multiple projects, and it has to be monitored by a system similar to the profit center concept within companies. Financial support and resources, made available by government and other stakeholders, have to be explicitly linked to this reporting system, in order to ensure the effectiveness of their spending.

With these internal adjustments, an institution prepares itself for multilateral cooperation. The internal preparation and aspects of internationalization processes in HEI are described by various internationalization models for HEI, analyzed in Part 5.3. Essential conclusions of these models are the inclusion of short-term and long-term planning in the process, intensive analysis of cultural aspects and environment of international activities, participation of stakeholders and their motivation by the HEI, and the ongoing character of the internationalization process. A selection of guidelines and instructions for implementation of internal changes related to internationalization can be found at Rudzki and Stonehouse (1999), Rudzki (1995a), Teekens (2005), and Crowther et al (2000). The internal restructuring is complemented by support of external factors, presented in Parts 5.1 and 6.2 as environment and stakeholders. Individual willingness to invest in education, and funding possibilities made available by HEI and related stakeholders, are external factors directly influencing HEI restructuring. Stakeholders' approval of internal reorganization and the institution's objectives are the basis for receipt of external financial support and for the ability to offer a consistent educational mix of theory and practice. Internal restructuring, therefore, has to result in a concrete idea about what HEI wants to achieve by multilateral academic cooperation.

6.3.2 Engagement of Employees

Engagement of HEI in multilateral academic cooperation has two implications. On the one hand, employees and institution relinquish part of their autonomy and are bound to joint decisions and actions. On the other hand, an important part of cooperation is borne by interper-

sonal relations in cooperation, and by individual engagement of each HEI for the cooperation. Therefore, commitment of employees on all levels of participating institutions, to internationalization in general and to cooperation in particular, is mandatory. To ensure this, employees have to be integrated into cooperation on two levels: By individual conviction to related mission and goals, and by executing practical activities supporting cooperation.

Individual conviction of employees can be reached by a corporate culture, personal responsibility, and worthwhile projects. Transmission of cooperative structures and joint mission and goals to internal stakeholders, and common acceptance of these are essential for the successful implementation of cooperation within each HEI. Pursuing joint targets and accepting jointly applied structures is only feasible if a common corporate culture and identity are created, as described in Part 6.2.5. Thus, internal restructuring processes in each HEI have to encompass the transfer of ideas and content of cooperation to all relevant employees and have to assure internal support of the project cooperation. This is made clear by the models for internationalization presented in Part 5.3. The engagement of employees is particularly important if they are in contact with external stakeholders or are responsible for mediating interests of their institution towards cooperation. Demands and objectives of these groups can differ, and loyalty of employees is essential to assure interests of each institution and simultaneously enable the existence of cooperation. Both of these dimensions have to be integrated into the planning and leading concept of cooperation each HEI prepares (Daxner 1999, p. 86).

Employees who execute **practical tasks supporting cooperation** establish a personal relationship to the internationalization process. This relationship is fostered by respective incentive schemes and contractual arrangements which recognize individual contribution to multilateral cooperation. The individual dependency of employees to their institution and to cooperation defines their engagement in meeting respective targets and aiding development. Their degree of loyalty towards institution or cooperation depends on awards and contracts on the one hand, and personal satisfaction on the other. This issue is identical for management and operational staff. Loyalty and engagement is closely related to fair contracts and to involvement in the decisions and activities of HEI and cooperation. Another important factor, to promote individual engagement and loyalty of employees towards cooperation and HEI simultaneously, is successful conflict management. The ability to prevent or to settle conflicts depends on the established understanding between partners and on leadership's influence on interpersonal relations. Findings of the principal-agent theory offer approaches to avoid and master conflicts, as do the approaches of contingency theory and behavioral decision theory.

External coaches and mediators, knowledgeable of team and leadership dynamics, are one option in coping with, or in preventing conflicts. Conflict management as an essential aspect of leadership in cooperation is presented in detail in Part 6.7. Convincing by competence is the best concept which leadership can apply in order to support internal motivation and engagement (Casson 1991, p. 19ff.). This is enabled by open communication, clear targets, and regular interaction between management and team in joint projects.

While executing activities within cooperation, employees of HEI are exposed to complex organizational structures and changing responsibilities. Demand for more skills and knowledgeable employees is rising. Within the internal restructuring process, HEI have to adjust existing job profiles and integrate changing tasks. Additionally, management has to be aware of the critical issue that people act within a double system of culture and structure. Culture and structure of an HEI itself faces new systems, established by multilateral academic cooperation. The internal challenge for each HEI is to control the activities and intentions of employees for the best of cooperation, and simultaneously to keep attention on the individual institution's affairs. The better leadership handles this situation and the more professionally cooperation is managed in each institution, the more will employees engage in cooperation.

Well-defined and internally accepted management and decision structures at each institution provide essential foundation for institutionalization of a long-term perspective in multilateral academic cooperation. To reach this status, HEI have to possess the loyalty of their employees and the autonomy to decide on leadership and development issues. Since leadership of cooperation is recruited from personnel of participating HEI, each institution contributes to the success of cooperation by selecting adequately skilled and capable personalities, and by establishing conflict-detecting and conflict-solving routines. The overall organizational system and leadership structure, necessary to support and ensure engagement in cooperation, is presented in Part 6.5.3.

6.3.3 Pre-Selection of Potential Partners

In addition to preparing internal structures and employees for cooperation, HEI have to locate potential partners. While the cultural suitability between partners is ideal foundation for multilateral academic cooperation, cultural and structural similarities or even complementary characteristics of HEI can also be used towards successful long-term engagement, if joint competitive advantages are established. Strategic decision of a HEI about potential partners for multilateral cooperation has to be linked to their ability to increase or establish competencies

and competitive advantages (Schlosser 2001, p. 72). The choice of partners for joint engagement has to result in improved performance for all HEI. The steps to locating the right partner for multilateral academic cooperation are:

- Definition of objectives and possibilities of the individual HEI;
- Analysis of suitable HEI providing a “*fit*”;
- Measuring of potential motivation of these HEI.

In the first step, each HEI defines the mission it is aiming at with the joint engagement and its internal targets to be achieved by multilateral academic cooperation. As described in Parts 2.3 and 4.2.1, cooperation is one possible way for internationalization, increasing individual institution’s possibilities by the enlarged pool of resources and competencies. Success factors HEI can acquire by multilateral academic cooperation and adequate management of respective external factors are described in Part 5.1. The assumption of this thesis is that multilateral academic cooperation focuses on the joint offer of educational services, demanding long-term and intensive engagement of all partners. Multilateralism implicates a minimum of three foreign HEI participating in cooperation; the overall number of partners is only restricted by manageability of cooperation. This first step of mission-definition is a joint duty of the initiating project-manager, the internationally experienced international office staff and the strategic decision-takers of the HEI.

The second step of internal pre-selection concerns sourcing of institutions which correspond to the internal structure of the HEI and its specific idea of cooperative internationalization. Analysis of institutions which seem to be adequately positioned to be a suitable partner and which provide a “*fit*” with regard to cultural issues and organizational structure is difficult and time-intensive. Here again, international offices and HEI personnel with intense relations to external HEI are of importance for selecting suitable potential partner institutions. Results of this search provide only a rough estimation. In order to assure suitability of partners within academic cooperation, HEI regarded as potential partners have to be selected along three main criteria:

- Cultural “*fit*” (national and corporate culture);
- Organizational suitability (structure and autonomy);
- Reputation and positioning on the markets.

Most successful is cooperation whose partners have similar cultural and societal backgrounds. In this case, negotiations between the new partners about common rules and the cooperation's destination are of reduced complexity. If the difference in attitude and environment between partner institutions is large, negotiation about cooperation is an extensive and exhausting process. Reputation and positioning of HEI is a second major criterion when selecting partners for academic cooperation (Staber 2000, p. 69f.). Cooperation is only accepted as a network of equals, if cooperating HEI have a homogeneous reputation level on their respective market. Besides these individual aspects of potential partners, HEI have to analyze the respective environment of potential partner institutions. As presented in Part 6.2, this is a comprehensive process which is comprised of the analysis of politics, economy, and markets of the foreign countries. Contingency theory, presented in Part 4.1.2, offers insight into cause-effect relationships and can thus contribute to the environmental analysis.

As a third step, when a suitable institution for cooperation is found, individual interest of this HEI to engage in cooperation has to be assessed. Whether the institution could be interested in academic cooperation is analyzed by reviewing the institution's product range, reputation, accreditations, positioning, and already established other partners. These factors indicate the potential willingness to cooperate and engage in multilateral interaction. One option to facilitate this intensive pre-selection process is to concentrate the analysis on HEI which are already known and related to each other by established cooperation. Successful ERASMUS exchange or research cooperation is a sound foundation for enlargement of relationships to other fields, and familiarity of institutions can facilitate establishment of multilateral academic cooperation.

Pre-selection of potential partners contributes an additional aspect to the internal preparation of each HEI for cooperation. When analyzing other institutions, strengths and weaknesses of the own institution and consistency of internal structure and targets are reviewed. Comparison to competitors brings awareness of alternative organizational concepts and new approaches to educational services offered. Pre-selection enables HEI to develop and check internal commitment to decisions, or to adapt these accordingly, if analysis indicates the necessity.

Self-commitment to cooperation of every participating HEI and trust between the partners are crucial factors determining the success of a joint engagement. Tendencies towards opportunistic behavior and mistrust threaten the composition and stability of cooperation (Koza and Lewin 1998, p. 258f.). Sound self-commitment of all involved HEI ensures cooperation and, to a certain degree, is able to replace cost-intensive and externally supervised security equiva-

lents. Management of each institution has the duty to ensure establishment of mutually beneficial economic and personal relationships and to signal long-lasting interest in cooperation in order to demonstrate reliability. These processes are facilitated in multilateral academic cooperation where the partners have carefully selected each other, and are aware of their own and foreign characteristics. Such careful preparation of each HEI can prevent major misfits and is stable foundation for complex engagements.

Another aspect HEI have to internally prepare is distribution of leading competencies and decision structures for cooperative activities. In most cases, cooperation emerges out of existing liaisons in international scientific projects and academic programs. This means initiation of intense interaction is made by professors of a specific field or by other scientific representatives, wishing to enlarge international activities with specific partners. The normal roll-out of initiating multilateral cooperation is beginning with the decision of single persons, able to speak for a certain area of the HEI, seeking support of higher management of the HEI for their projects, and finally integrating multiple levels of responsibilities and competencies in the cooperation process. As described, this implies to communicate and interact internally with administration, marketing and communication departments, international office, faculty representatives and the institutions officials, chancellor and rector. All of them, in diverging intensity, have decision competencies in the procedure of establishing multilateral academic cooperation and contribute their respective know-how and willingness to the project. The internal management structure of each HEI, assuring long-term and enriching multilateral cooperation, should be oriented at the model proposed in Part 6.5.3. This implies for state-dependent educational systems, to hand on large decision competencies and freedom of activities to HEI and their professional members. Private institutions most often already are organized along similar management structures and have the competitive advantage of flexibility. The alternative for public HEI, until such structures are reached, is outsourcing of cooperative projects in non-public and non-profit companies, managed by HEI members. Both possibilities, internal restructuring for the new project and outsourcing of the cooperation, are supported by the EEIG contract, proposed in Part 6.5.2. To be able to use this potential, the most important output of the internal restructuration is a stringent internal management concept for the future multilateral academic cooperation.

6.4 Pre-Contractual Arrangements Defining Cooperation

After having determined and refined internal objectives for cooperation and after having identified potential partners, the next step for HEI is a joint discussion about the concrete concept of cooperation. A framework to deal with initiating negotiations and best-practice approaches to intensify contact with existing partners can be found at Rudzki and Stonehouse (1999), Gulati (1995), and Ahuja (2000). This thesis concentrates on the negotiations and preparations, starting with the point where partners agree to cooperate and begin to lay the foundation for multilateral academic cooperation. In this regard, four major issues, characterizing cooperation, are identified by this thesis: Joint mission, scope and development-potential of cooperation, internal motivation, and internal and external communication. Figure 22 presents these *soft factors* which HEI have to discuss jointly and agree on.

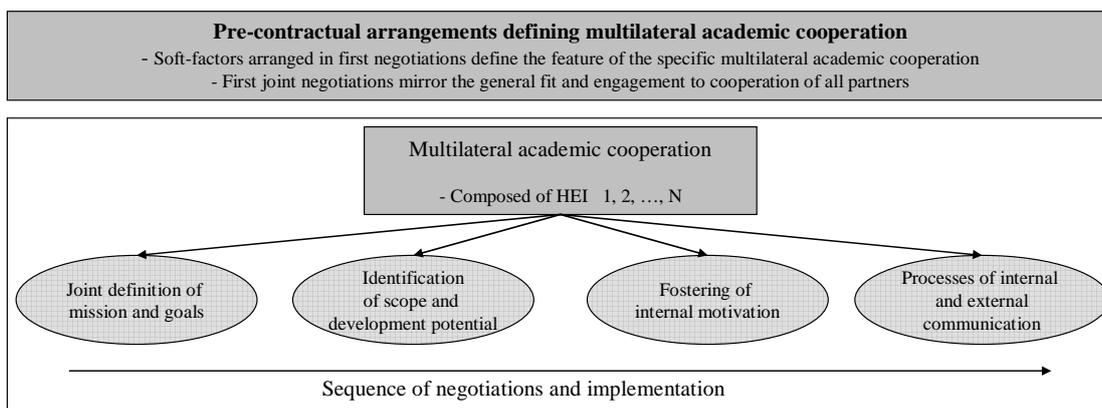


Figure 22: Pre-Contractual Arrangements Defining Cooperation

Mission and goals of each single institution have to be united in one common approach which is followed by the entire cooperation. The solution has to respect major individual orientations and has to strive for increased competitive advantages and development of all partners. This concept should best be arranged by project responsables of all partners, which are well aware of their own institutions missions and goals. They need to be able to align cooperative and internal missions and goals in order to present possible solutions to the decisive committees in each single HEI.

Agreement on the **scope** of joint activities and the organizational levels concerned within each institution is a second aspect of fundamental arrangements for cooperation. Pre-contractual agreements, such as LoI and MoU define mission and projects of cooperation, and the respon-

sibilities of partners. The **potential for development** of multilateral academic cooperation is also an aspect to keep in mind when determining partner structure and orientation of cooperation. This decision on first formal agreements needs involvement of the legal representatives of HEI. For a smooth process, project responsables prepare decisions and propose suitable solutions to the HEI strategic and legal decision-takers.

