

Developing Offshore Foundation Programmes in China

by

Li Li

MBA Programme

AIS St Helens, Auckland, New Zealand

Occasional Paper No. 4

September 2004

Abstract

Even though offshore education involvement is just beginning for New Zealand universities (most offshore programmes commenced in 2000/01) and the number of students enrolled offshore is not considerable, the author believes that developing offshore foundation programmes provides a good opportunity for universities to export education in the future. This paper identifies the advantages of offshore foundation programmes for New Zealand universities and conducts a survey amongst potential students in the Chinese city of Shenyang. The results of this survey suggest that there is considerable potential for New Zealand's universities to develop offshore foundation programmes in China.

I S S N

1 1 7 6 - 7 2 4 3

Introduction

In recent years there has been a considerable amount of foreign investment in the provision of higher education in China. With demand for higher education courses in China expected to increase dramatically over the next twenty years there is every prospect that the size of this investment will continue to grow. As part of this process New Zealand universities have also become involved in investing in the delivery of educational programmes in China.

The purpose of this study is to test the feasibility of delivering foundation study programmes offshore as a marketing channel for inbound international students, and to look at market opportunities for the future development of such programmes for New Zealand universities in China. The method used is to survey students in the Chinese city of Shenyang in order to determine what their attitudes are towards New Zealand as a country, New Zealand education and in particular their attitudes to foundation study programmes. In the first section a general background to the New Zealand offshore education is given. In following sections the survey methodology is explained, the findings discussed and some recommendations and conclusions made.

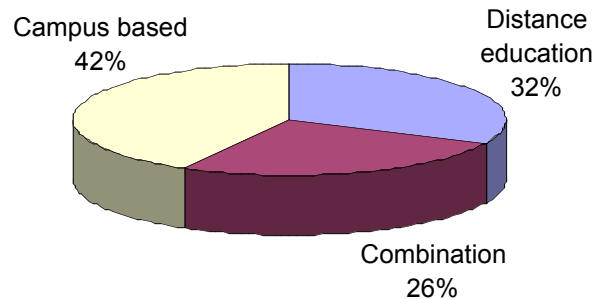
Background

This study concentrates on the provision of offshore foundation education by New Zealand universities in China. Offshore education is a component of total 'export education' and comprises the educational services that are provided across borders and moved to the country where the students reside. Offshore education has three modes: distance education, campus-based education services, and a combination of the two. Figure 1 provides a breakdown of the modes of offshore education by New Zealand universities. Foundation study programmes are just one aspect of tertiary education and prepare students for entry into higher education. Foundation study programmes are defined in *The New Zealand Education System* (2004) as programmes aimed at "giving international students the opportunity to bring their English language skills and academic performance up to university entrance standard".

In recent years in New Zealand there has been a stagnation in the growth of Chinese student numbers travelling to New Zealand. This stagnation followed years of remarkable growth in the number of Chinese students travelling to New Zealand. A spokeswoman for the Ministry of Foreign Affairs and Trade in 2003 confirmed that the numbers of overseas students has been falling, particularly that of students from China (Perrott, 2003). One reason for the decline in student numbers coming from China is the increase in competition from universities in other countries.

One aspect of the competition that New Zealand universities face from overseas providers is the increasing willingness of universities in Australia, Canada, the United Kingdom and the United States to deliver offshore programmes. This has created a dilemma for New Zealand universities because the New Zealand Government has been reducing the level of real funding per equivalent full time student making it more important that they attract full fees paying students from overseas.

Figure 1: Offshore Education: Modes of Provision 200



Source: New Zealand Ministry of Education (April 2002).

In 2001 seven of New Zealand's eight universities offered offshore programmes (the Auckland University of Technology was the only exception). These universities provided a total of 34 programmes; and although the first offshore programme was established in 1986, most offshore programmes commenced in 2000/01 (New Zealand, Ministry of Education April 2002). Despite this activity New Zealand is not a significant offshore education provider. Table 1 provides a comparison of the offshore activities of four selected countries. From Table 1, it can be seen that compared to Australia, Canada, and United Kingdom, the total number of offshore programmes provided by New Zealand universities was low, and the total number of students enrolled in New Zealand universities offshore education was not considerable. For example, the number of overseas students at New Zealand universities studying in offshore programmes represented 13 percent of total overseas student numbers (Australia was 32 percent in 2000; Australian Education International 2001). Compared with Australia, Canada and United Kingdom, New Zealand universities' offshore education operations did not make up a major part of the export education sector.

