

**FISCAL CONSIDERATIONS OF AN INTERNATIONAL PARTNERSHIP  
IN HIGHER EDUCATION**

**A CASE STUDY: INDIANA UNIVERSITY OF PENNSYLVANIA AND THE  
PEOPLES EDUCATION SOCIETY, BANGALORE, INDIA**

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Cynthia L. Strittmatter, Ed.D.

University of Pittsburgh, 2012

There are numerous challenges associated with entering into an international partnership in higher education, including the significant financial risks involved. Whereas study abroad and basic exchange relationships are fairly risk free, more comprehensive partnership models typically involve greater financial investment and, therefore, greater risk. As more institutions explore alternative strategies for achieving internationalization goals and seek to enter into and expand international agreements, reviewing the actual experience of an existing partnership will give guidance to decision makers.

This case study involves the exploration of the fiscal considerations of an international partnership in higher education using a partnership that has been in effect since 2005-2006 between Indiana University of Pennsylvania (IUP) and the Peoples Education Society (PES) of Bangalore, India, for delivery of an IUP MBA program on-site in Bangalore. Thirteen individuals were interviewed who have either been involved at some level with the partnership between IUP and PES from its inception and/or have an understanding of fiscal policies and procedures related to the program.

Extensive feedback obtained from those interviewed sheds light on the wide range of fiscal considerations associated with establishing, operating, and maintaining an international partnership in higher education. The details provided regarding financial modeling, revenue and expenditures, tuition and fee policies, fiscal roles and responsibilities, compensation, indirect costs, financial risks, financial incentives, distribution of compensation opportunities, and external and internal policies and priorities, provide valuable insight to institutions considering the start or expansion of an international partnership initiative.

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## **PREFACE**

This dissertation is dedicated to my husband, Greg, and my daughters, Rachel and Erin, for their never-ending love, patience and support. I am also grateful to my parents, Bob and Connie Stewart, for making higher education a priority for our family and for encouraging me to pursue my doctorate.

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And finally, to all the students who have participated in the IUP MBA Program in India and to all the students who have traveled to India to visit our partner school, PES, I hope that your experience with the special partnership between IUP and PES has further encouraged you to work toward global understanding and collaboration.

## **1.0 INTRODUCTION**

For all of the benefits associated with internationalization, institutions with internationalization goals all face the problem of assessing and later maintaining the fiscal viability of individual partnership initiatives. As fiscal integrity and accountability is essential for higher education, the purpose of this study is to explore and document fiscal considerations of an international partnership in higher education, using the case study of an existing partnership between a U.S. institution and an institution in India for the delivery of an MBA degree on-site in India.

### **1.1 PROBLEM STATEMENT**

While U.S. colleges have worked with institutions around the world for decades, the pace of international partnership efforts has dramatically accelerated (Van de Water, et al., 2008). As the world economies have become more and more entwined with globalization, so have the efforts between educational institutions. Higher education has a key role to play in educating its students to deal with the myriad of global issues, to resolve conflicts peacefully and to build bridges through international partnership programs. College graduates will need to be better prepared to live and work in a multicultural world by understanding world events and history, and by being exposed to other cultures and religions.

Institutions are responding to globalization with a variety of strategies to participate in the global arena. In a *Chronicle of Higher Education* article that discusses study abroad and partnerships in higher education John Burness (2009) remarks that “Colleges seem to be falling all over themselves trying to establish the right arrangements and structures for partnerships with institutions or governments in other countries, including the development of free-standing or branch campuses” (p. 2). Where international initiatives once focused on being a magnet by attracting outstanding scholars and students from other countries, partnership models have been expanding as institutions develop various strategies and structures for achieving

internationalization goals. International activities are more deliberate and comprehensive, and they have expanded in volume, scope and complexity.

While there are many opportunities associated with participating in the international partnerships arena, there are also responsibilities and the potential for high levels of risk. Significant amounts of planning and resource commitments are required to develop and sustain a successful program. Partnerships can succeed or fail depending on factors such as leadership, commitment level and expectations, language and cultural differences, academic freedom perspectives that vary with political constraints, balance of exchanging students and faculty, health and safety issues, clarification of roles for the institutions and individuals involved, and shifting priorities and goals (Van de Water, et al., 2008).