Motivation of employees and team-building in a multilateral cooperation and within each single HEI is the task of management. The integration of employees in decision-making process and their input in defining mission and goals is an approach serving both parties – staff and leadership. Involvement of HR competence is mandatory for this crucial process, in order to establish long-term and resilient structures.

The **communication** strategy cooperation applies towards stakeholders and other external groups, is an essential success factor for multilateral arrangements. Internally, channels for communication supported by information technology and standardized processes are to be established. External communication concerns the mission, goals, and projects of cooperation, which have to be transmitted to the public in order to generate acceptance and support for the academic project. At this stage latest, involvement of marketing and communication department is mandatory, to assure professional communication of the extensive cooperation process.

In close relation to the management structure found during internal restructuring processes, joint efforts in multilateral academic cooperation need to focus on integration of all personnel affected by the project and the respective assignment of duties and rights within the cooperation. An at least rough structure of contact persons and decision-takers within this management structure is essential for beginning and lasting of cooperation.

6.4.1 Definition of Mission and Goals

The initial joint decision-making process of definition of mission and goals has been identified by research on international project-work to be the most critical stage in a cooperation (Grün 1989). The open and intense discussion about the idea and targets of cooperation presents a first challenge for the rising cooperation. Agreements on services offered, markets served, future development, and the overall achievements of cooperation demand a balancing of individual interests. Within this merger of individual ideas and intentions each partner has to be aware of hidden intentions; egoism and opportunism are to be mastered jointly. Furthermore, the definition of a common mission and goals is influenced by various cultures, and

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respective national political and legal restrictions. Increased competitive advantages and further development of all partners are the targeted results of cooperative engagement.

Agreements on the content and intent of common activities and their pursuit are mandatory; accuracy of these agreements defines the stability of a multilateral academic cooperation. Issues that have to be reviewed in order to define the cooperation's mission and goals are:

- Strengths and weaknesses of each HEI;
- Potential for joint competitive advantages;
- Environment of cooperation and related possibilities;
- Aspects of a common culture;
- Benchmarking on competitors' offers;
- Comprehensiveness of cooperation.

These points will mostly be discussed between scientific initiators of the cooperation and are best covered by staff, integrated in the operative project work. Propositions for decisions are then presented in larger committees for discussion.

Increasing interfaces, as analyzed in Part 4.2.2, and external factors, as presented in Part 5.1, are pushing HEI towards cooperative internationalization solutions. Before engaging in this activity, each HEI has already defined its internal strengths and weaknesses when internally preparing for cooperation and has a general estimation on the partners' competencies and preferences. Within an honest discussion process, the new partners have to reveal these jointly achieved characteristics in order to best contribute their individual forces and advantages. This process provides an overview of where overall strengths and weaknesses in the academic cooperation lie.

The mission of cooperation is publicly represented by a slogan, containing a compact message for customers and stakeholders. It is closely related to the corporate culture and reflects the internal ethic and idealistic approach of cooperation. Targets of joint engagement are related to real projects and objectives. Internationality, additional programs, attainment of new customers, and increasing reputation are general targets of multilateral academic cooperation. At this early stage of cooperation, partners define their mission, but only rough objectives are circumscribed. Concrete statements and decisions on explicit economic targets are made within the next step, described in Part 6.5, when defining contracts and concrete organization of multilateral academic cooperation.

Cooperation has to take advantage of the fact that combinations of characteristics of individual HEI can generate new strengths and open room for new competitive advantages within cooperation. The potential for joint competitive advantages is identified when reviewing the individual characteristics of each HEI. It is mandatory that major agreements of culture and objectives made for the joint engagement are accepted by all partners. A set of informal rules for the alliance is to be developed, in order to assure the common understanding of mission and goals, and to fix the level of commitment of partners. This framework is provided by LoI and MoU, presented in Part 6.4.2.

The mission which cooperation pursues, and goals related to it, also depend on the environment academic cooperation and related HEI are situated in. External factors, as defined in Part 6.2, influence the flexibility and autonomy of HEI and restrict or enable entry to new projects and markets. Socio-political factors, national politics, structure of national HE systems, and demands and expectations of foreign educational markets are essential environmental factors influencing the cooperation's development. Diversity of opportunities in the internationalization process is presented in Parts 4.2 and 4.3, and special regard to HE internationalization is given in Chapter 5. Resulting from this analysis, application of a transnational strategy and development of a corporate culture are recommended for multilateral academic cooperation. Additionally, involvement of stakeholders in HEI is an issue of increasing importance, as these contribute practical experience and financial alternatives to the academic cooperation. Since engagement of stakeholders is of differing intensity in HEI, partners have to communicate clearly their stakeholders' influence and existing dependencies in order to prevent misunderstandings. This implies that cooperative management attends exchange with all responsible persons having contact to stakeholders.

Discussion on joint projects between partners of diverse cultural backgrounds has to be based on commonly agreed rules and norms. The development of a corporate culture is imperative for the successful pursuit of cooperation's objectives and strategies. While every participating HEI keeps to its initial culture, cooperation develops a related and jointly composed framework of norms. The process of generating a corporate culture is described in Part 6.2.5, explaining how communication and interaction between the partners is facilitated. The compatibility of the internal culture at each HEI with the corporate culture of cooperation, and the general acceptance of the additional corporate culture, define the success of multilateral cooperation. The joint corporate culture should guide behavior and organizational activities, and it pursues inner consistency and integration of cooperation partners. Although culture is devel-

oped by human beings, it is not designed with full awareness. Culture is rather a phenomenon that is above individuals, surviving singular persons and developing over the long-term (Göbel 2002, p. 259f.).

In most cases of cooperation, a corporate culture develops during long-term cooperation of stable partners. The efficiency-supporting outcomes of a newly developed corporate culture are only visible within some years, and external acceptance is an even longer process. Therefore, corporate culture cannot be designed immediately and be made exactly suitable for a cooperative structure, but emerges with time. Nevertheless, a homogeneous culture is not efficient on its own. Management has to communicate the means and objectives of corporate culture and has to convince staff and other stakeholders of this culture's usefulness and advantages. Positive and negative effects result from the implementation of a common cultural framework. As a positive aspect, the coordination between and within the partner institutions is facilitated because of common understandings. On the other hand, a comprehensive corporate culture, which is strictly incorporated, can lead to rigid structures and inflexible behavior. Studies demonstrate these positive and negative aspects a homogeneous culture can have on cooperation (Elg and Johansson 1997; Harrison 1994; Zeitlin 1992; Murray 1987).

In order to determine the efficient and reasonable mission and goals of academic cooperation, benchmarking competitors' offers is an efficient tool. The competitors' product range, extra services, and implementation of new ideas provide impressions of what markets demand and which concepts are related to success. Benchmarking makes apparent the mission and goals of competitors and enables cooperation to adjust its system to demands of the market and design successful strategies, respectively. Differentiation between market-specific solutions or generalist approaches of competitors provides insight into the markets' and customers' profiles. Competitive advantages have to be analyzed in order to develop and position the cooperation's strengths. Benchmarking has also to be used internally in order to distinguish competitive advantages of partners, to assure mutual learning, and to better adjust competencies in academic cooperation. Ongoing reform processes described in Chapter 3 lead to increasing harmonization of HE systems and study structures, and support multilateral academic cooperation.

Mission and goals of an academic cooperation are influenced by the extent and intensity of engagement of all partners. Only if strong commitment is present and long-term engagement assured, can complex objectives be put in focus of multilateral academic cooperation. Otherwise, the mission is a slogan rather than a commitment. The range of levels within each HEI

which are concerned by cooperation has influence on the targets cooperation can set itself. The decision whether a broad life-long learning concept is offered or if cooperation focuses on solitary programs, has impact on the definition of objectives. In addition, the comprehensiveness of cooperation means taking into account all organizational and management aspects within the related HEI which are influenced by multilateral exchange. Thus, a win-win situation between all partners can be reached, enabling a long-term relationship by defining clear projects and offering synergies which add value to each HEI. Involvement of all related personnel in all HEI, having specific competencies and responsibilities useful for the cooperation, is therefore necessary, at least as consulting partners.

6.4.2 Scope of Multilateral Cooperation and Potential of Development

Scope of multilateral academic cooperation is long-term oriented and demands high intensity of relationships. This aspect of arrangements for cooperation is codetermined by the highest representatives of each HEI, who decide on development and future of the HEI. A coherent synergy with internal mission and goals needs to be found, in order to allow a future development of the cooperation. This implies joint investment in human resources and infrastructure, and demands serious commitment from all participating HEI. Besides these general aspects, scope of cooperation can either focus on exchange on a certain level of the institutions or can encompass diverse levels. Scope of cooperation also defines the depth of engagement of financial and human resources from each partner and the intensity of joint management of cooperation. Four issues are selected by this thesis, which best define the scope of multilateral academic cooperation:

- Involved areas of each HEI;
- Financial and personnel engagement and external relations management;
- Extent to which cooperation is dependent on joint decisions and resources;
- Controllability of joint resources and decisions.

The areas of HEI involved in cooperation depend on the joint offer and activities. Multilateral academic cooperation can focus on the offer of joint programs and related student exchange, but can also engage in joint research projects, exchange of staff, development of new activities, and can transfer a complex mission by conferences, products and conduct in media and markets. Market demands and customer acceptance also influence the services offered – it is

especially the acceptance of the idea of life-long learning that influences the product range of HE cooperation.

The respective scope of joint activities has implications for financial and personnel engagement within cooperation. The closer HEI are related to each other, and the more intensely the exchange between the partners is organized, the more complex financial and human bonds are. As a result, the scope of cooperation is also defined by availability of financial resources which fund joint projects and allow a more or less deep engagement in cooperation. Human resources available at participating HEI influence the potential for engagement as well. Since cooperation needs to be managed and projects need to be brought to life by administration and teaching staff, cooperation either has to have human resources available, or be able to spend financial resources to buy suitable substitutes. These decisions implicate intense engagement of strategic decision-takers of each HEI, e.g. rectors, chancellors and deans, in the process.

Another factor, influencing scope of cooperation, is dependency of HEI on external factors, as they are presented in Chapter 2 and Part 6.2. Especially in government-dependent HEI, management and staff are not able to independently decide on multilateral academic cooperation. In many educational systems, HEI are increasingly dependent on stakeholders and their support and attitude towards the institution and its activities, a fact resulting from reforms, as presented in Chapter 3. This aspect is taken into account by HEI with the establishment of an external relations management within institutions. The open and interactive communication about mission, goals, and related projects between HEI and stakeholders is essential. Only if stakeholders support cooperation financially, with human resources, and ideologically, is the successful establishment and realization of cooperation possible. Additionally, discussion with external stakeholders offers HEI insight into further development potential and possible enlargement of cooperative activities.

Scope of academic cooperation is also characterized by the extent to which engagement is dependent on joint decisions and resources. If individual competitive advantages and competencies contribute existentially to cooperation, its scope is wide and dependency between the partners is high. Content of jointly defined strategy, distribution of decisions between partners, and measures of control allow the determination of the scope of engagement. Additional indication about the extent of cooperation is given by the influence of cooperative decisions on the individual HEI, the intensity of conflicts and respective conflict management applied, and the coexistence of competition and cooperation, defined as level of *coopetition*.

All of these agreements on scope and objectives of cooperation have to be written down in order to assure a certain liability. The use of pre-contractual arrangements is common in order to define scope and orientation of multilateral cooperation before fixing contracts (Schlosser 2001, p. 72). MoU and LoI are measures providing such psychologically binding frameworks, serving as preparation for general agreements in contracts. Legal validity of both agreements is limited; the intention is to provide a framework cooperation can build on. MoU and LoI are often used for business transactions of immaterial assets and services which are difficult to define. Examples of such pre-contractual regulations can be found in GSBCA (2002), onecele (2005), and EEA (2005). If not done within the internal restructuring process at each HEI, latest these pre-contracts assign responsibilities and name decision-takers for the process of multilateral academic cooperation at each HEI.

With the growing scope of cooperation, controllability of joint resources and decisions decreases at each institution and raises at joint management functions. A measure for engagement can be seen in the joint use of communication platforms and intranets, which provide solutions to cope with complex communication and project structures. The better these instruments are managed and efficient interaction is ensured, the wider the scope of cooperation can be. Scope of cooperation is dependent on transparency and communication between the partners concerning their long-term planning and security about investments and engagement. The quality of MoU and LoI is a crucial factor, since their sound formulation minimizes the potential of opportunism and diverse interpretation of agreements.

Closely related to the scope of cooperation is the potential for the development of cooperation. The variety of educational systems and organizational structures of HEI automatically restricts the enlargement of multilateral academic cooperation to a certain limit. Choosing the right partners for long-term academic cooperation is one step, described in Part 6.3.3. Enlarging the cooperation to additional members is another step to be planned and taken into account by cooperation management when defining targets and contracts. The choice of new partners is closely linked to the organizational structure and contracts the HEI decide on for their cooperation. The development potential of cooperation is assessed dependent on flexibility of contracts applied, the reputation of engaged institutions, and objectives defined for cooperation. Since HE is a sector highly influenced by stakeholders and under public observation, interaction with environment and input from external stakeholders are additional issues to be considered when enlarging cooperation to new partners or fields of activity. In addition

to these aspects, financial issues and manageability of cooperation define its potential for development.

6.4.3 Internal Motivation

Cooperative structures are dominated by social and informal rules and mechanisms. On the one hand, cooperating partners are legally independent and only slightly influenceable by joint contracts and formal agreements. On the other hand, they are interdependent and have to adapt to common resources and strategies. This constellation leads to opportunism, which can best be controlled by social steering mechanisms and incentive schemes, rather than by formal rules (Staber 2000).

Positive and productive interrelations of staff are an important success factor for multilateral academic cooperation. Integration of all levels of administration, marketing and communication departments is necessary, for internalization acceptance of the cooperations missions and goals and. The social system established in cooperation needs to combine aspects of each institution's cultural and social background, however, it also has to build a new common identity for the cooperation itself, as described in Part 6.4.1.

Motivation and commitment of staff is reached by the integration and esteem of their work and contribution (Pellert 1999, p. 165f.). It is especially in multinational cooperation that these issues are critical for the success of the network (Schauenberg 1991, p. 346ff.). Measures to establish interpersonal relations and cross-institutional networks which foster motivation and engagement are:

- Inter-cultural training and coaching of staff and leadership;
- Team-building events;
- Joint seminars and workshops on current problems and new projects;
- Regular exchange of staff and leadership between the partners;
- Incentive schemes and recognition of engagement.