Developing offshore foundation programmes does not just bring New Zealand universities immediate revenue. Developing such programmes may also release universities from the intense competition that they face from other universities for the limited numbers of inbound international students. Additionally, offshore programmes can reduce inbound pressures on infrastructure such as student accommodation, libraries and so on. Most importantly, it may "provide another recruitment channel to bring international students to onshore campuses" (New Zealand, Ministry of Education, 2002) as the students track into the education provider's institution after the completion of the offshore foundation programmes.

Further advantages include: the building of international relationships; increased exposure to other cultures and perspectives; and assisting in facilitating the recognition of New Zealand qualifications in the global environment. In order “to safeguard long-term growth, remain competitive, and ensure New Zealand remains linked to the development of key markets, there is a strong argument that increased focus on offshore is necessary” (*Export Education in New Zealand- A Strategic Approach to Developing the Sector* conducted by New Zealand Ministry of Education in August 2001).

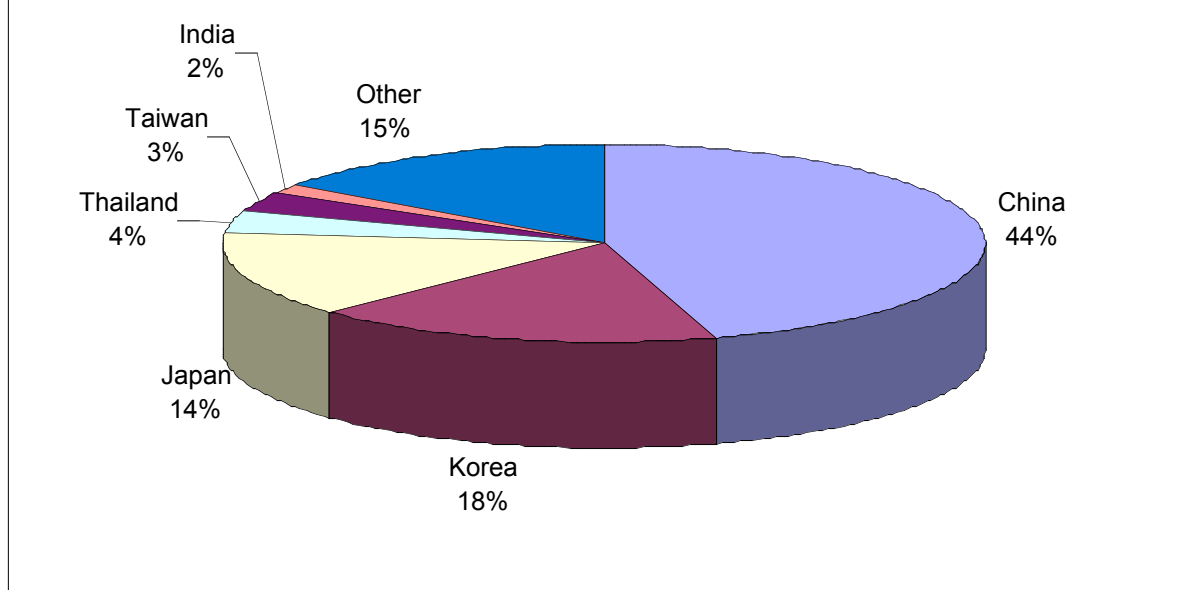
	Australia	Canada	New Zealand	United Kingdom
Number of offshore programmes	1,009	355	34	N/A
Number of students enrolment in offshore programmes	34,905	N/A	N/A	120,000 (estimate)
Primary offshore locations in Asia	Hong Kong, Malaysia, Singapore	China (incl HK), Japan, Malaysia	Malaysia, China, Hong Kong	Hong Kong, Japan, Malaysia, Singapore
Year of data	2000	1999	2001	1997

Source: New Zealand, Ministry of Education (April 2002).