While international partnerships may result in new sources of revenue to an institution, there is evidence that partnerships can fail and negatively impact an institutions fiscal condition (Heffernan & Poole, 2005). Institutions have lost hundreds of thousands of dollars and, in some cases, millions, from international operations as a result of inadequate administrative structures and deficient due diligence processes. While leaders may provide vision and support for globalization efforts, new types of business-related competencies are essential as an institution maneuvers through the fiscal nuances of an international venture.

For all of the benefits associated with internationalization, institutions with internationalization goals all face the problem of assessing and later maintaining the fiscal viability of individual partnership initiatives. A thorough understanding of the market, fiscal policies, revenue streams, resource requirements, roles and responsibilities, and fiscal processes is essential as an institution seeks to appropriately assess and mitigate risk, develop sound financial models, and ensure the assignment of appropriate levels of resources consistent with their internationalization goals.

## **1.2 PURPOSE OF THE STUDY/RESEARCH QUESTION**

In 2003, Indiana University of Pennsylvania (IUP) Eberly College of Business and Information Technology began discussions with the Peoples Education Society (PES) of Bangalore, India,

regarding options for delivery of a Master's in Business Administration degree on the PES Campus in Bangalore. The Eberly College desired to expand its global reach, to enhance cross-cultural exposure for its students and faculty, and to generate a new funding stream. PES was interested in having a U.S. partner, in providing an opportunity for Indian students to obtain an advanced degree from an accredited business school, and in eventual surplus revenue generation. After several years of negotiations, official visits, and reworking of both curricular and financial models, the partnership was approved in 2005. The first cohort of 20 students started that year.

By May 2010, when this study began, more than 340 Indian students had graduated from the program. Over half, or thirty faculty, of the Eberly College had traveled to India to teach in the program, numerous research collaborations between faculty were developed, visiting faculty programs had been strengthened, dozens of American students had traveled to India, the partners had co-sponsored several conferences and competitions, and both institutions had gained significant recognition in each other's service regions. The partnership, reviewed by the Middle States Commission on Higher Education received both accrediting body approval and accolades for the program model. Today, nearly 450 students have graduated from the program. In February 2011, the accrediting team from the Association to Advance Collegiate Schools of Business (AACSB-International) recognized the Eberly College for its impressive partnership with PES in Bangalore.

Development and sustainment of this specific partnership has been very rewarding and yet challenging and time consuming. Curricular issues, delivery mechanisms, travel concerns, cultural gaps, recruitment, promotion, and collective bargaining concerns have all impacted the partnership at various points over the past seven years. From a fiscal perspective, budget plans and memorandums have been developed and revised numerous times over the years by both partners to ensure compliance with various policies and objectives, and to address challenges that have arisen during the partnership.

As fiscal integrity and accountability are essential for higher education, the purpose of this study is to explore and document fiscal considerations of an international partnership in higher education, with emphasis on this particular partnership between a U.S. institution and an institution in India for the delivery of an MBA degree on-site in India.

Specific research questions are:

***Relevant factors*** What are the relevant factors (such as goals, regulations, and policies) that influence the creation, structure and operation of an international partnership from a fiscal perspective? In particular, what external (international, national, state, system, and accrediting bodies) and what internal factors (such as university, college, and departmental) influence the creation, structure and operation of an international partnership from a fiscal perspective? What are the external and internal factors that influence/have influenced the partnership between IUP and PES, in particular?

***Financial components*** What are the financial components of an international partnership model? What type of model has been used in this partnership? What types of revenue, expenditures, incentives, and risks exist? What challenges have arisen regarding each of these components and what strategies have been utilized to address them?

***Financial processes and responsibility*** What are the fiscal processes and responsibilities surrounding the fiscal management of an international partnership? How have processes changed and responsibilities evolved?

### **1.3 DEFINITION OF TERMS**

This section provides further definitions on the terms used in this study.

#### **1.3.1 Pennsylvania State System of Higher Education (State System)**

The State System is the largest higher education provider in the state of Pennsylvania, encompassing 14 universities and more than 117,000 students (PASSHE, 2010). Considered “state-owned” the State System universities include Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock and West Chester Universities of Pennsylvania. Branch campuses are located in Clearfield, Freeport, Oil City, Northpointe, Punxsutawney and several regional

centers. The Dixon University Center, which houses the State System executive offices, is located in Harrisburg, Pennsylvania.