Inter-cultural training and the coaching of staff and leadership of each HEI is a necessary tool in multilateral cooperation. Since not all aspects of involved cultures are known and prejudices are deep-rooted and often subconscious, teams have to be made aware of even slight differences in order to prevent misunderstandings. Team-building events have two aspects which support the building of interpersonal relations. First of all, they allow for the establish-

ment of interpersonal relations, thus facilitating communication and understanding in professional situations. Secondly, they can be combined with seminars and workshops on current problems and new projects, in order to enforce mutual understanding and enable direct communication about intentions and targets. While fostering acceptance of differences in perception, personal meetings increase efficiency in decision-making and overall project management (Lilie 2004). This is also the objective pursued by regular exchange of staff and leadership between the partners. When meeting frequently in person, discussion of targets, assessment of cooperation, and future orientation are facilitated since misunderstandings, opportunism, and prejudices are apparent and can be eliminated or prevented.

Incentive schemes and recognition of engagement are measures of the cooperation's leadership structure and part of human resource management applied in the cooperation. It is in particular for this aspect of cooperation, that new institutional economics provide various approaches and solutions, as presented by principal-agent theory, transaction cost theory and property-rights theory in Part 4.1.1. Clear objectives and incentive schemes are an important measure to assure the motivation and reward of staff and management in cooperation (Berthold 2001; Wolff 2003). Individuals identify increasingly with cooperation when they work towards clearly defined targets and when they get recognition when reaching these targets. This management tool indicates to each employee what his or her individual contribution and personal importance to cooperation is, and how this is recognized. Principles for the design of incentive schemes are to be arranged between partners along their cultural specifics. Influencing aspects are the personal context of education and know-how of staff, the institutions' environment, fields of activity of the cooperation, potential moral hazard problems, and characteristics of involved HEI and stakeholders. Three core principles can be identified as general prerequisites for an effective incentive scheme. It has to be understandable and comprehensive in its effects for the concerned person; it needs to be founded on quantities which can be controlled by the concerned person (principle of controllability); and it must be observable by both parties without dissent (Krapp 2000, p. 4).

Internal motivation of staff is only possible if cooperation runs smoothly and is well managed. In generating trust between the partners and individuals of cooperation, an important step to reduce opportunism and related costs can be taken by cooperative management. Trust is established by intrinsic motivation (Jarillo 1993, p. 134ff.). Application of the measures described above leads to intrinsic motivation, generated by trusting relationships and commitment to multilateral cooperation. It is noteworthy, that informal structures play the most im-

portant role in keeping cooperation running, since flow of information and know-how is dependent on such relations. When establishing multilateral cooperation, partners have to be aware not to neglect this issue, given that informal interpersonal relations and transnational steering committees are seldom integrated into organizational charts (Köhler 2000, p. 294). In Part 6.5.3, organizational structures and leadership concepts are presented, providing the framework for the establishment of such flexible and motivating structures in cooperation.

Much like motivation, conflicts have to be foreseen and dealt with in cooperation, in order to maintain motivation. Conflicts resulting from cultural diversity of multilateral academic cooperation are difficult to prevent and reconcile. Language difficulties, prejudices, and environmental restrictions can give rise to cultural conflicts. Multilateral cooperation has to take account of these potential problems by employing coaches and mediators in order to support teams and management in adaptation to and understanding of diversity. Problems additionally arise from differences existing between institutions' cultures and the cooperation's own culture. A cultural mix does not always have negative effects, but has to be handled with care and clear statements by management (Sydow 2003, p. 287f.). Leadership has the duty to negotiate between these cultures and offer perspectives to all network participants. Open communication about mission and goals and environmental differences has to be possible; coaching and clear decision structures support cooperation in dealing with this challenge. Management of cooperation can find support in the approaches of new institutional economics, presented in Part 4.1.1. Conflict management within multilateral academic cooperation is described in detail in Part 6.7.

6.4.4 Internal and External Communication

Cooperating HEI have to establish an internal communication system, which assures the flow of information and know-how between partners and which contributes to enhancements. Additionally, the partners have to transmit their joint activities to external parties, thus assuring public acceptance and stakeholders' approval (Pellert 1999, p. 177). These two facets of communication contribute to the success of multilateral academic cooperation and are elementary to its development (Schlosser 2001, p. 71f.).

Communicational aspects within multilateral cooperation are closely related to management structure and corporate culture. Since resources and competencies in academic cooperation are distributed throughout the participating HEI, an effective communication system has to assure overall cohesion of the cooperation and transmission of know-how. Academic coopera-

tion in an international environment first has to establish shared values and common understanding in order to facilitate **internal communication** and prevent misunderstandings. Internal communication refers to communication within the cooperation, meaning a close and intense communication between departments at all HEI engaged in cooperation. Next to a well-established structure of responsibilities, the communication of one joint message is essential for joint activities and acceptance of these. A communication team, consisting of representatives of all or more than one partners, helps to transfer values and decisions while minimizing the risk of neglecting singular partner's interests. Communication standards, represented by a common language for official communication, corporate design of forms, and clear communication about duties and rights are necessities. Other measures, facilitating internal communication, are the use of information technology, especially networking platforms and video conferences, and jointly organized project work and team-structures. Communicative exchange and interaction within multilateral cooperation mainly follow the chosen management structure, which defines what is communicated to whom and when. Internal communication has the major task of preventing and reducing information asymmetries, which are cause for diverse interaction problems. This issue is analyzed by the new institutional theory and explained by the behaviorism decision approach, as presented in Part 4.1. Therefore, leadership has to assure that decision structures and positioning of staff is clear, and that the structuring of teams is known. Solutions for such structures are developed in Part 6.5.3. Internal communication has to master information processing in the diverse organizational and cultural environments of participating HEI. Within multilateral academic cooperation, teams and units interact with different environments, and respective characteristics have to be respected and integrated into the cooperation's internal communication system.

External communication of multilateral academic cooperation deals with the environment within which joint activities, interacting HEI, and stakeholders are situated. External effects resulting from the decision to cooperate and build an international network have to be taken into account by the participating institutions. Multilateral academic cooperation is a long-term process, adding new components to the initial reputation and public perception of each HEI. When communicating to stakeholders about cooperation and transferring the new image to the market, HEI have to assure a common character and content of the message by all partners. At the same time, the communication style has to be adapted to local communication practices. Here again the concept of Hofstede, as described in Part 6.2.5, supports analysis of cultural characteristics and adaptation of communication to specific cultural or organizational de-

mands. Another aspect of external communication is the content of the message transferred, given that external communication has the task of explaining the choice of partners and of presenting related advantages. Multilateral academic cooperation is expected to increase capabilities and resources of each individual HEI; this is the message which needs to be transmitted by external communication. The equal positioning and reputation of all partners is, therefore, an important aspect for establishment of multilateral cooperation and the choice of partners determines public perception of cooperation as described in Part 6.3.3.

6.5 Structural Issues of Multilateral Academic Cooperation

After having defined *soft factors* of multilateral cooperation, which manifest themselves in social and cultural management and leadership issues, HEI have to develop a common ground for the practical conversion of cooperation. This step defines the *hard factors* of cooperation. Oriented towards the strategic, internal aspects of cooperation, these factors for successful interaction define real targets and specific organizational and contractual features of cooperation. These are not necessarily externally communicated. Figure 23 provides an overview of structural issues, cooperative management has to take into account, in order to ensure establishment of stable and long-term multilateral academic cooperation.

The **strategic orientation** of a specific cooperation manifests itself in joint projects, programs and other study offers. With these, cooperation aims its efforts at entering international markets and conquering either general or specific segments. Leadership in markets, a rising reputation, and increased financial and human resources are strategic targets of the joint engagement.

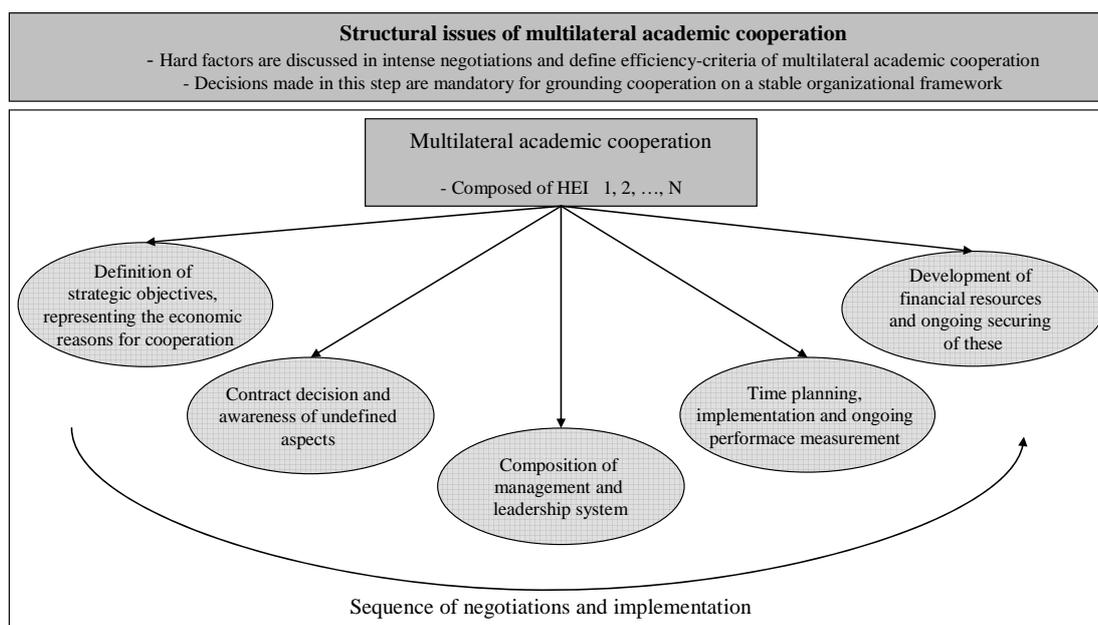


Figure 23: Structural Issues of Multilateral Academic Cooperation

The decision on **contracts** for multilateral academic cooperation is restricted to relational contracts, since cross-cultural and cross-system interaction is too complex to be based on standardized contracts. HEI have to cope with the related challenge of defining specific rules around a general contractual framework. This thesis proposes the EEIG, a relational contract based on European law, as a legal solution to facilitate cross-border cooperation.

Organizational and leadership systems provide the structural foundation of multilateral cooperation. These structures have to be defined with regard to respective cultural and structural issues of participating organizations, taking into account the results of the internal restructuring process, described in Part 6.3. Cooperation is not based on a solid framework until HEI have agreed on how to organize joint efforts, how competencies are to be distributed, and how decision processes are to be managed.

Time planning for cooperation concerns two aspects. First, joint engagement of HEI can be restricted in time. Second, the definition of a time schedule is necessary for all objectives and projects pursued by academic cooperation.

Financial resources for multilateral academic cooperation are raised within partner institutions and at external sponsors. The security of financial foundation of cooperation and its projects is a task of high responsibility and demands a well-developed reporting system.

The presented structural issues define the organizational core of multilateral academic cooperation. They are selected as representing stringent aspects revealed by research on cooperation in Chapter 4, and within practical experience in HE in Chapter 5.

6.5.1 Strategic Objectives

The definition of mission and goals in Part 6.4.1 defines soft factors of a cooperation's strategy. These are oriented to give cooperation a face towards market and stakeholders, and to provide the fundamentals for the joint corporate culture. Strategic objectives of multilateral academic cooperation are measurable features which most often result from aspects having initiated the decision for internationalization in HEI. As presented in Part 4.2.1, reasons for cooperative internationalization are risk dispersion, economies of scale and scope, and the search for higher efficiency. Strategic objectives of multilateral academic cooperation are focused on the reduction of transaction costs and information asymmetries. Targets HEI set for cooperation in order to achieve these economic advantages manifest themselves in:

- Financially and resource-oriented targets;
- Positioning and leadership in markets;
- Rising reputation of each HEI.

Despite the necessity of socialized control mechanisms, such as the friendly exchange of information and teamwork in cooperation, their effects are not sufficient to assure efficiency in the network. **Financially oriented targets** focus on the minimization of costs by and within cooperation. Costs of HEI which can be reduced by cooperation are costs for buildings, course material, information technology, equipment, staff, and immaterial assets. Costs arising within cooperating structures are investments for joint activities and costs of increased and complex interaction. Joint use of the given resources and sharing of newly bought resources have positive economic effects. Transaction cost theory, as described in Part 4.1.1.1, presents costs which have to be monitored and recommends rational and formal measures for detecting how and if efficiency in transactions can be reached (Liebeskind et al. 1996). Two scenarios for the development of transaction costs in cooperation are possible: Cooperation can reduce transaction costs by an efficient and systematic division of tasks and interfaces. However, cooperation can also increase transaction costs, because of a high number of interfaces and more complex structures. In the latter case, management has to decide if rising transaction costs are acceptable, because of other – more important and more valuable – effects within

academic cooperation. Careful reflection between these two possible effects and their implications on the individual HEI is necessary in order to evaluate the repercussions of cooperation on cost and to deduce appropriate measures (Sjurts 2000, p. 97f.).

Transaction costs generated within cooperation depend on the level of trust between the cooperating institutions. Trust between partners is related to common values and culture, as described in Part 6.4.3. If a corporate culture is effective, it offers a strong moral content and leads individuals and institutions to reduced costs and increased performance (Casson 1991, p. 3). The specifics of HEI allow only limited application of the economic theories, presented in Part 4.1. Nevertheless, respecting theoretical findings on cooperation contributes to the definition of an effective cooperation policy and indicates potential for cost reduction.

Resource-oriented targets within multilateral academic cooperation lead to the achievement of a better use of capacities and increased application of competitive advantages of each HEI. Each partner in cooperation has specific competitive advantages which are used in the original field of activity of the respective HEI. New markets entered by cooperation, and new products offered jointly, open additional possibilities to use these advantages, or even let new competitive advantages appear. In multilateral academic cooperation the core competencies of each institution have to become useable for all partners and enlarge the portfolio of each HEI. These jointly useable resources are the internationally located facilities of partners, specialized teaching and resource staff, knowledge of national markets and local customers, established programs, and customer relations. The mutual exchange of competencies and competitive advantages increases the value of each HEI and represents the attractiveness of multilateral academic cooperation for customers.

With its **positioning** on markets, cooperation can follow the existing orientation of related HEI, or take a new orientation resulting from joint competitive advantages and competencies. The strategic objective of cooperation is to reach a better position in already conquered markets or to enter new markets. If they are already well-positioned, HEI can also join forces for the last step of becoming market leader. The strategic positioning academic cooperation aims at has to be realistic, since it is tied to investments and expectations by stakeholders, one time it is communicated to these. Reaching the *Top 10*, becoming a specialist or generalist with joint academic offers, and striving to be market leader are strategic objectives that depend on the resources available and on the competitive advantages achievable within multilateral academic cooperation. The strategic objective of positioning and leadership can be reached by earning accreditations, participating in rankings, using customer relations, and organizing

academic events and conferences in order to demonstrate abilities and capacities to potential customers, competitors, stakeholders, and the market.

