

The Challenge

To thrive in China, business schools must weigh the risks, define their strategies, and heed the forces behind China's cultural and economic evolution.

**by Ilan Alon and
John D. Van Fleet**

China has become one of the most intriguing markets in the world, and one of its most dramatic growth stories is the education sector. This growth is driven by demand—according to “China’s Looming Talent Shortage,” the now-famous 2005 report from McKinsey & Company by Diane Farrell and Andrew Grant, China will need 75,000 internationally capable managers by 2010. The system, however, can currently supply only 10 percent of that demand. This gap attracts attention from business educators both in China and around the world.

By the end of 2007, almost 300 MBA programs were operating in the People’s Republic of China (PRC), all established in 16 years, first by Chinese institutions and, more recently, by joint partnerships between Chinese and non-native schools. But while there has been an explosion in educational initiatives in China, some programs provide better educational value than others.

While the Chinese market presents formidable challenges to business schools, its potential is just as promising. The demand for quality initiatives is on the rise. Many programs with local and international affiliations compete mightily for potential MBA students, but far fewer meet globally recognized standards for excellence. This is true, in part, because achieving success proves difficult for most cross-national initiatives, whether in the education sector or any other.

Therefore, business schools cannot underestimate what it takes to succeed in China’s dynamic market. Once schools choose strategies that make sense for them, they must commit the time and money to make those strategies work—and weigh carefully the potential for risk and reward.





China is looming ever larger on the global

Small B-School in Big China

Tennessee State University navigates its first Chinese partnership—and learns from obstacles along the way.

by Galen Hull

The College of Business at Tennessee State University (TSU), a historically black university in Nashville, has been working to diversify its student body and programs. As part of this process, we have partnered with Tianjin Polytechnic University (TJPU) in Tianjin, China, a city near Beijing. Historically renowned for its textiles program, TJPU has diversified its offerings to become a comprehensive urban university.

Our introduction to TJPU as a potential academic partner began in traditional Chinese fashion—with *guanxi*, a term that refers to the interconnections between people. The concept goes beyond the idea of relationships—it encompasses the ideas of reciprocity and mutual cooperation that are basic tenets of Chinese culture.

One of our professors is a neighbor of a Chinese businessman who frequently travels to Tianjin on business. In the spirit of *guanxi*, the Chinese neighbor asked our faculty member if TSU would be interested in developing a partnership with TJPU's economics department.

The relationship between our two programs has flourished. Two TJPU economists have come to our campus in Nashville as visiting scholars, and eight TSU faculty and administrators have visited Tianjin. Twenty TSU students have attended TJPU for six-week study abroad visits, and four TJPU students have completed or are enrolled in TSU's MBA program. Nine of our students are learning Mandarin Chinese to prepare to study at TJPU this summer.

From the outset of our partnership, TJPU has been interested in having TSU offer its MBA program in Tianjin. As a next step, we are developing a plan that we hope will benefit both schools and satisfy the academic authorities of our respective institutions. Most important, we have been doing our research to determine what it will take for our regional program to go global in the Chinese market.

Learning the Landscape

As part of our faculty and student exchanges with TJPU, I have traveled twice to China with TSU students. While there, I've conducted research to write case studies and keep an eye on China's growing MBA market.

Five Levels of Commitment

Schools may choose one or more of five primary strategies for entering China: student recruitment, student exchanges, faculty exchanges, study abroad programs, and joint degree programs. Each strategy requires an increased level of commitment and brings an increased exposure to risk. At the same time, each step up the scale deepens the school's connection to and presence in China's educational market.

STRATEGY NO. 1—Recruiting for Domestic Programs. Recruiting Chinese students is the oldest and simplest way for international business schools to enter a new market. Such recruiting improves student diversity and populates the classroom with students who can provide valuable insight on Chinese business and culture. However, of all the strategies available, recruiting alone offers business schools the least exposure to the Chinese market. In addition, schools face growing competition to attract students, now that Chinese students can choose among a growing number of business schools around the world.

Schools that rely on recruitment should aim to maximize its potential. Because China's urban areas alone represent 5 percent of the world's population, a school might plausibly aim to enroll approximately 5 percent of its students from China. In addition, schools should create initiatives that ensure that they'll capture the educational potential of that diversity.

STRATEGY NO. 2—Student Exchanges. Like student recruitment, student exchanges are relatively simple to manage. Moreover, they offer two advantages: They foster long-term collaborations between schools and provide students with international experience. Still, schools face three significant obstacles. First, school schedules can vary widely, making it difficult to synchronize programs. Second, tuition imbalances can be difficult to reconcile, because tuition at Western institutions can be much higher than tuition at Chinese institutions. Finally, visa problems may hinder students' enrollment, although the shorter the visit, the less likely it is that visa issues will arise.

STRATEGY NO. 3—Faculty Exchanges. Faculty exchanges can encourage profound relationships with PRC institutions and lay the groundwork for case writing, research development,

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stage, and its citizens are proving that they can accomplish whatever they put their minds to.