A 20-member Board of Governors (BOG) appoints the Chancellor for the State System, appoints university presidents, and is responsible for establishing broad educational, fiscal, and personnel policy (PASSHE, 2010). The BOG is responsible for approving new academic programs, setting tuition for all 14 institutions and approving the annual system-wide budget. There are over one hundred BOG policies that provide direction and oversight to the system institutions.

The State System has management personnel and employees in seven different bargaining units, with the two largest being with the faculty union (Association of Pennsylvania College and University Faculties – APSCUF) and the staff union (American Federation of State, County and Municipal Employees – AFSCME). The Master Agreements of bargaining units dictate personnel and compensation policy for all fourteen institutions. Within the State System, there is an Office of Legal Counsel that supports the fourteen universities in a variety of ways, including the review of legal documents and formal agreements.

The mission of the State System was to “increase the intellectual wealth of the Commonwealth, to prepare students at all levels for personal and professional success in their lives, and to contribute to the economic, social, and cultural development of Pennsylvania’s communities, the Commonwealth and the nation” (PASSHE, 2010). In December 2003, a strategic planning advisory committee was appointed by the BOG and included representatives from each of the fourteen universities (PASSHE, 2010). The committee was charged with drafting a new, long-range strategic plan that would enable the Board to articulate its vision and serve as a guiding document for the State System and its fourteen universities. As committee members started the strategic planning process, they identified critical trends that would guide the development of strategic goals.

Twelve critical trends were identified by the advisory committee that would most impact the future of higher education and, more specifically, the State System as a whole (PASSHE Website, 2010). Two trends most relevant to this study are: 1) global interdependence and; 2) increased competition for state appropriations and the necessity to raise the level of private dollars. The State System leadership recognized that the emerging global economy required that graduates be equipped with “different skills, different working styles, and a new appreciation for

life-long learning” (p.6). They noted that graduates would increasingly be required to work with partners from across the world. Collaborations between and among universities, businesses, and other agencies/entities were becoming more important. Training in cross-cultural communication and enhanced interaction with people from around the world would become more critical. As it relates to increased competition for state appropriations, the advisory committee recognized the strain on state budgets and the mounting pressure to improve efficiency. Universities, they noted, would need to augment state appropriations and tuition with other revenue sources, such as grants and private funding streams. They would also need to be prepared to respond to the increased demands for accountability regarding usage of funds.

Taking into account the critical trends, the approved strategic plan, *Leading the Way*, provided directions for 2004-2009 (PASSHE Website, 2010). Goals highlighted in this plan and most relevant to this study included the need to: 1) prepare students to work in a global, pluralistic society; 2) increase the cultural, ethnic, and racial diversity of students, faculty, and professional and administrative employees; 3) ensure the diversity of intellectual perspectives in the design and delivery of curricula; 4) increase the diversity of campus programs and services promoting an environment of success and excellence for all students; 5) expand academic programs and academic and student support services tailored to the needs of a diverse student population; 6) ensure that all students experience a variety of racial, ethnic, cultural, and international perspectives in their curricular and co-curricular experiences; and 7) increase the level of alternative funding to support new and existing programs.

### **1.3.2 State appropriations**

The State System obtains funding appropriations from Pennsylvania following a comprehensive budget request and hearing process. In 2010-2011, PASHE received \$412.3 million in base state appropriation support. These appropriations are distributed among the fourteen universities utilizing a funding formula that is based primarily on resident enrollments by course level and cost. State appropriations, which accounted for approximately 63% of the State System’s budget in 1983-84, have dwindled and now only account for approximately 27%. The balance of the revenue sources come primarily from student tuition, fees and contracts.

In general, the Pennsylvania state budgets have tightened and financial support continues to be diverted away from education toward health care, basic education, corrections, and security. Institutions are encouraged to find ways to augment state appropriations including obtaining private support, grants, and public/private partnerships. Rising personnel costs (primarily health care), rising deferred maintenance, and demands to keep tuition increases at a minimum have compounded fiscal concerns.

### **1.3.3 Indiana University of Pennsylvania (IUP)**

IUP is the largest university within the Pennsylvania State System of Higher Education, and the fifth largest within the state. The university is a comprehensive doctoral/research university having 133 undergraduate programs, 55 master's programs and 10 doctoral programs (IUP Website, 2010). The student population comes from 48 different states, two U.S. territories, the District of Columbia, and 71 countries around the world. IUP has 649 international students, representing 4.3% of the university's 15,126 students.