Survey

In order to test the feasibility of New Zealand offshore programmes a survey of the attitudes of students in China was conducted. China is the biggest source country of New Zealand export education. From Figure 2 it can be seen that in 2003 China accounted for 45.2 percent of total New Zealand international students. Demand for international higher education is still growing. According to the forecasts in *Global Students Mobility 2025*, in 2025 the global demand for international education will reach 7.2 million (1.8 million in 2000). It is expected that: “Asia will represent some 70 percent of total global demand” with China and India representing over half of this demand.

**Figure 2: Overseas enrolments in New Zealand by Country of Orig
2003**



Source: Asia2000 Foundation (2003)

Offshore education activity in China has been expanding rapidly in recent years. In 2002, there were officially 67 partnerships covering 72 joint programmes. This grew to 712 programmes in 2003 (Garrett 2004). Because of China's size and population, the future potential increase of offshore education could be immense.

The present survey was conducted in the city of Shenyang in the Liaoning province in North China. Shenyang is one of China's four largest source centres of students who are presently studying abroad. The other three centres are Shanghai, Xi'an and Guangzhou. Shenyang has a well-developed economy, which has grown at a strong pace in recent years. In 2002, the city achieved a GDP of RMB 140 billion Yuan, up by 13.19 percent comparing with the previous year. Income from local taxes was RMB 10.5 billion Yuan, up by 30 percent from the previous year. Shenyang is one of the eight cities in China where households earning over NZ\$16,000 are common (Laurent, 2003). Furthermore, Shenyang is the capital of the Liaoning Province; and is located at the centre of an economically well-developed region. Offshore education provided in Shenyang would be able to arouse interest from her surrounding cities. Due to the increase in international business, demand for English related courses has expanded. In some cases, domestic universities cannot meet this demand.

According to the current practice of foreign education providers in China, there are two viable modes of developing offshore programmes: franchising and joint venturing. The most serious disadvantage of franchising is the possibility of lack of control over quality (Hill, 2001). Despite this present research has tended to favour

joint venturing with local institutes as the right entry mode for New Zealand universities entering into Shenyang. In the case of joint venturing, local partner institutions, such as campus buildings, library facilities and other infrastructure, provide the hardware; New Zealand universities offer software such as knowledge, expertise, curriculum, teaching staff, and accreditation.

In order to reduce the scope of the research, the sample selection was designed to focus on students in their late teens and early 20s. According to the *Export Education in New Zealand- A Strategic Approach to Developing the Sector* (2001), this group of age students forms the majority of international students in New Zealand. With the purpose of covering different groups of post-secondary students, the sample was selected from a university, an institute, and a college in Shenyang.

This survey took place between 12 March and 31 April 2004. The survey was processed in two stages. Firstly, the survey was carried out by pre-testing the questionnaire and through telephone interviews with two lecturers in Shenyang (one from the institute and another from the college). As a result of the pre-testing some questions were corrected while others were deleted. A total of 90 questionnaires were sent out in the second phase.

This questionnaire was designed to investigate the potential market demand and competitive position of New Zealand universities' foundation programmes by post-secondary students in Shenyang.

Quantitative methods were applied to analyse the primary data collected from the survey. The quantitative methods applied in this study included frequency, distribution, percentage, average, ranking, rating, etc. Frequency and percentage distribution were calculated using Microsoft Excel from the collected data. Tables and graphs were also generated by Microsoft Excel to illustrate the findings. Average ratings were calculated by multiplying each scale point by the number of respondents, then summing across all scale points, and dividing by the total number of respondents

Some caution should be shown when looking at the result of the survey. First of all samples were limited to the three selected institutions. As the students studying in some other institutions may have different opinions about the survey questions, the answers to the survey may vary from study to study. Secondly the sample size of 90 respondents may not be enough to reflect the whole spectrum of opinions on this issue. Finally some of the results were influenced by time. For example, Australian universities may lower their tuition fees in the future to compete with New Zealand universities. Nonetheless some important conclusions can be made from the findings.