Rising reputation of each HEI participating in the cooperation is an additional objective pursued. Reputation of the single institution contributes to the overall image and perception of the academic cooperation. By joint use of resources and extension of the product range, engagement in cooperation contributes to increased internationality and improvement of quality at each partner institution. It is especially in traditionally state-governed education systems, that multilateral academic cooperation introduces market orientation and new study and teaching methods. In order to raise the reputation of cooperation and single institutions, academic partners have to apply some basic principles:

- Accept students as clients, whose expectations have to be fulfilled;
- Adapt the product “education”, so that it is competitive on the international market;
- Offer services, which add appeal to the product range;
- Engage in socio-political issues via discussions, projects, or conferences;
- Ensure positive communication about cooperation and related HEI.

As defined in Part 4.3.2, and following the definition developed for this thesis, scope of multilateral academic cooperation is long-term oriented and of high intensity. This implies joint investment in human resources and infrastructure, and demands serious commitment of all HEI. The strategic objectives are laid down in the cooperation’s contracts and are related to time-planning and financial planning. The degree to which these targets are met, influences the development potential and further existence of multilateral academic cooperation.

6.5.2 Contract Decision

Contracts available for transactions and cooperation are discussed by contract theory, presented in Part 4.1.1.4. Classical contracts, chosen for market transactions, contracts replaced by hierarchical systems, or neoclassical and relational contracts as solution to complex interaction are presented. Only neoclassical and relational contracts offer a legal framework suitable for multilateral cooperation, since they offer the necessary flexibility and openness. The more financial and human resources are concerned, the more individually and detailed contracts need to be, in order to prevent conflicts and to provide solutions to solve them.

Multilateral academic cooperation is a special issue, and presents three difficulties with regard to a legal framework: Contracts have to be suitable for cooperation in general, meaning transactions in inter-organizational networks. Secondly, academic cooperation demands attention to immaterial assets, know-how, teaching personnel, course material, and research results, which need to be covered by contractual agreements. Thirdly, contracts for multilateral cooperation have to respect diverse national legal settings, while providing a flexible framework for international interaction. Providing a flexible but clear set of rules, in order to reduce and manage complexity of multilateral academic cooperation, is the basic task of HEI when defining contractual fundamentals of joint engagement. The need to coordinate the various international activities prevents the implementation of one general management structure based on hierarchy or market. Within cooperation, different management measures, such as contracts and interpersonal relations, team work and normative appeals are employed to control and cultivate activities (Hage and Alter 1997, p. 105f.).

Problems arising specifically within multilateral academic cooperation result from relational contracts, principal-agent constellations, and the presence of cooperation and competition at the same time (Krapp 2000; p.133ff.). Relational contracts, which leave space for agreements not covered by law and allowing implicit assumptions, lead to tensions between HEI. Consideration of the theories of new institutional economics, presented in Part 4.1.1, helps management of cooperation to analyze and approach problems arising within multilateral transactions. Most critical issues arising in multilateral cooperation are inefficient and insufficient internal communication and related costs, linguistic problems, and cultural diversity. Multinational cooperation mostly uses English as common language; however, a common agreement on corporate culture is equally essential. Distribution of profit and losses is to be clearly defined within the relational contract as well. The challenge of using relational contracts is the freedom and flexibility they offer, since lack of confidence between partners causes principal-agent problems and opportunistic behavior. As explained in Part 4.1.1, these challenges can be anticipated by management and have to be addressed and handled without generating additional mistrust between partners.

The questions arranged below help the leadership of cooperation and individual HEI to assess the level of trust between partners and the will of engagement in relational contracts.

- Is the establishment and stability of trust between the HEI possible to an extent that exchange of sensitive information is realistic?

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- Can one-sided dependencies and cultural differences be reduced and resolved by the building of interdependencies, a corporate culture, and interpersonal relations in the academic cooperation?
- Is it possible to assure resource exchange, learning, and evolution in the cooperation in a way that every HEI, as well as the entire cooperation, develops equally?
- Can the interpersonal and inter-institutional relations be durably organized in order to allow improved transaction costs and more efficient forms of non-contractual coordination?

Relational contracts for multilateral academic cooperation have to cover agreements related to these questions. A contract has to be defined in a way, which assures that all partners understand its intention, and that provides a framework partners can refer to in case of conflicts. As mentioned in Part 4.3.4, until today no international law is existent for multilateral cooperation. HE cooperation having additionally to respect GATS principles, as explained in Part 3.4. This situation complicates the definition of contractual foundations for multilateral academic cooperation and leads to the various existing individual contractual solutions that can be found in HE networks.

A contractual framework, providing a general foundation and allowing for as much flexibility and self-determination as possible to all members of cooperation, is offered by the EEIG (European Council 1985). The official Council Regulation, concerning the EEIG, is No 2137/85 of July 1985 (European Council 1985). Basic characteristic of the European reference framework is full and autonomous legal competency of the EEIG. Members are represented by one or more administrators, acting on behalf of the cooperation, which presents itself as a single entity in negotiations and external relations. Being an auxiliary body, the EEIG allows its members to pursue individual economic activities, while representing itself as non-profit organization. This arrangement mirrors exactly the needs of multilateral academic cooperation and also corresponds to the management structure proposed by this thesis in Part 6.5.3. Multilateral academic cooperation can make use of this contract in order to legally found cooperation on a prepared, approved and solid basis and to profit of the standardized organizational concept the EEIG provides. The purpose of the EEIG cannot replace the members' individual activities, but is meant to improve and increase their results. Flexibility is guaranteed by absolute freedom in terms of financing. Capital is not required when founding an EEIG, and HEI assume liability restricted to the EEIG project. Duration of the grouping is

up to the members. This legal instrument, which is created in favor of small and medium-sized companies, is a suitable tool for both, long-term alliances and short-term projects and is proposed by this thesis as reference contract for multilateral academic cooperation.

The grouping cannot be a member of another EEIG. Furthermore, no loans may be made to the members and no control over members' individual activities can be exercised. The grouping is not allowed to employ more than 500 persons and does not have to pay company taxes. When a grouping is formed or dissolved, notice must be given to the Official Journal of the European Communities which is published (EURYDICE 2004). Management structure within the EEIG assures equal participation and representation of all partners and allows members considerable freedom to design competitive and flexible structures, as defined in Part 6.5.3.

With this contract, regulations are reduced by the European legislator to a minimum, and leave considerable freedom for the HEI to define contracts and internal issues of their multilateral academic cooperation. A restrictive aspect of the EEIG is that it is only valid in the EU and EFTA region. Participation of non-EU or non-EFTA partners is not foreseen by the regulations, but until today no major problems have been reported when cooperation has associated non-EU members (Libertas 2001). The idea of cooperation needs to be defined quite exactly, when founding an EEIG, which makes the enlargement of cooperation towards new fields and activities a difficult process. These restrictive aspects counter the opportunities offered by the open and simple legal contract the grouping represents for multilateral academic cooperation.

The decision about the cooperation's contract and the potential for development of cooperation are influenced by the degree of confidence partners establish. This impact of trust on cooperative relationships is described by theories in Parts 4.1 and 5.2. Trust is determined by research and studies as being the structural feature which distinguishes networks from market transaction or hierarchical organizational forms. Trust, likewise confidence, is defined as "*the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustee, irrespective of the ability to monitor or control the other party*" (Mayer et al. 1995, p. 712). The importance of this interpersonal feature implies that cooperation and related HEI need to invest constantly in the establishment and development of trust. Treated carefully and used effectively, trust between the partners supports relational contracts and represents an essential competitive advantage for multilateral academic cooperation.

6.5.3 Management and Leadership System

The organizational structure of multilateral academic cooperation is a comprehensive network structure, as presented in Parts 4.3 and 5.2. A limited number of more than three HEI is engaged in the concerted and enduring exchange of resources and the joint offer of services. The partners stay legally and economically independent to a large extent, while jointly deciding and pursuing strategic projects. Advantages of this organizational solution to internationalization result from shared resources, which enhance all partners' competencies and facilitate entry to foreign markets. Challenges emerge out of unequal power distribution, and economic aspects of transaction cost management and *coopetition* have to be monitored. Steering cooperation successfully means controlling various internal and external aspects, influencing academic cooperation, as described in Parts 2.3.2 and 6.2. Multilateralism of the network contributes the aspect of cultural diversity to the characteristics of cooperation. The challenge for HEI is to install a management and leadership system, able to keep a balance between influenceable issues and those that are out of their control.

The function of the management and leadership system of cooperation is to assure equal power and equal contribution of all partners within such a widespread academic cooperation. As research has revealed, in most cases of strategic cooperation between a large numbers of HEI, one or more focal institutions take over the strategic leadership. These focal actors particularly define market decisions, strategies, and technologies used, and finally dominate cooperation with their views (Sydow 2003, p. 300ff.). This observation does not automatically imply that cooperation develops into single-handedly managed network with one institution profiting from the others' contributions. Within well-managed multilateral cooperation the intensity of influence and of activity among the partners rather varies within joint projects. The management and leadership system chosen for multilateral cooperation has to enable each HEI to take a leading position or be a participant, depending on individual interests, capabilities, and missions. In order to assure diversity and equality simultaneously, a structure uniting hierarchical and decentralized components is appropriate. General administration and strategies of cooperation can be decided by a centralized **management system**, while the steering of projects and operative levels are subject to a decentralized **leadership system**.

In such centralized **management structures**, strategic decision-making is focused on boards, and competencies are bundled within a strictly defined hierarchical structure. Establishment of the management structure is closely linked to the communication system, mirroring internal information processing and intensity of interaction between partners. The normative ac-

tion scheme, providing the foundation for the management of cooperation, is defined by the participating HEI and has to be commonly accepted, as described in Part 6.4.1. Cooperation between HEI operates in dynamic and unstable environments, especially if it is a multilateral cooperation. The choice of a multidimensional, but centralized management system is best suited for such organizational structures (Frese 1992). In order to define the outlines of such a management system for multilateral cooperation, elements deduced from examples of HE cooperation, presented in Part 5.4, and from organizational solutions in internationally active companies are recomposed. Figure 24 represents the elements of a management system for multilateral academic cooperation, as proposed by this thesis.

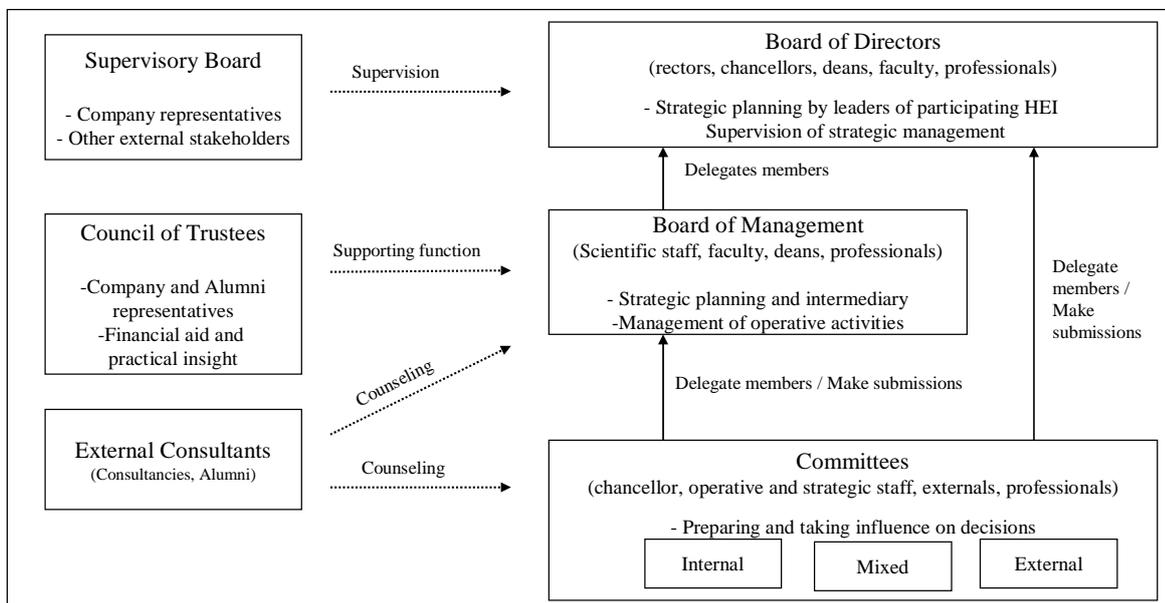


Figure 24: Management System in Multilateral Academic Cooperation

The proposed management system resembles the American corporation model of HEI (Pellert 1999, p. 135ff.; Reuter 2003, p. 34ff.). It acknowledges the dual system of supervisory board and board of management, existing within German companies, but divides competencies between various counseling groups.

A board of directors, composed of the heads of engaged HEI, controls the cooperation. At its side, internally and externally manned councils assure the influence of representatives of heterogeneous parties, such as internal and external stakeholders. Additionally, purely internally manned committees guarantee internal stakeholders – who are directly involved in cooperation – additional weight in decision-making processes and in strategic orientation. These organizational elements compose the steering committee of cooperation. The use of elaborated

hierarchies respected by all related HEI, engagement of professional management personnel, and external consultants are measures a management system has to apply in order to assure efficiency and equality within cooperation (Wolff 2005). Essential functions of the management system of multilateral academic cooperation are:

- Determination of decision-making processes;
- Distribution of competencies within the leadership system;
- Economic management.

The joint management system has to design the decision-making processes within academic cooperation. Part of this process was pre-arranged in internal preparation at each HEI, as described in Part 6.3. Additionally, the management system assigns human resource competencies to positions and committees spanning over all HEI, in order to appoint and dismiss personnel engaged for cooperative functions. As analyzed by behaviorism decision theory, this task is closely related to information processing and problem-solving mechanisms. Development and flexibility of multilateral cooperation depend on the efficiency of these processes. Application of a management holding structure within the network concept, as described in Part 4.3.1, unites advantages of both organizational solutions. The management system as described is a centralized institution, able to watch over transaction costs from a more or less external point of view, and to act as intermediary in case of tense relations and principal-agent problems. The economic management of cooperation has to be assured by measures for the on-going and ex-ante evaluation of joint business and financial results. All of these management processes underlie different perceptions and traditional rules within diverse cultures, an aspect HEI have to be aware of when structuring the management system for multilateral cooperation.