IUP has 1,693 employees, including 750 faculty members. It is classified as a comprehensive doctoral/research university and is accredited by the Middle States Commission on Higher Education (IUP, 2010). While IUP has its own internal policies and procedures, it must comply with those outlined by the PASHE BOG and must ensure that personnel practices are consistent with those of the employment contracts negotiated between the State System and the various unions.

In response to State System planning efforts, IUP established its own strategic plan covering the period 2007-2012 (IUP, 2010). Eight strategic goal areas were identified, each including specific implementation strategies. Five strategies most relevant to this study include the need to: 1) expand course and program offerings using a variety of flexible delivery systems; 2) expand opportunities for students to participate in international learning experiences; 3) enhance opportunities for students to respond to world events; 4) enhance student opportunities for international education and experiences and; 5) enhance support for grant/contract development and implementation. Graduate programming, including the program partnership between IUP and PES, is guided by the policies and procedures outlined in the IUP Graduate Curriculum Handbook.

#### **1.3.4 Eberly College of Business and Information Technology (Eberly College)**

The Eberly College enrolls 2,326 of which 286 are at the graduate level and 2049 are at the undergraduate level (IUP, 2010). The college offers a wide range of business programs including: Accounting, Business Technology Support, Business Education, Entrepreneurship and Small Business Management, Finance, General Management, Human Resources Management, Industrial Management, International Business, Operations Management, Management Information Systems, and Marketing. Graduate degrees include the Master of Business Administration (MBA), Master of Business Administration – Executive Track, and the Master of Education in Business and Workforce Development.

The Eberly College is accredited by the Association to Advance Collegiate Schools of Business (AACSB International), the premier accrediting body for collegiate business programs worldwide. The commitment to cross-cultural development, that is evident in both the State System and university priorities, is also found within the Eberly College. The mission of the college to provide a broad range of high-value undergraduate and graduate business programs aimed at developing skills vital for succeeding in today's world includes the goal of maintaining a global focus and providing opportunities for real-world exposure and cross-cultural experience (IUP Website, 2011). The college vision is to be one of the premier business programs in the Commonwealth of Pennsylvania and surrounding states, while maintaining a global focus (IUP, 2011).

In 2010, the Eberly College had 18 agreements with international partners and 244 students from other countries. The Eberly College houses the two largest international partnerships on campus including one with the Peoples Education Society (PES) of Bangalore, India for delivery of the IUP MBA program and one with the Southwest University of Finance and Economics (SWUFE) of Chengdu, China for delivery of two-plus-two and one-plus-three undergraduate business degree program.

#### **1.3.5 Peoples Education Society, Bangalore, India (PES)**

PES was founded in 1972. What started in a rented gymnasium with just over 40 students is now spread across four different campuses with more than 20,000 students (PES Institutions, 2011).

PES offers educational programs at the diploma, graduate, post-graduate, and doctoral level. The PES Institute of Technology (PESIT) was South Asia's first ISO 9002 certified educational institution. PES is classified as a private university under state law in Karnataka, India, and is recognized as one of India's premier private educational enterprises. PES focuses on six main educational areas including Commerce, Engineering, Management, Medicine, Pharmacy, and Science. The Department of Management Studies offers a management program, training in management skills, e-learning for corporate managers and employees, corporate advisory services, and management research and consulting services. Sponsored projects from both national and international agencies in areas of management, technology, and education have been an integral part of the overall framework for research for the department. The Peoples Education Society has partnered with Indiana University of Pennsylvania for the past seven years for delivery of an IUP MBA degree. The program is offered on-site in Bangalore, India, with students also being offered the option of traveling to the United States during the second year, to complete an MBA concentration.

#### **1.4 SIGNIFICANCE OF THE STUDY**

There are numerous challenges associated with entering into an international partnership in higher education, including significant financial risk involved. Whereas study abroad and basic exchange relationships are fairly risk-free, more comprehensive partnership models typically involve greater financial investment and, therefore, greater risk.

As more institutions explore alternative strategies for achieving internationalization goals and seek to enter into and expand international agreements, a review of actual experiences and strategies associated with external and internal influencing factors, financial models, and financial responsibilities associated with an existing partnership will give guidance to decision makers. Furthermore, this study will provide an increased understanding of fiscal considerations related specifically to partnering with an Indian institution.