During my last visit, I met with Jiang Fuyang, the vice dean of Tianjin University's School of Business. Tianjin University was founded in 1895, but its business school—one of the first in China—was established in 1991. Today, it serves about 300 students in each two-year MBA cohort. It very well might be a competitor with our proposed MBA program with TJPU.

As I walked to Fuyang's office, I noticed a sign that said "Case Study Room." Just two years ago, Fuyang explained, the school wasn't using case studies. Today, cases are an integral part of the curriculum—a testament to how quickly management education is evolving in China and how much its business schools are adopting Western methods in their curricula.

While in China, I also visited several Chinese companies that have established their own universities. For example, the Geely Corporation, an automotive manufacturer, has built an \$800 million corporate university campus near Beijing, complete with sports facility, cafeterias, and dormitories. Open to all students, Beijing Geely University offers a full range of courses to prepare graduates to enter the corporate world.

The Haier Group, the world's third largest manufacturer of household appliances, has a corporate university adjacent to its production plant in Qingdao. Unlike Beijing Geely University, Haier University is open only to its own employees, using the case study method to teach its middle- and upper-level managers.

After my visits to Geely and Haier, it was clear to me that providers of business education in China compete for students, not only with other universities, but also with strong corporate players. As TSU sets out to offer its own MBA with TJPU, we must keep these market forces in mind.

Negotiating the Terms

In May 2007, a four-person delegation from TJPU visited our campus for a full day of discussion. Our goal was to outline clearly how the proposed TSU MBA in China would be structured and managed.

Since that meeting, we've been drafting the terms of the proposed TSU MBA with TJPU to address several important issues. We have decided that the degree is to be a TSU MBA, not a joint degree. Admission to the program will be based on TSU academic criteria, and all faculty involved must meet AACSB standards. Courses must be scheduled to fit our academic calendar, and most of the program will be offered on the TJPU campus on an intensive three-week basis. The remainder of the program will be delivered

online. We've also agreed that the program will require a cohort of 22 to 30 students to be cost-effective.

One of TSU's primary concerns is the need to maintain AACSB standards for teaching faculty. We hope that the Bologna Accord, used to qualify faculty in Europe, may act as common benchmark. If TJPU can show that its faculty follow the Accord's guidelines, some may teach in the TSU MBA program.

Another key issue has been the tuition rate. What is the value of a TSU MBA degree in the Tianjin marketplace? How does TSU cover costs and still provide a quality program? We've now entered a lengthy process of bargaining, with the two sides proposing widely varying individual tuition rates.

Finally, the Tennessee Board of Regents, the governing body for 18 higher education institutions in the state, must approve any agreement we establish with TJPU. The Board has given us the green light to submit the proposal to offer an MBA degree in China. However, before we can obtain the Board's final approval, we must secure the agreement of TSU's academic authorities.

Looking Ahead

To ensure quality of teaching, China's Ministry of Education is tightening its supervision of education programs jointly operated by Chinese and non-Chinese colleges and universities. Applications for new joint postgraduate programs will be more closely scrutinized, and the Ministry has indicated that it may not approve new programs until 2009.

We know we'll face other challenges. For instance, last fall we invited four TJPU students to TSU for short-term visits—they were to stay with our faculty, observe our business program, and visit local businesses. However, they were denied visas and were not able to make the trip.

Even so, we're hopeful that we can make our degree program in China a reality. China is looming ever larger on the global stage, and its citizens are proving that they can accomplish whatever they put their minds to. It may be that in the not-too-distant future American students will need to learn to speak Chinese to succeed in global business.

Given that, we know that it will benefit TSU to build an equitable and effective partnership with our Chinese counterparts in Tianjin. A strong partnership won't just enhance TSU's international presence—it will broaden the academic horizons of our faculty and our students.

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teaching opportunities, and full-fledged joint programs. Even so, faculty exchanges can become political battlegrounds. Some faculty won't be interested; others may not share the institution's vision; others may view travel to China as an "add-on" to their already heavy research and teaching loads. Schools also may face an imbalance of experience: Because most Chinese faculty aren't familiar with Western academic practices, they may not be fully prepared to teach in a Western classroom.

When negotiating faculty exchanges with Chinese institutions, schools must clearly define the deliverables to be expected of all faculty, including the level of teaching, research, and case study experience required. Agreements also should outline the methods by which faculty will be evaluated.

Cautionary Tales

Schools just establishing partnerships and programs in China have an advantage over those that have come before. They can learn from others' mistakes—and adopt the following strategies that have brought other programs success:

CONDUCT A "CHINA-READINESS ASSESSMENT." Like a business plan, a China-readiness assessment entails comprehensive market research in the Chinese private sector. This assessment determines whether a program fits a demand in the market, confirms that sufficient financial resources are available, and indicates the level of buy-in among faculty and administration.

CHOOSE PARTNERS WISELY. Because of government mandates, schools from outside China must partner with Chinese institutions to launch new programs. Therefore, any business school must do its due diligence to verify that its chosen partner shares its vision, timetable, and standards of quality. Another factor: Chinese universities know that they're in a seller's market and bargain accordingly.