Findings

The results of the survey have been provided in Figures 3 to 8 and Tables 2 and 3. Figure 3 illustrates the composition of the 90 respondents to the survey. Of these respondents 49 percent were from the university; 33 percent were from the institutes of education; and 18 percent were from colleges. From Figure 4, it can be seen that nearly half of the respondents (44 percent) had not heard of New Zealand university education. It would appear that there is a real need for New Zealand

universities to take action to increase the awareness of the quality and reputation of New Zealand universities in China.

The demand for overseas foundation studies by Shenyang post-secondary students can be seen in Figure 5. Among the 87 respondents, 86 percent stated they were willing to apply for overseas universities foundation programmes if they were available in their home city. This indicates that there would be demand from the sample group.

According to the data in Figure 6 (the reasons for choosing foundation courses) 53 of the respondents selected 'continuing their university study overseas', 23 respondents chose 'immigration purpose', and 36 chose 'improving language to find a good job'.

With respect to Figure 7 (where did the respondents get their information about overseas offshore campus-based programmes in China), 67 of the respondents obtained their information from families or friends. This indicates that word of mouth referral is an important form of promoting educational services. To utilise this promotional form effectively, New Zealand universities will need to consistently provide high quality education services and reinforce their good reputation. 54 of the respondents stated that they received information through agencies which indicates that in the Chinese education market, educational agents were very important. Overall, families or friends and education agents were the most commonly cited sources of information about overseas education in Shenyang.

Table 2 provides data on the reputation of New Zealand universities compared to those in other countries. As can be seen, universities in the United States were perceived as possessing the best reputation in terms of performance, followed closely by those of the United Kingdom. The eight New Zealand universities were perceived to have a reasonable international reputation as providers of quality education, but were lower in reputation in comparison to the other four countries. The cost of tuition of New Zealand universities as a low cost education provider had obvious advantages compared with that of the other four-selected export education countries. Australia and Canada were ranked second and third respectively. Overall, Australia was the most powerful competitor and was seen to have great advantages.

Table 3 presents the eight further factors students considered when applying for overseas foundation courses. The four most influential factors were: the quality of education; the cost of tuition; the availability of a visa; and the safety and security of the environment.

Figure 8 gives an overall picture of the students' attitudes and their potential purchasing tendencies to New Zealand universities' offshore foundation courses. As the data in Figure 8 shows, local students welcomed New Zealand universities' foundation programmes, as 43 per cent of respondents were willing to apply.

Figure 3: Composition of Respondent:

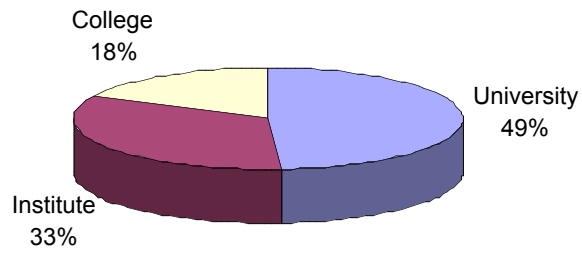


Figure 4: Knowledge About New Zealand University

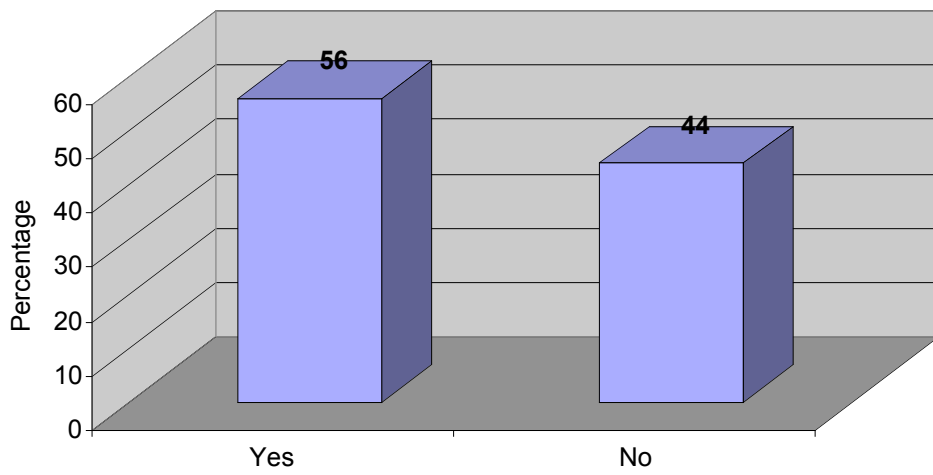


Figure 5: Respondents' Tendency to Overseas Foundation Course

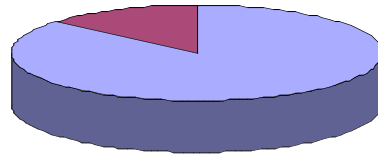


Figure 6: Reason for Choosing Overseas Foundation Program

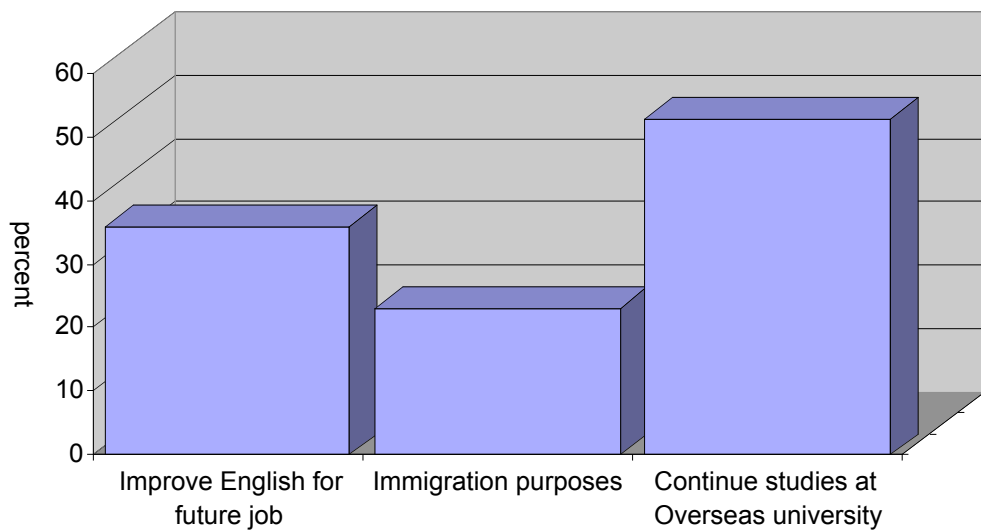


Figure 7: Sources of Information

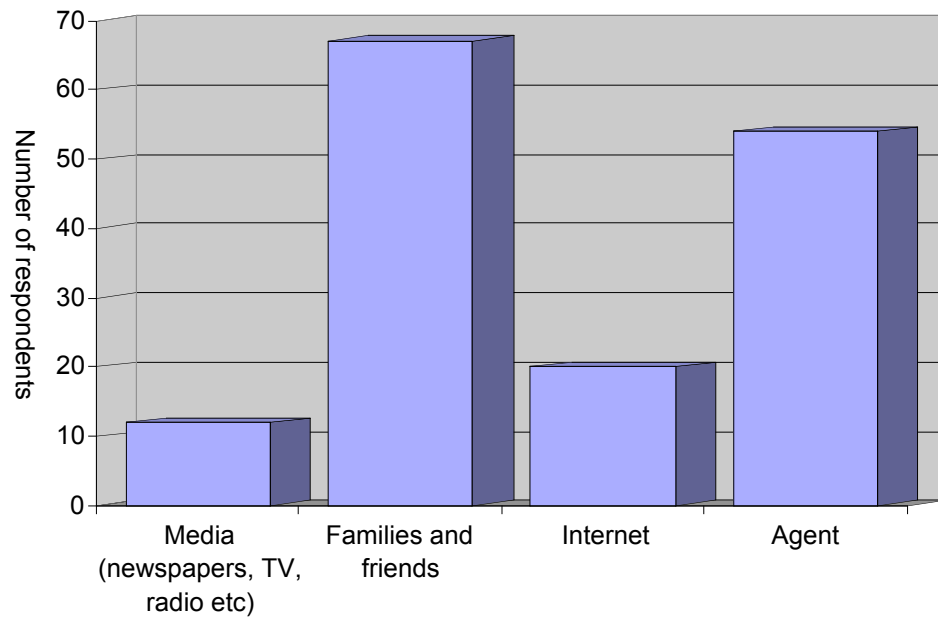


Figure 8: Attitude to New Zealand Universities Foundation Programmes

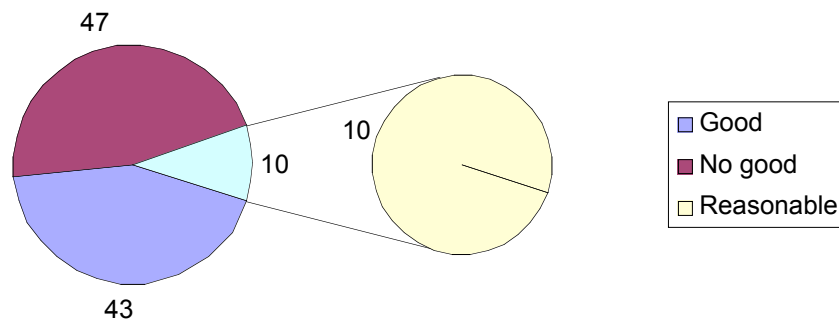


Table 2: Rating on the Performance of the Five Selected Export Education Countries Universities

Scale Country	Universities' Reputation	Cost of tuition	Overall score
Australia	2.54	2.20	2.37
Canada	2.86	2.54	2.70
New Zealand	3.33	1.96	2.65
UK	1.84	3.04	2.44
USA	1.81	3.00	2.41

(On a scale of 1 to 5, 1=Excellent, 2=Very good, 3=Good, 4=Adequate, 5=Poor)

Table 3: Influential factors in Choosing Overseas Foundation Courses

Cost of Tuition	57
Cost of living expenses	33
Quality of Education	63
Availability of Visa	45
Economic Environment	16
Social Environment	35
Education Environment	17
Safe and Secure Environment	45

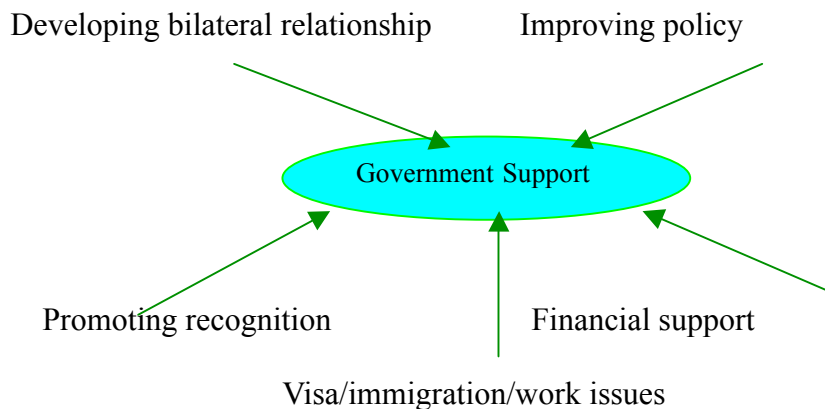
Recommendations

Developing offshore foundation programmes in Shenyang is a long-term activity, so it is necessary for the universities and the New Zealand Government to develop a strategy for future direction and operations. The development of foundation programmes in Shenyang would aim to bring Chinese students onshore for their university studies in the future. Offshore foundation programmes aim to build another market channel for the recruitment of international students.

As New Zealand universities have an absolute cost competitive advantage, a cost leadership strategy is recommended.

The government can also play a role in fostering the development of offshore education in China. The various possible forms of assistance are identified in Figure 9.

Figure 9: Issues of Support from Government



As the Chinese government has a strong role in managing education, and Chinese students prefer to seek assurance from their government, the New Zealand universities' attractiveness to Shenyang's post-secondary students and student in China more generally will be linked to the relationship between New Zealand and China. Therefore, to ensure the successful development of offshore education in Shenyang, there is a need for the New Zealand Government to continue to develop its relationship with the Chinese Government and education authorities, and consistently conduct trade negotiations with China's government agencies as well as Shenyang local authorities.