## **2.0 LITERATURE REVIEW**

This literature review has been divided into three parts. The first section (2.1 Background) explores broad issues pertaining to international partnerships in higher education such as globalization, the role of higher education, rationales for engagement in international partnerships, types of international partnership activities, approaches to internationalization, challenges of international partnerships and strategies associated with addressing these various challenges. As a higher education manager attempts to better understand the issues surrounding fiscal management of an international partnership, it is valuable to understand the broader issues regarding internationalization and the role of higher education within it.

The second section of this literature review (2.1 Focus on Fiscal Implications) serves to focus on the specific area of interest for this research as it pertains to fiscal considerations of international partnerships in higher education. Literature is reviewed related to fiscal implications, challenges, and strategies associated with international partnerships. It also provides both historical and recent information regarding higher education partnerships with India, with an emphasis on fiscal considerations.

The third section (2.3 Financial Management in Higher Education) highlights literature that does not focus on international partnerships but rather focuses on broad university financial management issues such as factors that influence the budget, types of budget models, and university revenue and expenditure items. Literature on this topic helped to build a financial framework that could be applied and used in exploring and documenting fiscal considerations of an international partnership initiative.

### **2.1 BACKGROUND**

#### **2.1.1 Globalization**

Education, like most other contemporary enterprises, has become increasingly global (Cohen, 2001). In his presentation on developing international partnerships and projects, Steve Cohen

states that, “We read research from a network of international public management scholars. We recruit faculty and students from a talent pool that has long transcended the borders of the United States. We benefit from the perspectives of colleagues and students who have had different life experiences and see the world in slightly different lights. For a public policy and management teacher and scholar, this is the great value of international partnerships. They put us in closer contact with a larger world, a world that we can learn from and can learn from us.”

Articles regarding international partnerships consistently refer to globalization as the impetus for the dramatic changes in how higher education is doing business today. As such, it is helpful to first explore the definition of globalization and then to address higher education’s role within it. In a United Nations (2002) report regarding developments in globalization and regional integration of countries, globalization is defined in a number of ways. In an economic context, it refers to the “reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital services and labor” (p. 1). Globalization is not a new phenomenon. It began in the late nineteenth century, slowed down during the start of the World War I (as many countries worked to protect their respective industries) and then didn’t pick back up again until after the depression (at the end of the World War II), late in the third quarter of the twentieth century. International commerce was stimulated by efforts to reconstruct the industrial sectors of economies which were destroyed during the Second World War. Rapid advances in technology (including the spread of computers and the Internet) and the growing number of outward-looking economic policies (such as those stimulated by the World Trade Organization) influenced the pace of globalization in the late twentieth century. The continuing decline of transportation and communication costs and the significant decrease in barriers (such as tariffs and quotas) that impacted the flow of goods, services and capital all contributed to the world becoming more connected and integrated.

Trends and projections in economic development, international trade, communications, culture, labor, environment, health, human development and religion reveal unprecedented tendencies of increased interaction between peoples, governments, and business across international borders (Global Policy Forum, 2000). The phenomenal speed of information has impacted stock markets around the world and has impacted opinions toward global issues in real time. People all over the world are more empowered with new information made available through telephones, television, the internet and radio.

While globalization provides opportunities, it poses challenges as well. Based on western values of competition, efficiency, cost effectiveness, accountability, and entrepreneurial growth, globalization tends to benefit richer countries more so than those less developed (Tedrow & Mabokela, 2007). On one hand, globalization can improve a country's ability to access large markets, enable it to tap into a wide range of products, and enable it to benefit from capital inflows and technological progress (United Nations, 2002). Consumers and efficient producers can benefit and globalization can lead to greater efficiencies, higher outputs, and improved standards of living. However, those who are less competitive producers struggle to maximize benefits and minimize damages (United Nations, 2002). Globalization allows greater exports, but also allows greater imports. Native businesses that are not sufficiently competitive can be swallowed up by the import industry. In addition, fiscal policies of governments may be unstable as they attempt to cope and compete with global trends. Developing countries become more vulnerable under globalization as higher interest rates in developed countries negatively impact the outflow of capital to developing countries. Some developing countries lack access to modern communication systems and are experiencing slower economic growth. While they may be able to attract work from other countries due to their low labor rates, some suffer from poor health care, lack of benefits and pensions, and poor worker protection.