DETERMINE THE VALUE TO THE MARKET. Schools must show how their programs add value to an already crowded market. For example, one U.S.-based business school went to Beijing in 2004 to launch an EMBA program focused on agribusiness. The school attempted to launch a second EMBA program in Shanghai in 2005, but after an expensive marketing campaign, it was forced to aban-



don its plans, in part because its second program did not possess the same distinction in the market as the first.

PLAN STRONG MARKETING AND RECRUITMENT CAMPAIGNS.

Schools must create marketing strategies based on a sound, research-driven understanding of the marketplace. Another Western school, which has been in China for several years, provides a quality program for lesser cost. Still, until recently, its recruitment efforts were suffering. After investigation, the school pinpointed the problem to poorly executed marketing and overall management. With virtually no increase in the marketing budget, but with a better marketing strategy and management, it was better able to prove the program's value. As a result, the 2007 cohort increased by 40 percent, and the 2008 enrollment is set to increase again.

DEFINE FACULTY REQUIREMENTS CLEARLY. In 2003, a North American-based school partnered with a Chinese university to launch an EMBA program. The agreement called for faculty exchanges, but did not specify criteria for Chinese faculty selection or performance. Both schools ultimately recognized that, without such metric-based assessment, the faculty exchange would not benefit either school. Eventually, the faculty exchange was abandoned. The EMBA program is a success, but the lack of faculty exchanges is a loss for both schools.

China is not a “promised land” for all business programs. Only new programs that take a measured approach and offer a demonstrable ROI will succeed.

STRATEGY NO. 4—Study Abroad. Schools that want to offer study abroad opportunities face a choice: either offer short-term programs that are less expensive, easier to run, and less likely to present scheduling conflicts, or offer longer-term programs that provide students with more sustained exposure to Chinese businesses. In addition, some schools design their own study abroad opportunities, while others use outsourced programs that take less time but may conflict with their own offerings.

In many cases, it may be wise for schools to take an incremental approach. They can start with short-term and/or outsourced options, and gradually lengthen program duration and increase their oversight over time, as they gain experience.

Western business schools with satellite programs in China face the additional challenge of balancing their own faculty with local academics. If they place too many Chinese faculty in the classroom, the program may be seen by the market as homegrown and not worth a global price tag. If they place too few, the program may be seen as irrelevant to the fast-changing Chinese environment.

CHOOSE LEADERS WISELY. In the second year of its program in China, a Western school placed an unqualified faculty member in a supervisory role. It already faced problems because it had not sufficiently mapped out resources and processes. The faculty member’s lack of experience only exacerbated that institutional weakness. The program lost ten qualified candidates and more than \$200,000 in tuition. It spent two years recovering its reputation.

EMPHASIZE CONSISTENCY AND QUALITY OVER COHORT SIZE. Another program has completely abandoned cohorts. Instead, it allows students to matriculate at any point during the year, in an attempt to compensate for low enrollment. This program is likely to suffer in the long term, as candidates and the market realize that the non-cohort model offers substantially less educational value.

Demand for management education may be high in China. But that supply-demand ratio, which looks so promising to wide-eyed multinationals, is not a “promised land” for all business programs. Only new programs that take a measured approach and offer a demonstrable ROI will succeed in China.


STRATEGY NO. 5—Joint Programs. Approximately 50 non-Chinese institutions already offer MBAs in China, in conjunction with local universities. Schools that would like to introduce new MBA programs to the market face four primary risks. First, Chinese law requires incoming institutions to partner with local universities to launch new MBA programs. The risks of such joint partnerships go beyond the financial and legal—they can possibly affect a school’s reputation and brand.

Second, unless programs have clear value propositions that distinguish them from the crowd, schools could invest massive resources to attract very few students. Third, it is more difficult to maintain a program of high quality, worthy of a school’s brand, from a distance. In all cases, schools should allocate more time, money, and faculty than they think they will need. Finally, it is difficult to set tuition rates that fit the market and support the school’s efforts. Most institutions that launch programs in China don’t aim to make substantial profits, but most must at least cover their costs. Otherwise, they tax their home programs too greatly.

To minimize the risk, schools must create a plan that encourages minimal faculty turnover while increasing enrollments over time. Once a program is established, a school can increase its staying power by establishing follow-up initiatives that include publishing new cases, conducting China-based research, and establishing nondegree programs.

A Market to Watch

Whether a business school chooses to adopt one or more of the five strategies above or opts to stay out of the fray, there’s no doubt that China is a market to watch closely. It’s a region with incredible ramifications for global business—and for business education.

Perhaps the most important thing for business administrators and faculty to remember: The best way to engage with China’s exciting market is to plan well and build steadily. For most schools, the greatest chance for success comes with incremental development, rather than big-plunge initiatives. Schools that take the time to cement their relationships with institutional and industry partners place themselves in a much stronger position to grow right along with China’s burgeoning economy. 

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