Improving policy guidelines for offshore education activities is also deemed necessary. The current legislative, regulatory and policy guidelines surrounding offshore education provision are limited. The quality auditing system conducted by the New Zealand Qualifications Authority and New Zealand Vice-Chancellors' Committee is a general level to ensure offshore quality assurance. So, there is a need for the New Zealand Education Ministry to consider a separate provision of guidelines for offshore sector to foster and regulate the activities of universities offshore.

To develop offshore education, New Zealand universities would perhaps benefit from government support for greater international recognition of New Zealand as an international education destination and to demonstrate that New Zealand universities are high quality education providers will be required.

To ensure the inflow of Chinese students who have completed their foundation studies to New Zealand universities, it is hoped that New Zealand Immigration Service will adjust visa policies and accelerate visa processing for Chinese students to New Zealand. Simultaneously, the 15 hours per week allowance for work needs to be reconsidered and perhaps increased (up to 15 hours per week in New Zealand is not comparable with the 20 hours per week in Australia).

Quality control is at the heart of offshore programmes. As the Education Minister Trevor Mallard said in a press release on 11th April 2003, export education is a billion-dollar industry and steps must be taken to ensure that the rapid growth is not at the expense of quality, and the escalation in the student numbers does not jeopardise New Zealand education's international reputation.

Conclusion

The information presented in this research provided a general feasibility analysis for New Zealand universities to develop campus-based offshore foundation programmes in Shenyang as a whole. The identities and specific analyses of the individual universities were not presented in this research. Further research may focus on such individual study.

This study does seem to indicate that there is solid demand for New Zealand education in the Chinese city of Shenyang. New Zealand universities do seem to however possess some recognition problems. Developing offshore programmes could mean enormous potential benefits for New Zealand universities, but successful implementation requires further financial attention to details, such as estimated costs, estimated income, estimated profits, estimated cash flows, and so on. For example, what are the real costs on a per student basis of campus-based offshore foundation programmes?

Overall, this research would be helpful for New Zealand universities; successful implement offshore education would enrich New Zealand universities further enjoy a wide range of benefits.

References

Asia 2000 Foundation of New Zealand (8 Apr 2003). *The Export Education Industry: Challenges for New Zealand*. An Asia 2000 Occasional Paper (On Line) Internet: <http://www.seriouslyasia.org.nz>

Australia Education International, Department of Education, Science and Training, (2001) *Overseas Student Statistics 2000*, Canberra.

Garrett, Richard (2004). *Foreign Higher Education Activity in China*, Centre for International Higher Education, Boston College, London.

Hill, Charles W. L. (3rd international edit) (2001) *International Business: A Managerial Perspective*. Upper Saddle River, NJ: Pearson Prentice Hall

Laurent, R. Gint (2003). Key Demographics and Socio-Economic Trends in Asia over the next Decade and the Business Opportunities these create. <http://www.seriouslyasia.org.nz/issues/trade05.ptp>

New Zealand, Ministry of Education, International Unit, (August 2001), *Export Education in New Zealand- A Strategic Approach to Developing the Sector* (On-line) <http://www.minedu.govt.nz/goto/international>

New Zealand Ministry of Education (September 2002) *Offshore Education: A Risk Perspective* (On-line) <http://www.minedu.govt.nz/goto/international>

New Zealand Ministry of Education (October 2002). *Education Beyond Our Shores- Defining the Way Forward: Workshop Report*. (On-line) <http://www.minedu.govt.nz>

New Zealand, Ministry of Education, International Policy & Development Unit, (November 2003) *APEC Joint Venture Schools Project- 'Improving the Institutional Capacity of Higher Education under Globalization'*, APEC Human Resources Development Working Group Education Network, Wellington, New Zealand (On-line) <http://www.minedu.govt.nz>

New Zealand Ministry of Education (International Policy _ Development Unit) (April 2002) *New Zealand's Offshore Public Tertiary Education Programmes: initial stocktake* (On-line) <http://www.minedu.govt.nz/goto/international>

New Zealand Ministry of Education (2004) *The New Zealand Education System: An Overview* (On-line) <http://www.minedu.govt.nz/goto/international>

Perrott, Alan (14th May 2003). Foreign student flood slows. *New Zealand Herald*.