### **2.1.2 Role of higher education**

What does “globalization” have specifically to do with higher education? What is the connection? What role does higher education play in this powerful force called “globalization?” With the combination of political, economic, technological and cultural influences, globalization may be one of the most important factors impacting the development of higher education worldwide (Massey and Burrow, 2009). It is impacting who, what, where, when, and for how much higher education is being provided and delivered.

While globalization is impacting higher education, higher education is impacting globalization. Academia, with its large flows of information, ideas, people and courses, is actually one of the most visible forms of globalization (Walker, 2009). Globalization is evident in both cross-country and cross-campus activities in higher education as networks continue to

grow between people and institutions. Academia, the birthplace of many new technologies, has the ability to work within and outside the confines of national policy.

The American Council on Education (ACE) reports that higher education's tradition of sharing ideas and exchanging people across national boundaries has long contributed to the world's highest cultural, social, and economic goals (Van de Water, et al., 2008). An educated citizenry is the wealth of the world, and the definition of an educated person has changed from a limited geographical, theological, and sociological perspective. Students should be better prepared to live and work in a multicultural world, have a better grasp on global issues, understand world events and history, and be exposed to other cultures and religions. Knowledge creation and research have become global activities.

While U.S. colleges have worked with institutions around the world for decades, the pace has dramatically accelerated (Van de Water, et al., 2008). As world economies become more and more entwined, so have educational institutions around the world. The events of 9/11 moved the fear of terrorism to the forefront. Wars in Iraq and Afghanistan impacted both the reputation and the position of the United States, and anti-Americanism sentiment spread rampantly. Higher Education has a key role to play in educating its students to deal with the myriad of global issues, to resolve conflicts peacefully, and to build bridges through international partnership programs.

Through globalization, the physical space between countries and cultures has become less relevant (Van d Water, et al., p. iii). Migration has placed the world in local communities and information technology has simplified access to information. In response, the American Council on Education Strategic Plan includes "Global Engagement" as an area of focus with the goal "to engage in the global dialogue on key issues and assist colleges and universities in preparing students to work and live in a globally interdependent and culturally diverse world" (American Council on Education, 2010).

Judith Walker (2009) in "Time as the Fourth Dimension in the Globalization of Higher Education" provides another perspective on higher education's role in globalization. She indicates that there are four dimensions of globalization that are intersecting and interacting. Space, movement, place, and time are interacting at indefinable speeds. Distinct changes in capitalism are driven by technological advances and political, economic, sociological and ideological changes. Worldwide competition, she notes, has been intensified with the aid of

information technology and the shift to a knowledge economy. The results, she says were “unprecedented speed and complexity in the management of the economy.”

Walker (2009) explores the concept of time in academic capitalism and globalization. She compares the modern capitalist, as one who sought to “control” time, to the post-modern knowledge worker who, in the midst of globalization, seeks to beat time, compress time, transform time, and even annihilate the concept of time. Time has been distorted by instantaneous communication technologies. To successfully manage time under academic capitalism, Walker (2009) indicates that we must work to find ways to ensure success for students and faculty as globally-competitive knowledge workers. We must aid in integrating the university into the global economy. Institutions are evolving and transforming through increased collaboration and communication, the emergence of global or transnational universities, and online or distance learning.

With globalization, the character and purpose of higher education has changed as it becomes the responsibility of colleges and universities across the world to prepare knowledge workers who are adaptable, flexible, and globally-competitive (Walker, 2009). Universities must integrate themselves into the global economy as the role of higher education has become increasingly important in responding to the demands of a knowledge economy and the capitalist system.

### **2.1.3 Rationale of international partnerships**

Globalization has been explored as has been the broad role of higher education within it. However, globalization is frequently confused with internationalization (Daly, 1999). While globalization refers to global economic integration, internationalization refers to the increasing importance of international relations, international alliances, and international trade between and among nations.

Zha Qiang (2003) in “Internationalization of Higher Education: Towards a Conceptual Framework” indicates that internationalization of higher education is one of the ways a country responds to globalization, yet at the same time respects the individuality of the nation (p. 249). The key element of internationalization is the concept “between and among nations and cultural identities.” Each country has a unique history, indigenous culture(s), range of resources, and varied priorities. The internationalization of higher education involves integrating an

international/intercultural dimension into the three primary functions of an institution including teaching, research and service.