As described in Parts 2.2.2 and 6.2, external stakeholders are increasingly engaging in HE. Their influence is accepted by HEI as contributing practical insight and management know-how (Pellert 1999, p. 137f.). The rising amount and importance of externally manned *boards* in cooperative management structures, revealed by the analysis of examples in Part 5.4, mirrors this fact. On the one hand, boards or *councils of trustees* communicate companies' and society's demands and desires towards cooperation. On the other hand, they can have a buffer function between cooperative structures and each HEI.

Resulting from the above explained diversity, multilateral academic cooperation requires a comprehensive management system, and needs a decentralized **leadership system**, which is

well-embedded on operative level. This system has to subsequently implement strategic decisions and to assure internal communication flows, in order to enable overall contribution and exchange between all people related to cooperation (Hungenberg 1995, p. 64f.).

Leadership is a central management function, incorporated on all levels of the joint management system. One early definition of leadership was given by Staehle in 1973, defining leadership as the function influencing attitudes and behavior of individuals, as well as interaction in and between groups, aiming to achieve certain targets (Staehle 1999, p. 71f.). Target orientation and efficiency are complementary characteristics of leadership personnel. The sound combination of social and professional skills within leadership is an important success factor for multilateral cooperation (Stumpf 2003, p. 247ff.). Making individuals as trustworthy as possible by fostering commitment, and convincing individuals to trust each other is the major challenge leadership faces for a successful cooperation.

Leadership of cooperation is mostly formed by the management personnel of the participating institutions. This fact demands intensive preparation and adequate selection of employees at each institution, in order to provide people skilled for the demanding leadership duty. The engagement of leadership can be professional and full-time, or part-time with connections to teaching and research, depending on the resources and capacities of participating HEI (Dirkes and Mertens 2002, p. 83; Landfried 2002, p. 22). This thesis recommends the installment of professional management, in order to assure leadership ability of personnel and commitment to cooperative management tasks (Lazzeretti and Tavoletti 2004, p. 8ff.). The thesis defines five key characteristics of leadership personnel, having impact on the successful steering of multilateral academic cooperation:

- Inter-cultural sensitivity and management ability;
- Self-motivation and capability of motivating others;
- Individual dependency situation and degree of loyalty;
- Ability to mediate between stakeholders;
- Understanding and influencing of interpersonal relations.

The multi-cultural environment of cooperation, and the varying resulting perceptions of behavior explain the demand for inter-cultural sensitivity and advanced management ability. Leadership personnel have to have broad knowledge of cultural issues, management styles, and techniques. Since cooperation is a complex situation of interaction, causing positive and

negative reactions and results, self-motivation and the capability of motivating other people are additional characteristics expected of leaders.

Functions of the leadership of inter-organizational networks can be divided into three comprehensive fields: Implementation of strategies, allocation of related duties and resources, and evaluation of cooperative activities.

Implementation of strategies, which were jointly decided by the management system of cooperation, requires close interrelation of leadership personnel with the management of cooperation and with staff on operative levels (Tabatoni and Barblan 2000, p. 9). Leadership has the mediator role between these two domains of cooperation. One task is to integrate the needs and propositions of operative levels into the decision-making processes and strategic orientation of cooperation. The second task is to contribute to successful implementation by transmitting the mission and goals adequately to the teams. The overlapping of leadership competencies is a common issue in multilateral cooperation. This is a necessary tool to ensure communication and connection between the partner institutions.

The **allocation function** of leadership assigns duties and tasks related to strategy to the most capable partner in cooperation. Indicators for the assignment of projects and tasks are competencies and competitive advantages of the respective network partner. The allocation of project management and the specific tasks within cooperation can have a cyclical character. Evaluations lead to a re-distribution of tasks in the network; this is an important characteristic of the flexibility of a cooperation. Regulation, distribution, and sharing of tasks demand the above mentioned interpersonal and inter-cultural skills of leadership. In multilateral cooperation, leadership personnel has to have sound knowledge of the interpersonal relations and the activities in the network. The ability of leadership to question itself is an additional success factor for cooperative management.

Leadership personnel, distributed on all levels of cooperation, has the function to **evaluate costs and results** of joint activities. The assessment of cooperation by staff directly related to the operative level is essential, in order to detect potential for development and communicate advantages and disadvantages of strategies and projects (Tabatoni and Barblan 2000, p. 7). In addition to internal management functions, leadership personnel has to communicate with external stakeholders and be able to form the expectations of society and funding organizations, as described in Part 6.2.

It is especially in a multilateral cooperation that the function of a leadership system is to steer single HEI from a competitive situation towards a cooperative relationship. By the application of a transnational strategy, as described in Part 4.2.3, all HEI involved decided for a multifocal orientation. Leadership has to be aware of the corresponding correlations. The competitive situation is described by principal-agent theory, which analyses two parties trying to optimize their individual situation while a win-win solution is possible to be achieved. In the situation of multilateral academic cooperation, the original intention of one clear principal and one agent only, as described in Part 4.1.1.2, is not given. However, the approach is nevertheless applicable. If HEI distribute duties between each other and subsequently compare the results and efficiency of their work, each institution is agent and principal at the same time, but for different tasks. Within multilateral academic cooperation, information asymmetries often occur because of the complex case of spatially decentralized work. Institutions can even compete to gain more individual acknowledgment, instead of keeping in mind to promote cooperation. To reduce such principal-agent problems in cooperation, all HEI have to rely on the others' trustworthiness and goodwill. Establishing this situation in cooperation is the task which a comprehensive leadership system has to contribute.

Principal-agent relations within a multilateral academic cooperation are of increased complexity because of different educational systems and diverse cultural environments, described in Chapter 2 and Part 6.2. Diversity of HEI has to be united in a joint management structure by the deployment of democratic principles and of a corporate culture, both of which need to be accepted by participating institutions, as presented in Part 6.4. Institutions have to develop their internal structures towards organized interaction and to manage their changing identity, which accompanies multilateral cooperation. A strong leadership system, building on a perceptible aura of success and on perspectives for all related stakeholders, has the power to guide HEI through this phase.

Measures leadership has at hand to fulfill its function are bound to quality assurance and control methods. Performance-based remuneration, effective decision-making processes, sound financial management, and efficient administration are such measures. A well-managed assessment and successful leadership of cooperation have positive repercussions on internal and external stakeholders (Mintzberg 1983, p. 31ff.).

In order to allow commitment to cooperation and minimize opportunistic behavior related to the home institution of the leadership personnel, this thesis proposes installing professionals. A cooperative leadership system, based on professionals who are not part of the academic life

of an institution, can assure full-time commitment to steering and developing the cooperation. HEI choosing this measure to lead cooperation have to be aware that professional leadership personnel can only be successful if it is able to gain and keep the trust of academic and administrative staff (EC 2003a, p. 20).

The organizational structure of the proposed management and leadership system enables equal engagement of all HEI in the joint committees and steering groups. Similar structures are employed for internal management of HEI by the USA, Great Britain, Australia, Canada, Belgium, and Finland. Its use within academic cooperation is still unusual and experience with it is scarce, as the examples of multilateral HE cooperation, given in Part 5.4, demonstrate. The leadership system of cooperation has to assure that decentralized teams can exist in a well-balanced environment of individual autonomy and cooperation. To enable successful cooperation, centrally agreed on tasks have to be managed by employees who are committed to the underlying decisions and objectives (Müller-Böling 1997, p. 603ff.).

The above analysis and proposals reveal that steering a multilateral academic cooperation is not a fixed process of management and organization. The organizational system within multilateral academic cooperation is too complex, to allow independent and individual management decisions and to make definite decisions. Multilateral academic cooperation is an evolving system, which is self-generating and self-managing to a certain point. Especially in the academic field, intentions and content of projects within cooperation can vary intensely, and are linked to specific competencies and market know-how of one academic group. Management and leadership system need to have major influence on cooperation, but situative, path-dependent, and context-driven factors participate in the decision-making process. The management system of cooperation, therefore, has to assure a leadership with a strong orientation towards human resources, environmental influences, and interpersonal relations on the individual and network levels. Furthermore, leadership in HEI and cooperation has to be exposed to checks and balances from within, as well as from outside the institutions and cooperation.

6.5.4 Time-Planning and Implementation

Time-planning within multilateral academic cooperation has two aspects. Firstly, a time schedule for the academic cooperation itself has to be defined. Secondly, academic projects within cooperation have to be determined in their duration. Both aspects have to be communicated to the involved employees and stakeholders, in order to assure the consistent pursuit and establishment of reporting on processes.

The assumption of this thesis is that HEI engaging in multilateral cooperation have no intention to define an end to this cooperation and aim for long-term engagement. The first kind of time-planning, therefore, concerns the long-term planning of strategic targets and the orientation of cooperation. This is a function of management. Additionally, comprehensive and intensive time-planning allows HEI a step-by-step approach from singular joint projects to intensive cooperation. Since multilateral academic cooperation implies an investment in joint resources, time-planning is a foundation for reporting on financial and human investments. In order to enable evaluation of the profitability of these investments, long-term planning of cooperation should assume a commitment for minimum ten years. Quarterly balance sheets, annual accounts statements, and financial mid- to long-term planning are measures which are to be established for sound financial reporting within cooperation. These financial planning tools, evaluating the overall performance of cooperation, rely on the assumptions of time-planning and resource-planning of the cooperation.

The second kind of time-planning is intended to give joint activities of cooperation a schedule, in order to achieve short- and mid-term targets. Detailed time-planning for all projects and activities within cooperation is mandatory, since all partners need to know how many financial resources are bound to each project. This implies to undertake time-planning on the operative level, and requires intensive interaction and communication between leadership and staff. This process has to assure realistic time-planning in order to allow the respective financial planning and related management of projects. Since HEI have to report within the institution itself and to external sponsors on resources invested for cooperation, they run the chance of losing reputation and are in danger of reduced funds, if they provide incorrect planning. In addition to the financial aspects, wrong time-planning has impact on human resource management, leading to over- or under-capacities of personnel and misfit in the engagement and output of teams.

Implementation of time-planning is closely related to management and communication structures, which have to communicate the scheduled engagements to employees and external stakeholders. Time-planning has to be related to the respective stage of internationalization in which each HEI and the joint projects are situated. As described in Part 4.2, the internationalization process comprises diverse steps within which cooperation can assess a certain level of foreign activities and international engagement. Time-planning, therefore, has to respect diverse environmental conditions, as presented in Chapter 3, and the implementation process has to allow planning the time to settle and develop its impact, as described in Part 5.4.4.

With increasing use of information technology, the processing of projects and the recording of related costs and human resources is possible. This enables cooperative leadership a just-in-time assessment and adaptation of time-planning. With communication of time-planning, reporting systems and publication of assessment-results need to be communicated as well. They are a necessary tool for presenting success and failure of planning and for ensuring learning procedures. Interaction between HEI, in cross-institutional teams, and in cross-border projects are essential aspects of a comprehensive time-planning which takes account of all aspects of multilateral cooperation. Together with realistic time-planning and consistent implementation, an efficient communication system is decisive for the realization of objectives. Time-planning can only be implemented successfully, if communication is efficient and all related employees are informed or even involved in the decision-making processes.

6.5.5 Financial Resources and Security

Developing and securing financial resources is another success factor of multilateral academic cooperation. The development of cooperation is fostered, if based on a stable foundation of financial support by partners and stakeholders. In order to open up financial resources, cooperative management has to approach internal and external sources. Internal sources are institution-related sponsors, HE-foundations, and the government. For external financial resources management has to approach stakeholders and other prospects, which are interested in international academic development. Since multilateral academic cooperation implies engagement of legally and economically independent HEI, financing of cooperation is achieved by contribution of funds from each partner, rather than by the establishment of cooperation-specific resources. Therefore, it is the responsibility of the individual HEI to increasingly develop private sources of financial support. Approaching companies and foundations is also an alternative, as is promoting contribution from students and alumni. Major challenges the financial management of multilateral academic cooperation has to deal with are:

- Public-private financing mix;
- Currency exchange problems;
- Profitability of cooperation;
- Distribution of profit and losses.

The two primary aspects that need to be respected in financial planning for cooperation result from the environmental diversity of HEI engaged in cooperation. Aspects three and four are connected to the targets and contracts of cooperation the institutions decide for.

In all European countries HEI depend to a certain degree on governmental decisions and rely on governmental funding. As described in Part 2.2, additional complexity is created by the delegation of educational responsibilities to federal states within some countries, and by the increasing engagement of the EU. Success and failure of the **financing mix** between government and federal states, and between governments and EU, are points of discussion in the educational reform process, presented in Chapter 3. A second aspect, contributing complexity to the financial management of HEI and cooperation, is private investment, which is of increasing importance. Whereas public financing is decreasing and focusing on assuring basic research and basic education, the private investment from foundations, companies, and individuals are directed at elite-fostering, life-long learning concepts, and supporting services. HEI have to stay informed about alternatives of financial resources and models in their environment in order to access these new possibilities and make them available for the entire cooperation. Fundraising departments are an answer to this challenge. Fundraising activities demand long-term and strategic planning. Five elements contribute essentially to their success: Convincing and motivating objectives; urgent and plausible need for sponsoring; access to financial sources; ability and willingness to do fundraising; and engagement of intercessors (Haibach 2004, p. 77ff.).

Charging tuition fees is a settled and accepted financial model in private institutions, while it is a new approach of gathering financial resources for public HEI (Mönch 2002). In multilateral academic cooperation, diverse environments contribute different perceptions on this matter. But today, in most European countries, tuition fees are widely accepted (EURYDICE 2000, p. 98f.). To make such a system successful, students need to have access to student loans and similar offers of financial support. HEI have to be aware of this situation and the specific developments in foreign countries, and can profit from a facilitated introduction of tuition fees within the international environment of multilateral academic cooperation. The establishing of tuition fees for HE has to respond to the ideal of equal opportunity, anchored in most European HE systems. Examples of private institutions demonstrate that charging tuition fees does not automatically imply social inequality. With rising authority of HEI to use parts of these tuition fees to finance scholarships and educational funds, a system of financial

support can be set up which can assure equal entrance regardless of a student's financial background.

Currency-related challenges are external aspects which are difficult to be influenced by academic cooperation, but which have an impact on financial management. Currency conversions and currency exchange problems occur within multilateral cooperation and have to be expected by management. These aspects can result in problems related to cost-sharing and joint investments in cooperation. The definition of a key currency is mandatory for cooperation operating in different currency areas (Maddaus 1989; Dülfer 1996, p. 157ff.). Even cooperation of HEI situated in a single currency area has to keep these monetary aspects in mind when offering products in foreign markets or accepting students from other currency areas.