Barbara Tedrow and Reitumetse Obaken Mabokela (2007), in their analysis of international programs indicate that academe has a unique place in globalization. As globalization shapes institutional change it also frames academic partnerships. International academic partnerships provide higher education institutions opportunities to become “actors in the global arena” (p. 1).

In an effort to become actors in this arena, institutions have a number of more specific rationales for integrating an international dimension into their university. Qiang (2003) reviews the work of several authors who cluster rationales for internationalization. For example, Knight identifies four clusters including academic, political, economic and cultural/social (p. 252).

**2.1.3.1 Academic** Internationalization affords an institution the opportunity to integrate an international/intercultural dimension into the primary and universal functions of an institution (teaching, research and service) to society (Qiang, 2003, p. 249).

With the rapid development and declining costs of technology, opportunities for collaborative teaching have grown extensively between nations (ACE, 2002). Opportunities range from professors working together on developing/offering part of a course to a full program collaboration resulting in a dual or joint degree program (p. 20). Faculty can deliver lectures in multiple classrooms simultaneously and can connect students electronically as they interface and have the potential to work together on joint projects. From a student perspective, academic and professional requirements may reflect the demands of a globalized society, the economy, and the labor markets. As such, Qiang (2003) notes that higher education must provide education that prepares students to contribute and compete in a global context (p. 248).

From a research perspective, the explosion of knowledge and the increased emphasis on research at both the graduate and undergraduate levels have strengthened international collaborative research efforts (Qiang, 2003). Data between partners can be shared instantaneously and interdisciplinary research is facilitated to a greater extent. Beyond this, collaborative efforts and international cooperation enhance results for projects that are specialized in nature and for those that require too large of a financial investment for a single institution to absorb. Allan Goodman (2009) adds, for example, that if engineers hope to make breakthroughs in their disciplines, they must study and do research in a borderless world where

problems and solutions are shared between nations. Not only are language skills, cultural understanding and mutual respect critical to the success in working in diverse research teams, but collaboration results in the creation of a product that is competitive and takes into account both the global market and the worldwide supply chain (p. 2).

International partnerships often meet service goals in those cases where a developed country is providing service to the developing country to address medical, environmental and health issues. Service support can also be provided in both academic and administrative areas including curriculum development, academic discipline development, technical support, student services, fund raising, and alumni relations.

**2.1.3.2 Political** The political rational relates to issues concerning the country's position in the world and includes such factors as security, stability, peace and ideological influence (Qiang, 2003). International education is considered a form of diplomatic investment, a tool for foreign policy, and a mechanism to develop a mutual understanding. Relations built through educational networks provide opportunity for peaceful solutions for international issues and conflicts.

**2.1.3.3 Economic** From an economic standpoint, internationalization of higher education contributes to the development of skilled human resources necessary for competing in the international arena. Graduates from other countries are viewed as critical to future trade relations (Qiang, 2003).

A relatively recent economic motivation for international partnership activity is "higher education as a global business" (Van de Water, et al., 2008). While most partnerships serve the traditional higher education purposes of teaching, research and service, there has been a rise of entrepreneurial activities (which may generate new revenues for the campus) over the past decade. Institutions are now competing for international students to come to the United States and are exploring programs abroad through partnerships and/or branch campuses that may serve as new revenue streams.

Earning money and making profits is a key motive for the for-profit sector with institutions such as Laureate and the Apollo Group (the present corporate owner of the University of Phoenix – the largest private university in the United States) entering the international market by creating new institutions, purchasing existing institutions, and partnering with foreign

companies, societies, or institutions (Altbach & Knight, 2006). But, it isn't just the for-profits that are looking for revenue. Traditional non-profit universities are also in the business of making money from international partnership programs. The financial impact is large and growing rapidly with an estimated \$15.5 billion being contributed to the U.S. economy in the form of tuition, fees, and services (Bhandari & Chow, 2008). In California, for example, more than \$2.4 billion is estimated to be contributed to the economy by international students paying tuition, fees and living expenses (p. 16).