In addition to challenges related to acquiring financial resources, the internal management of such resources is a major task of financial management. The **profitability** of cooperation and its single projects is a central question, not only posed by internal management but also by stakeholders and the public. Determination of profitability of academic cooperation is done by financial planning and time-planning, concerning overall targets and detailed projects. Distinction between projects that will never be profitable and just serve as figureheads and projects that contribute high margins is necessary. Since all HEI stay independent to a certain degree, and since academic cooperation is meant to foster the reputation and existence of each institution, cooperation as a whole has to be profitable. Aspects of the principal-agent theory indicate costs and resulting welfare losses in case of failure of cooperation; paying respect to this theory is helpful for strategic planning. HEI have to agree on a time frame within which profitability has to be reached and within which investments and assessments are to be made for this target. Two options of securing financial flows are dominantly applied, as examples in Part 5.4 demonstrate: As a first concept, a durable flow of financial investment from sponsors and stakeholders can be assured. This way of financing is connected to intensive engagement of management in attending funding partners and sourcing new financial support. The second solution to assuring financial resources for cooperation is to set up a special foundation devoted to the cooperations mission and goals. This latter solution is an initial step towards a joint engagement similar to a joint venture, since a special entity is founded by the concerned HEI. Profitability of cooperation is an internal request of participating HEI, but it is also in the stakeholders' interest. A clear and realistic profitability calculation of a multilateral academic cooperation has two favorable characteristics: It attracts financial resources and supports internal motivation.

Academic partners have to be exact about financial resource options and profitability targets within their cooperative contracts. In order to prevent misunderstandings and conflict, **cost and revenue distribution** between the partner institutions has to be fixed from the beginning. Resulting from the diversified leadership system and project distribution between the partners, profits and losses within an academic cooperation cannot directly be related to a project or HEI. Consequently, mismanagement is difficult to locate. In order to enable professional and efficient management of resources and suitable distribution of funds, cooperation has to install respective measures and agreements. The approach of transaction cost theory helps to keep the effects of opportunism under control and identifies weak points in cooperation by uncovering inefficient transaction costs. Management of cooperation, therefore, has to take institutional economic theories into account in order to establish an effective controlling process, able to restrain opportunism and manipulation in cooperation structures.

Financial aspects within cooperation can turn into critical points if not explicitly and realistically fixed within contracts. Given that relational contracts provide the freedom of specifying the needs of academic cooperation, this opportunity has to be used conscientiously. Financial issues are related to time-planning and to the specific agreement on joint mission and goals of multilateral academic cooperation. Only by the clear commitment of every single HEI can the necessary trust for joint and long-term financial investments be established between the partners.

6.6 Quality Control and Assessment Measures

In order to assure quality control, internal and external assessment measures have to be installed and conducted within cooperation. Multilateral academic cooperation operates with cross-border and cross-institutional distribution of competencies and tasks, and has to rely on each party doing its work appropriately and efficiently. Therefore, management of cooperation has to decide on assessment measures which assure quality control at all levels and in all projects and which allow assessment of the overall cooperation. Processes of quality control have to be conducted by internal and external positions in order to guarantee objective evaluation of cooperation.

In order to guarantee an effective and efficient organization and course of activities in academic cooperation, the evaluation of specific relationships and of the contribution of individual institutions is necessary. Task of cooperative management is to scrutinize the processes within cooperation and to consider positive and negative effects of alternative organizational

concepts like market and hierarchy. Permanent evaluation and realization of the economic potential within cooperation is mandatory, to make the network solution the best organizational structure for internationalization processes (Sydow 2003, p. 315). **Internal assessment measures** which cooperation has to establish for quality control are:

- Evaluation of products, processes, and staff;
- Loops ensuring ongoing learning and failure detection;
- Consultation of theories and practical studies.

Evaluation of projects and activities within cooperation is essential, since the investments of HEI and of stakeholders have to be monitored (de Wit 2002, p. 153ff.). Assessment measures evaluating the joint **product range** focus on the evaluation of staff and students. In the USA, as well as in Australia, conduction of lecture evaluation and graduation surveys is required by all publicly subsidized universities. Educational value added is measurable in these countries by the employment of a number of standardized process indicators and is made publicly known (Dill and Soo 2004, p. 77ff.). Evaluations, surveys, and benchmarking aiming at measuring quality of institutions and products are increasingly employed in European HE. Reforms, described in Chapter 3, demands of stakeholders, and joint European politics foster this process. These measures lead to improved consumer information and to an ongoing internal and external assessment of the cooperation's products and targets (Liebig 2001). Products and services offered by HEI are the first impression, customers get of cooperation. Quality of the product offer, therefore, has at least to be equivalent to expectations. When establishing evaluations and improvement processes, room to maneuver has to be conceded to HEI. In today's developing education market, institutions have to be able to experiment with products and partner constellations in order to detect win-win situations and effective solutions.

A second aspect of internal evaluation concerns **processes and staff** of cooperation. This step comprises evaluation on how projects are realized by multinational teams and how leadership performs. Principal-agent theory offers explanations to conflicts arising in cooperation. Especially in the case of spatially decentralized work within multilateral cooperation, information asymmetries increase and performance-based steering can help to control cooperation (Casson 1991, p. 11ff.). In many cases, HEI agree to cooperate in a certain educational field, while still being competitors in another. Institutions have to be aware that despite agreements on cooperation, partners can strive to gain individual acknowledgment instead of keeping in mind the promotion of cooperation. To reduce such principal-agent problems, the management of co-

operation has to provide quality assurance and control methods. As described in Parts 6.3.2 and 6.4.3, a trusting relationship and intense interaction within cooperation have an important influence on quality and performance. Besides this behavioral approach, other measurements have to be taken in order to control principal-agent problems and to assure stable quality of products and processes. Monetary incentive schemes and performance-based steering are dominant factors in the effective and successful management of HEI and cooperation. Their importance is mirrored by the public discussion about design, fairness and appropriation of incentive systems, and steering-measures in HEI (Wolff 2003; Liebig 2001; Massy 2004, p. 30ff.).

Performance measurement is a key element for the design of incentive schemes. In order to compare quality of performance and to detect faults and redundant resources, leadership and teams have to introduce **loops** in processes and use double-assignment of activities (Davies 2000, p.14f.). At the same time, learning-by-doing is enabled and teams and leadership can assure just-in-time correction of problems, application of new methods, and efficiency increase. Process management is to be arranged at the very start of cooperation, in order to assure efficient and resource-oriented management of projects. Well-defined processes which reduce transaction costs and misunderstandings in multinational and geographically dispersed teams represent a strong competitive advantage for multilateral academic cooperation.

Besides monitoring internal processes and staff, **consultation of theories** helps management of cooperation to detach from their internal view and to be able to detect potential for improvement. Theories, as presented in Part 4.1, contribute general analysis on the types of conflicts which can occur and the kind of costs that can arise within cooperative relationships. From approaches focusing on costs and transactions to those, concentrating on behavioral analysis, theories offer a range of explanations for conflicts which cooperative management does not have to experience on its own. Especially transaction cost theory helps to identify inefficiencies, which creep in with an increasingly homogeneous culture in cooperation. Given that a long-term relationship tends to rely on given rules and well-known action-chains, transaction cost theory offers an overview of necessary improvements and supports supervision of efficiency of transactions and exchange in cooperation (Staber 2000, p. 67f.). Careful transaction cost controlling also helps to define the ideal size of multilateral academic cooperation; application of marginal cost and marginal utility calculations lead to the economically optimal network extent (Sjurts 2000, p. 121).

Creating a common culture of quality within cooperation is a task of strategic management. This can be fostered by the implementation of workflow systems and a comprehensive and accepted strategy, jointly followed by all institutions concerned. In many HEI, the demand for the implementation of a culture of quality requires a fundamental change of thinking. Quality assurance processes in HEI and in cooperation have to be directed towards becoming routines, assuring learning and development, and not only being a measure of performance (Tabatoni and Barblan 2000, p. 7). Resulting from internal assessment and quality control, management of cooperation has numbers and process descriptions at hand, which allow decisions on future strategies and development of cooperation. Assessment and re-assessment are circular processes that have to be installed and they contribute learning and advancement to cooperative structures and engagement of each HEI. This process of quality control only stops with the end of academic cooperation itself.

In order to assure positive external perception and to enable cooperation to develop in coherence to market demands, measures of quality control and assessment oriented towards external aspects are necessary. The following measures have a major impact with regard to **external quality control**:

- Benchmarking competitors;
- Measures imposed by external parties (ratings and rankings);
- Implementation of accreditations.

The externally oriented objective of quality assessment and control is to communicate quality and its guarantee to external stakeholders, and to provide cooperation with insight into market demands.

In order to define an optimal organizational structure and interaction, management of cooperation has to use two kinds of **benchmarking**. Firstly, HEI have to discuss their ideal image of cooperation and expectations towards power distribution and product range. An idealistic model of academic cooperation is designed from these individual demands. The second step of benchmarking is to analyze successful competitor cooperation in order to compare and evaluate approaches. In this step, the management of cooperation compares certain projects and evaluates entire cooperation. The best case for benchmarking is analysis of performance and methods of a competitor cooperation following similar objectives and operating under similar conditions. Analysis of strong and weak competitors provides ideas for best-practice solutions and exposes deficits in the proper cooperative structure. Benchmarking has to un-

cover problems and reasons for good performance and negative effects. Only an intensive comparison process contributes results informative enough to lead towards an approved management and organization. In the specific case of multilateral academic cooperation benchmarking processes have to concentrate on process evaluation in particular. Processes and activities, as well as strategies, are to be examined and optimized between the partners. Since quality control and assessment measures in HE are still seldom employed, this process is new for most partners in academic cooperation. On the one hand, this offers HEI the possibility to jointly decide on a new approach for assessment of cooperative structures. On the other hand, HEI can assess their individual quality control systems when discussing which control measures to install for cooperation. As mentioned above, quality control has to become a standardized task in cooperation. This is also the case for benchmarking. Continued benchmarking contributes to the effective integration of tasks, and results in the simplification and acceleration of processes (Schreiterer 2001). This on-going quality control process leads to cost reduction and optimized resource utilization if applied consistently.

Growing competition between HEI in internationalizing markets and the need to increase transparency towards customers and stakeholders, require the development of a coherent system of process and quality management (de Wit 2002, p. 153ff.). Diverse expectations of **external parties** define to a large extent which aspects of multilateral academic cooperation are assessed. Quality of products and performance of staff are the most typical aspects of quality perception by external parties. External perception of quality retrospectively provides cooperative management with feedback about the usefulness of measures taken and the results of assessment. Orientation about how to evaluate staff and programs is provided by government and standardized assessment methods. With increasing autonomy of HEI, government imposes quality control, which is meant to assure efficient management of allocated resources. In most cases, such measures are financial planning tools and regulations concerning content and structure of educational programs offered.

Rankings are another option to position single HEI or cooperation on the educational market and to signal a quality standard. The first ranking, issued on MBA programs, was published by Business Week in 1988 (Devinney, Dowling and Perm-Ajchariyawong 2005, p. 1). Today, in most cases HEI and academic cooperation, respectively, often do not have the choice whether to participate in rankings or not, but have to follow the pressure from external parties, demanding for such quality signals. Most prominent rankings, of whose influence HEI need to be aware of, are issued by Business Week, The Economist, The Financial Times, Forbes,

US News & World Report, the Wall Street Journal and respective national rankings of the HEI home countries (Devinney, Dowling and Perm-Ajchariyawong 2005, p. 1). After the first rankings on MBA programs, ranking implicitly the quality of the related business schools, this quality measure raised in public awareness to provide practical and compact information about status and performance of business schools. Today, rankings appear to be the most frequently used first source of information for education seekers. A GMAC survey of 2001 revealed, that 95% of recent MBA graduates in a first step consulted the rankings, before choosing their school (Wuorio 2001).

Following, some essential positive and negative arguments about rankings and their effects mirror the discussion, running since some years (AACSB 2005; Policano 2005; Wuorio 2001; Gasparri 2006). A positive aspect of rankings is seen in the greater public awareness about business schools; raised visibility of even smaller schools is the result of such listings. To be cited in a ranking, made many business schools quicker and more internationally known than some years of intense marketing. Another positive aspect can be seen in the only slight variations in the diverse rankings concerning the top-ranked business schools. The wide conformity of ranking results corroborates the belief that rankings allow at least a rough impression on business schools' quality. Besides these supportive arguments, criticism on rankings and their producers are intense. Negative points, intensely discussed by business schools, accreditation institutions, and in public are the following (Policano 2005, p. 29; AACSB 2005, p. 7):

- The ranking process being based on inconsistent data and subjective opinions;
- Information, available at persons responsible for rankings, can be manipulated or incomplete;
- Indifferences exist between the multiple rankings because of diverse criteria and different weighting of data;
- HEI face a cost-intensive process, if they want to carefully employ this quality measure.

Propositions for better solutions to provide independent information about quality and performance are made (Policano 2005, p. 31f.). To utilize ratings more in the sense of rankings, is one suggestion (Gasparri 2006, p.44). This would replace the clear numerical rank business schools are given, by a general classification benchmarking clusters. The standardization of data and monitoring of its correctness is another demand. This can be reached by the help of accreditation institutions and intensive data controlling at the publishing instance. Addition-

ally, clearer communication about the intention of a certain ranking and the used criteria and weighting is essential, in order to distinguish and interpret their results (Tyson 2001, p. 10f.). The above presentation of critical and positive aspects of rankings underline the two major antagonisms, rankings produce (Diver 2005). First, ranking schemes are suspected to undermine institutional diversity, while at the same time providing the challenge to create new offers and services for customers. Second, rankings further the impression of extrinsic goals making education attractive, e.g. wealth and prestige, while business schools prefer to promote intrinsic rewards, like liberation, self-realization and academic integrity.

HEI and cooperation have two options: either they take part in the rankings and provide necessary data, or they keep out of this externally provided quality measure and point with alternative solutions (Devinney, Dowling and Perm-Ajchariyawong 2005, p. 21f.). The last is far more difficult to realize and as cost- and resource-intensive as the ranking process; it nevertheless offers a greater independence for the single HEI or cooperation. Regardless of this decision, multilateral academic cooperation enables HEI to gain and keep an individual offer and facilitates adaptation to the demands of customers by adding up of characteristics of diverse partners.

Standardization of evaluation and assessment measures is proposed by various **accreditation agencies**, offering certificates for HEI and their services (Müller-Böling 2000, p. 219ff.; HRK 2004). These agencies are of diverse recognition, and management of cooperation has to analyze the effectiveness and external effects of proposals before pursuing a certain certificate. Using certificates of established accreditation agencies in order to demonstrate quality to markets and customers is mandatory in today's HE sector. Since accreditations are expensive and time-intensive processes HEI jointly have to agree on this. The possibilities to either evaluate the entire cooperation, or to use assessment done at each institution, are two options available.

Once established, academic cooperation has to select new partners according to their status of accreditations and rankings. This necessary respect, which is paid to the "*fit*" of reputation between the partners, is explained in Part 6.3.3.

6.7 Management of Conflict and Strained Relations

Management of conflict and of strained relations is task of the leadership of cooperation and has to be established by HEI at the very beginning of joint engagement. Conflict management has the task to internally and externally prevent misunderstandings, and to propose measures

to intervene if such occur. Management of conflict and of strained relations, therefore, is closely linked to quality control and assessment procedures in cooperation, and has to be integrated into all levels of interaction. Conflict management has the objective to define universally accepted instructions for dealing with conflicts within inter-institutional activity. In multilateral cooperation, conflict management also has to respect the cultural diversity of partners (Sydow 2003, p. 314f.; Gladwin and Walter 1992; Kumar 1989).

Conflict management in multilateral cooperation has to be established along three steps: Identification of potential conflict causes; awareness of aspects related to and resulting from conflicts; and definition of measures of conflict prevention and management.

In a first step, conflict management has to identify strategically the structural or inter-culturally initiated potential for conflicts. Since conflicts are dynamic incidents, exact determination of causes is not possible, and cooperative management has to apply process-oriented approaches for conflict resolution. Four fields, causing problems for multilateral academic cooperation, are highlighted by this thesis. All four fields have been treated by previous chapters and are identified as major conflict initiators within multilateral academic cooperation.

- Relational contracts;
- Mixture of cultures;
- Ineffective leadership;
- External relationships.

Conflicts resulting from contractual solutions and unclear organizational structures are described in Parts 4.1 and 5.4. Agreements which are not specific enough, and individual interpretation of contracts, represent a primary reason for strained relations in cooperation. Despite offering large freedom for individual configuration, relational contracts often leave essential competencies and rights within cooperation undefined. A second critical aspect in multilateral cooperation is the mixture of cultures, leading to increased complexity of exchange relations and requiring additional caution in transactions. The development of a corporate culture for cooperation, providing the common framework of norms and rules, is mandatory for successful interaction. The cooperative situation in HE is complicated by various national reform processes and cultural backgrounds, and by EU influence. Challenges resulting from these aspects are described in Chapter 3 and Part 6.4.1. A third field of potential misunderstandings is the elaboration of leadership structures for cooperation. Motivation of staff and stake-

holders, and distribution of competencies between the partners are processes which comprise potential for conflicts (Mintzberg 1983, p. 31ff.). As presented in Parts 4.1 and 6.4.3, missing decision structures within cooperation and institutional egoism have major impact on conflict potential. The fourth issue, exerting its impact on an untroubled cooperation, is appropriate management of external relations, as described in Part 6.2.3. Misunderstandings or falsely interpreted communication and activities can turn into conflicts between HEI and external parties, but also within cooperation itself.

Conflicts on the interpersonal, intra-organizational, and inter-organizational levels lead to numerous effects on costs and resources and have to be monitored carefully by leadership. Additional aspects that have to be taken into account are situative conditions of conflicts and abilities of people concerned (Raiffa 1991, p. 324; Saunders 1991, p. 57; Ulrich and Fluri 1995, p. 30). The necessity of an environmental and interpersonal approach to conflict resolution is deduced from contingency approach and behaviorism decision theory, presented in Parts 4.1.2 and 4.1.3. Aspects which comprehensive conflict management has to be aware of and integrate in methods of resolution are costs related to conflicts, long-term satisfactory conflict resolution and learning, the situative approach of conflict solutions, and negotiation capabilities of leadership and trust within cooperation.

Conflicts result in **costs**, due to wasted resources and decreasing motivation and engagement of staff. Discrepancies in planning and in the roll-out of projects are also due to conflicts arising in international project work and by splitting of competencies. Conflict management has to expect such effects and to propose solutions for strained relations. One possibility is improved team-building and assessment measures as described in Parts 6.3.2 and 6.6.

To **ensure learning** from resolved conflicts is another important aspect cooperative management has to ensure in its conflict management method. **Long-term satisfaction** in cooperation is only given, if conflicts are solved in a way that assures learning and prevents repetition and in transferring lessons learned to other conflicts. If leadership actively engages in providing flexible but effective solutions and their respective implementation, conflict management has the positive effect of fostering structural changes. This procedure is closely related to the establishment of a culture of quality.

Conflict management in multilateral cooperation is confronted with diverse cultural and structural backgrounds of the HEI involved. This complexity requires planned and constructive intervention which does not embarrass single partners or persons. Contingency theory offers

HEI approaches on how to develop conflict solutions adapted to diverse environmental situations.

Opportunism and domination tendencies are additional aspects of cooperation leading to conflicts and strained relations. Therefore, **negotiation** is an essential management element in cooperative structures. Every issue, whether it concerns a single HEI or cooperation, having impact on activities of cooperation, has to be discussed by the partners. The decision for cooperation and long-term commitment does not eliminate differing opinions of HEI about certain issues or even differing objectives for their future. In this case, negotiation and finding compromise is the only way to ensure enduring multilateral academic cooperation. Within leadership, conflict management is a task which requires special cultural and interpersonal sensitivity in order to mediate in case of conflicts arising in negotiation and activities. It is especially in multilateral cooperation in the HE sector, that problem solving demands sensible negotiation capabilities, since stakeholders, like governments and society, are powerful counter parts. Manifold internal and external stakeholders and cultural backgrounds, described in Parts 6.2 and 2.2, have to be treated with respect and to be integrated in structure and procedures of multilateral academic cooperation.

Trust is an essential characteristic able to reduce conflicts in cooperation. Trust between the partner institutions implies that all of them are ready to take on a risky operation jointly without questioning the others' intention to do so (Osterloh and Weibel 2000, p. 96). If partners do not gain and keep the trust of each other, effective multilateral academic cooperation is impossible. Conflict management has to assure that established trust is respected and that implemented learning processes contribute to enhanced understanding between all partners.

The third step in establishing conflict management in cooperation is the definition of measures enabling prevention and treatment of conflicts. Approaches to conflict resolution by norm strategies are offered in scientific literature (Gilbert 1998; Achleitner 1985, p. 142ff.; Galdwin and Walter 1992). Approaches focusing on conflict management in international companies allow the deduction that cooperative conflict resolution is more efficient than power induced regulations. Since conflicts result of strategic, structural, or inter-cultural settings within multilateral academic cooperation, conflict management benefits from a sound corporate culture and an effective leadership system. Four measures, to prevent critical processes and situations and to deal with conflicts, are proposed by this thesis as being most relevant:

- Open communication;
- Incentive schemes;
- Clear decision structures;
- Coaching of leadership and teams.

Awareness of potential critical aspects in cooperation and ex-ante discussion of possible solutions is a first step on the way to comprehensive conflict management. Cooperative relations are expected to be based on mutual trust and friendly interaction; the implicit understanding is that HEI respect each other as partners and have decided to cooperate intensively to a certain degree. **Open communication** about individual objectives and possibilities of each HEI are fundamentals for long-term joint arrangements. Critical aspects in cooperation are often neglected by management; competition between partners and opportunism are not openly discussed or treated (Hamel 1991). Cooperative management has to be aware that tendencies to conceal individual objectives are furthered by the large interpretational freedom of relational contracts. Unformulated and unwritten meanings can be covered within non-specific formulations, and opportunism and individual utility maximization of individual HEI are difficult to detect. Nevertheless, relational contracts are a necessary tool to allow for the definition of rules for cooperation while assuring flexibility. HEI have to define essential aspects of joint engagement, which is an increasingly complex process with rising numbers of partners. In order to reduce conflict potential within multilateral cooperation, management has to assure to respect the specifics of inter-cultural and interpersonal exchange.

Since clear definition and distribution of competencies and rights in multilateral cooperation is a difficult and evolving process, **incentive schemes** help to cope with conflicts arising. Incentive systems and continuing assessment of performance are a dominant factor for effective and successful steering of institutions, as described in Parts 6.4.3 and 6.6. Conflicts in cooperation are reduced by incentive schemes which are oriented towards team evaluation and project assessment rather than towards recognition of individual achievements. A key element for the design of incentive systems is performance measurement, including internal and external quality assurance and control methods. Successfully applied incentive schemes reduce opportunism and conflict potential within cooperation (Wolff 2003). In combination with incentive schemes, leadership has to establish problem-solving cycles as a measure of detecting conflicts. Integrated in structure and projects, they reveal problems at an early stage and initiate solving mechanisms. Installment of such early warning systems demands the interweaving

of quality control and conflict management. Detection of potential causes of conflict, prognostic elements in project management, and creativity techniques are measures of conflict management which have to be installed. In inter-cultural teams cross-border activities in joint workshops and project management and mediators fostering understanding and interaction are success factors that have to be applied by cooperative management. Simulations and security analyses also help to detect potential conflicts ahead of their appearance and facilitate enduring multilateral academic cooperation.

Clear decision structures are necessary in order to assure long-term interaction of partners and are the foundation of conflict prevention. Ineffective leadership of cooperation results from an imparity in distribution of competencies and rights, and is caused by unspecific regulations in relational contracts. Principal-agent problems are the result of such unclear decision structures and leadership conflicts. As presented in Part 4.1.1.2, these problems result from hidden information and opportunism between agent and principal. Conflict management has to be able to mediate in such complex constellations. Unequal distribution of economic power and self-interest are additional facets of cooperation, which potentially result in conflicts. These factors are analyzed by transaction cost theory, and implications indicate necessity of equality between network partners and efficient management of exchange relations, as presented in Part 6.4.

The establishment of clearing positions, mediators, or coaches for prevention and reduction of conflicts is regarded as an important tool by this thesis. Information asymmetries increase in the case of multilaterally decentralized work in particular. **Coaching of leadership and teams**, as suggested in Part 6.4.3, increase reliance on the others' trustworthiness and goodwill and reduce principal-agent problems in cooperation. Behaviorism decision theory is another theory complex, which cooperation has to consider in order to promote understanding of organizational behavior and the development of leadership strategies. The theory follows the fundamental idea, that all economic activity is a choice between various action possibilities and that an organization can be interpreted as a system of decisions. According to the assumptions of this approach, an interdisciplinary orientation of leadership and cooperative management is a must.

The final way to end a conflict which is too intense to be resolved is the termination of cooperation. The issue of abandoning a cooperation is seldom discussed between participating HEI, and most often partners do not completely split but reduce cooperation to certain projects. Nevertheless, some external and internal developments can make it necessary to end

cooperation and separate activities. One possible reason to end cooperation is the positive aspect of having achieved the targets set. In this case, cooperation is only ended if no new objectives are established. A negative reason to end cooperation is the ascertainment that targets cannot be reached. Wrong assessment of partners and markets, as well as opportunistic behavior, are also reasons to end joint initiatives. Naturally, costs arise for the decomposition of cooperation and partners have to assess how to solve this parlous state in order to minimize loss of reputation (Sjurts 2000, p. 234ff.).

Multilateral academic cooperation is operating in a sector which attracts high public awareness. Therefore, as presented in Parts 6.2 and 6.3, HEI have to make sure to choose the right partners and to found cooperation on a solid corporate culture in order to prevent failure. Co-operating partners have to be aware that conflict management can only serve as additional service, which supports leadership and management structure by dissolving conflicts; it cannot completely prevent emergence of strained relations. A comprehensive and accepted conflict management process, established in multilateral academic cooperation, is able to reduce strained relations by fostering mutual understanding through each conflict resolved.

6.8 Conclusion of the Concept

This thesis proposed formulation of a concept HEI can follow in order to develop multilateral academic cooperation. In the scope of the concept are all kinds of HEI in all kinds of environments. Characteristics which distinguish HEI, and their environmental factors, are taken into account, and the concept enables all addressed parties to adapt it to their specific needs. Three assumptions are made in order to reduce complexity and to give the concept a stable foundation. Firstly, the thesis addresses all HEI which have taken the decision to internationalize, regardless of their structure and nationality. Secondly, the concept assumes the decision of HEI to internationalize by using multilateral cooperation with academic partners in more than three cultures. For these two assumptions, the general discussion about internationalization and how to pursue this process were treated in an earlier step. Thirdly, the thesis assumes that multilateral cooperation refers to cooperation between HEI itself and concerns the offer of joint academic programs.

Four major stages build the concept for multilateral academic cooperation and are supplemented by two functions, essential in order to assure development of multilateral academic cooperation. Figure 25 gives an overview of the conceptual framework for multilateral academic cooperation developed in this thesis.

Concept for Multilateral Cooperation of Higher Education Institutions

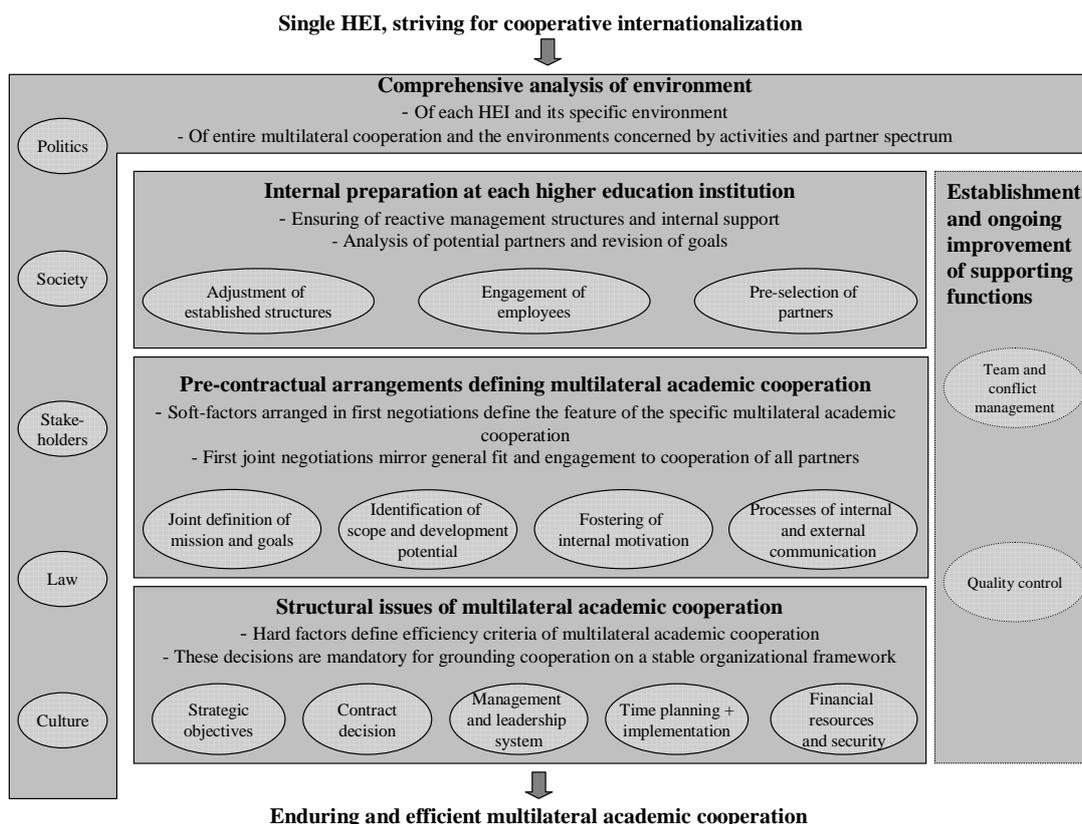


Figure 25: Overview – Concept for Multilateral Academic Cooperation

The first stage each HEI and, in an ongoing process, cooperative management, has to pass through is analysis of environment and development of adequate reaction to diverse and only slightly influenceable environmental impact on HE. Interaction with environment concerns all levels of an institution and demands circumspect management and continuous adaptation of planning. **Politics** are of major importance in the HE sector, given that most European HE systems are state-controlled and underlie strict political regulations. National and European politics represent, therefore, a stakeholder and a major framework for multilateral academic cooperation. Appropriate reaction and increased initiative of HEI can turn environmental situations from given standards into formable surroundings. Additionally, attitude and expectations of **society** in all related nations influence multilateral academic cooperation. Reputation of HEI and acceptance of their plans and development highly depend on public perception. The society of each nation represents the second major stakeholder in the HE sector and contributes to the general framework in which HEI are acting. Appropriate reaction to this external factor means considering related cultural and historical backgrounds of the given society. Inclusion of all parts of society in HE development increases the reputation of the HE sector and allows institutions to develop an adequate educational offer. In addition to the ma-

major **stakeholders** of HE – politics and society –, internal and external stakeholders which affect and influence HE are: Companies, media, students, and employees. Stakeholders represent a partly influenceable aspect in the diverse environment of multilateral academic cooperation. They are diverse and require individual treatment. HE cooperation making use of this diversity, develops an essential success factor, which gains in importance with increasing institutional autonomy and internationality. Legal surroundings of each HEI define capabilities of the entire cooperation. National and international **laws** affect the contractual design of multilateral academic cooperation and define its development potential. These surroundings can only be influenced by the choice of academic partners and markets, and by defining individual contracts around standardized legal frameworks for cooperation. **Cultural issues** represent the environment, which influences all other aspects of multilateral academic cooperation. The ability to cope with diversity in multilateral interaction by establishing a joint corporate culture is a success factor for multilateral engagement. Cultural know-how is mandatory for establishing trust, and enables the development of a joint culture, which promotes multilateral academic cooperation.

The second stage in forming multilateral academic cooperation concerns internal preparation activities at each HEI. This part of the thesis refers intensely to internationalization models for HEI, presented in Part 5.3, and respects their findings on the internal steps that are preparing institutions for internationalization. Three aspects dominate this internal preparation. Firstly, **adjustment of established structures** in HEI has to be undertaken. This step refers to establishment of increased autonomy and self-government of HEI and reduces differences between private and public institutions. Complexity of internal restructuring differs between private and public HEI since their initial conditions are of unequal flexibility and internationality. This step results in the concrete idea about individual possibilities and objectives of each HEI. Secondly, **engagement of employees** and their loyalty to the institution's plans define the degree of engagement in cooperative activities, thus affecting the contribution to stability and development each single institution is able to make. Support for objectives related to multilateral cooperation, acceptance of management of cooperation, and the will to engage in cooperation result from interpersonal relations and involvement of employees at each institution. Thirdly, **pre-selection of partners** has to take place, following the objective to increase or establish reputation, competencies, and competitive advantages by combined forces of multiple HEI. A review of proper objectives, strengths, and weaknesses at each HEI is the foundation for analyzing potential partners. At the same time, this process contributes to the exami-

nation of consistency of the internal structure of each HEI. Result of the pre-selection is an overview of markets and HE systems, which increases international awareness and competence at each institution. The process of selection and first negotiation with specific partners is factored out in this thesis. This time- and resource-intensive step to multilateral academic cooperation is described by multiple studies and analyses in common literature.

The third stage in establishing a multilateral academic cooperation is pre-contractual arrangements achieved by primary negotiations between cooperative partners. These first joint actions were discussed with regard to four major aspects. **Definition of mission and goals** for academic cooperation is a process which balances individual interests and cultures within the joint engagement. A win-win situation for all partners must result. Additionally, the negotiation process ought to increase awareness of foreign cultures and understanding for diverse HE systems and management methods. Multilateral academic cooperation demands long-term and high-level commitment from all partners. Therefore, **scope of cooperation** is defined by the commitment and contribution each HEI is able and willing to make. The sound analysis of all partners' possibilities and adjustments to these capacities are mandatory for a comprehensive scope of cooperation. At the same time, well-adjusted objectives and intense analysis of capacities generate high potential for development of joint international activities. Multilateral academic cooperation is dominated by social and informal rules and mechanisms; **motivation** of employees and stakeholders, therefore, represents a competitive advantage. Personal interaction between people of diverse cultures and backgrounds fosters mutual understanding and joint engagement. Two facets have to be covered by the **communication system** of cooperation. Firstly, an internal communication system, as well as a procedure, have to be established, assuring a smooth flow of information. Secondly, external communication has to assure acceptance and approval by stakeholders and, as a result, should create market value for all partner institutions.

In the fourth stage, the exact definition of structure and objectives of multilateral academic cooperation, is split into five aspects. In a first step, the definition of **strategic objectives** for multilateral academic cooperation means agreeing on measurable features and targets of cooperative activities, these enable the assessment of joint engagement. Strategic objectives have to ensure long-term and stable planning and existence of academic cooperation. Joint investment of financial and human resources determines the strategic targets which can be achieved by multilateral academic cooperation. **Contract decision** is the second aspect in structuring multilateral academic cooperation, and has to respect three issues: Firstly, coop-

eration as inter-organizational transaction; secondly, the academic specifics which contribute aspects of immaterial assets; and thirdly, multilateralism, which demands the respect of various national legal settings. The choice of the EEIG as legal European reference framework enables HEI to preserve individual features while creating a new engagement structure. As a third issue, establishment of a joint **management and leadership system** within cooperation is to be reached. Ensuring equal power distribution and contribution from all partners, which remain legally and economically independent, is the main task of this joint system. Development and flexibility of multilateral academic cooperation depend on the motivation and engagement of employees; both are fostered by an efficient management system. Realistic but ambitious **time-planning**, representing the fourth aspect of cooperative structures, is achieved by involving of all levels of cooperation and contributes to intrinsic motivation. An accurate time-plan implies trustworthiness and promotes the good reputation of multilateral academic cooperation to stakeholders. Finally, as a fifth aspect, opening and securing **financial resources** enables academic cooperation a mid- to long-term planning and requires fundraising as well as a reporting system. Secure contribution of financial resources represents a stable basis for development of multilateral academic cooperation, and respective reporting measures enable its economic evaluation.

In addition to these four fundamental steps towards long-term and efficient multilateral academic cooperation, the process has to be supported by two functions: quality control and conflict management. The assessment of cross-border and inter-organizational activities by internal and external measures is one major factor which assures quality of multilateral academic cooperation. The establishment of a sound **culture of quality** in all processes and on all levels of cooperation is a necessary step to becoming competitive and enabling ongoing learning and development of cooperation and related institutions. The second major factor supporting cooperative internationalization is establishment of **conflict management**. Diversity, generated by the multilateralism of HE cooperation, contains potential for conflicts and has to be managed by competent leadership and motivated employees. Use of prognostic elements, loops in processes, and inter-cultural awareness can contribute to conflict prevention. Conflict resolution is enabled by clear decision structures, well-defined targets and projects, and team spirit.

Multilateral academic cooperation offers the future concept for HE development. Cluster structures, uniting competitive advantages of single HEI in one international network, enable efficient and competitive development of the EHEA. The concept developed in this thesis enables HEI to professionally approach this challenge.

7 Summary and Outlook

This thesis addressed the following question: „*What are the internal and external success factors influencing multilateral academic cooperation, and how should a framework for this kind of international cooperation be designed in order to facilitate HEI the approach to multilateral academic cooperation?*“. The answer was given by the development of a conceptual framework for multilateral academic cooperation. The concept reflects the need of HEI to find new organizational structures in the context of a changing European HE sector. This thesis proposes a model enabling HEI to do so, by developing efficient and long-term multilateral academic cooperation with other HEI, in order to provide advanced international educational services.

Resulting from HE reforms and economic development, the internationalization process of the European HE sector needs to evolve from individual and singular projects into an integrated element of HE development. This can be achieved by introduction of economic rationales in HE planning and management and by focusing internationalization activities around the core competencies of each HEI. This approach leads to the rise of international academic networks, thus fostering an internationally oriented educational offer and overall HE development. These changes in the HE sector expose HEI to the challenge to anticipating opportunities and risks connected to multilateral academic cooperation. Network structures are constantly exposed to change and external influences. Flexibility is therefore seen as a major necessity and advantage in cooperation. Therefore, the challenge in cooperation management is to define stable structures, without hindering necessary changes. To facilitate this learning process, HEI can make use of experiences made by cooperation in the classical business sector. Figure 26 lists such positive and risky aspects of cooperation, revealed in theory and practice.

Concept for Multilateral Cooperation of Higher Education Institutions

Opportunities	Threats
Expansion of competencies and abilities	Only partial mastery of the system
Increase of strategic flexibility	Loss of core competencies
Access to new markets and resources	Taking over of responsibilities and dependencies
Distribution of economic responsibility, esp. within diversification achieved by cooperation	Rising difficulty of strategic steering
Diminishing of production costs, esp. by external economies of scale	Loss of strategic autonomy
Decrease of coordination costs	Increase of coordination costs
Absorption of arbitrary effects	Loss of organizational identity
Interorganizational learning, development of cooperative core competencies	Uncontrollable drain of know-how
Decrease of capital demands	Sinking commitment of employees because of missing identification
Access to new management approaches and facilitation of organizational change	Enforcement to globalization and international coordination

Figure 26: Opportunities and Risks in Cooperations

(Based in Part on Sydow 2003, p. 306; and Sydow 2001, p. 306)

Three major risks are identified by observation of cooperation and network organizations; their mastery is the crucial factor for efficient multilateral academic cooperation (Sydow 2003, p. 306ff.; Welge and Holtbrügge 1998, p. 104ff.). One risk, an only partial mastery of the system, can result from enlarged cooperation; the second risk, loss of competencies; and thirdly, the risk of dependence, arise over time and increase with the number of cooperation partners.

The risk of an only partial mastery of the system

In complex, polycentric systems, which mostly have more than one steering centre, management runs the risk of losing control over the overall strategies and organizational structures. Network structures and multilateral coordination can lead to a highly complex and cost-intensive management and control system within the network. This danger of neglecting certain aspects or of missing information within cooperation can be prevented by engagement of all levels of HEI into cooperation. Since staff know essential aspects of operative day-to-day business, their contribution can help prevent faults. Only if all groups related to the multilateral cooperation are included in the decision-process, is the network able to compete on the HE market and to develop strategies for enduring success. To ensure this fluent interaction of members in the cooperation, a clear definition of decision processes and responsibilities is necessary, as was analyzed in Part 6.5.3. Challenges additionally grow out of the fact that

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network partners can engage in more than one cluster structure, and thus join diverse networks in order to foster several of their core competencies. Bureaucratic measurements are not enough to control and manage such a complex system of equal partners; member autonomy and decision-making processes need evolutionary management and social sensibility as major leadership characteristics.

The risk of the loss of competencies

While internalization or externalization of certain economic activities leads to network structures and cooperation, this development implies sharing know-how and focusing activities on each partner's strengths and resources. This implies giving up certain other competencies in order to best serve the network, an implication which may be dangerous in case the network splits up and the competencies of each single HEI do not correspond any more to the market needs. Therefore, HEI involved in multilateral cooperation need to share experiences and know-how in order to allow all members to develop with the network and to contribute in an adequate manner to cooperation. This implies that knowledge is not only transferred between the partners but initiates strategic change and development of the entire cooperation.

The risk of dependence

The interdependence of the HEI in the network increases with the sharing of activities and know-how in multilateral academic cooperation. In unfavorable situations this may even lead to unequal dependencies between the network members. The reputation of each member in the cooperation plays an important role for the power distribution within cooperation and for the networks apparition on the educational market. Members need to be as equally well known as possible, in order to prevent overruling and domination in the network.

These challenges in multilateral academic cooperation can be kept within reasonable limits or can even be countered by the establishment of an effective and well functioning management system within each HEI and for the entire cooperation. One option for such a system is proposed in Part 6.5.3.

Integration barriers when entering foreign markets are another aspect representing a challenge for multilateral academic cooperation. Barriers may be the dynamics and complexity of activities' environments and the internal and external decision structures. Heterogeneous cultures in multilateral academic cooperation, and fragile common agreements based on relational contracts, are able to evoke problems when HEI enter foreign markets, as well. Different approaches of organizational centralization and decentralization are able to smooth the differ-

ences in culture and knowledge between cooperation partners and their new markets; these measures can be seen as active features of management of multilateral academic cooperation.

As was presented in Part 5.2.2, the concept of cooperative internationalization is seen as a future structure for the European HE sector. The conceptual model developed in this thesis is a first framework for realizing a cluster concept of HEI, which unite their core competencies in order to conquer the international education market.

In order to successfully conquer international education markets and to compete with established competitors already experienced in cooperation and internationalization, HEI need to pursue HE research on these subjects. Major questions revealed by the concept developed are:

- Which size and scope of multilateral cooperation is economically reasonable and manageable?
- What do specific contractual agreements have to look like, in order to ensure enduring and prospering multilateral academic cooperation?
- Which kind and degree of political help and reforms are necessary, and which degree of free market is possible for EHE development?

The thesis has aimed at providing a comprehensive picture of the factors to be taken into account when establishing academic cooperation on a multilateral basis. The ideal multilateral academic cooperation operates on a change-oriented mission and suggests collegial governance structures to provide support for adaptation. Professional management and entrepreneurial spirit are essential factors of success to help maintain multilateral academic cooperation on a long-term basis. Consistent commitment to change is necessary and internal and external motivation has to foster this intensive engagement of HEI.

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