Slaughter and Leslie (2001) define "academic capitalism" as a way that public research universities are responding to the tendencies to treat higher education policy as a subset of economic policy (p. 1). Basically, faculty and staff are participating in competitive environments. They are academics who act as capitalists, dealing in market and market-like behaviors as they compete for grants, contracts, endowment funds, partnership options, tuition and fees, and other revenue-generating activities. In their discussion regarding academic capitalism, Rhodes and Slaughter (1997) indicate that capitalism is permeating public research universities who are facing increased competition for funds and less stability, just as U.S. capital is facing in the global arena. In the United States, state appropriation support for public institutions has dropped from about 50% in 1973 to nearly 33% in the 1990s (Rhodes & Slaughter, 1997, p. 12). Tuition and fee increases have outpaced inflation, grants and contract revenues have increased, and universities have moved to applied and entrepreneurial science to generate revenues, establish research parks, and establish technology transfer offices. As the revenue mix and the character of revenues have changed, academic capitalism has resulted in higher tuition, more competitive grants and contracts, and other sorts of competitive monies.

The issue of supply and demand is another economic consideration in the formation of international partnerships (Altbach & Knight, 2006, p. 3). With the advent of globalization and mass higher education, the proportion of young people demanding higher education exceeds the capacity of a number of countries to respond. Countries such as India, China and Africa are only enrolling about 20% of the college-age population and these countries are partly filling this gap by allowing foreign institutions to set up branch campuses, program/degree partnerships and other academic partnership models.

On the other hand, spurred by some of the world's lowest birth rates, a report issued by the Economic and Social Commission for Western Asia (United Nations, 2002), indicates that Japan

and Korea have made foreign-student recruitment a priority in order to fill university seats. Japan is seeking to triple the number of foreign students enrolling in its universities, from 100,000 to 300,000 while South Korea wants to double its international student population from 50,000 to 100,000.

**2.1.3.4 Cultural/Social** This cultural and social rationale for international efforts places emphasis on the role and place of a country's own culture and language. While working to counter balance the perceived homogenizing effect of globalization, higher education should seek to promote the preservation of national cultures. Improved intercultural understanding and communications are essential for graduates as they enter the global workplace. Students are encouraged to develop multilingualism, social and intercultural skills and attitudes to interface effectively and efficiently in an international arena.

#### **2.1.4 Approaches to internationalization**

There are various approaches that institutional leadership can take in the promotion and implementation of their internationalization efforts. Common typologies, which do overlap include: the activity approach, the competency approach, the ethos approach and the process approach (Qiang, 2003).

The "activity approach" involves individual activities such as student/faculty exchange, study abroad, curriculum development, and technical support to foreign countries (Qiang, 2003, pp. 250-251). Consistent with the "international education" efforts in the 1970's and 1980's, this approach considers each individual initiative as a distinct activity. There is little or no relationship, impact, or synergy achieved through multiple activities because the activities are not integrated. Activities are viewed as fragmented and uncoordinated.

Qiang (2003) indicates that the "competency approach" emphasizes the importance of the development of skills, knowledge, attitudes and values in students, faculty, and staff. Central to this is the desire to transfer knowledge, develop competencies, and create more internationally-knowledgeable and inter-culturally skilled personnel. While this approach has value as it relates to addressing the demands and concerns of the labor market, some argue for further research to

identify which competencies provide students with the skills to be successful in both the national and international arenas.

The “ethos approach” emphasizes the creation of a culture in which international and intercultural perspectives are valued and supported (Qiang, 2003, pp. 250-251). This approach suggests that an international dimension is fundamental to the definition of any higher education institution. The creation of a climate that supports a particular set of goals and principles serves as a foundation for the ethos approach. In his article on diversity, Lee Bollinger (President of Columbia University) supports the ethos approach when he emphasizes the importance of an international dimension in higher education in his statement that “in educating college students for the world they will inhabit, it is necessary to bring people together from diverse parts of society and to educate them in that context...far from being optional or merely enriching, it is the very essence of what we mean by liberal or humanistic education” (Van de Water, et al., 2008, p. 1).

The “process approach” to internationalization of higher education is one in which an international dimension is integrated into teaching, research and service. Different from the “activity” approach which is fragmented and spotty, this approach involves a wide range of policies, activities and procedures that incorporate internationalization into the institution. Jeffrey Riedinger, dean of international studies and programs at Michigan State, for example, indicates that “We need to change how we do business, so in some countries we do it in a holistic way...We are not living in neat college disciplines” (Hebel, 2007, p. 4). Institutions, such as Michigan State, are taking multi-layered approaches to their overseas partnerships that span research, service, and teaching activities. Qiang (2003) in calling for a broader definition of internationalization supports the process approach by saying that internationalization needs to embrace the entire functioning of higher education and not merely a dimension or aspect of it, not merely the actions of a few individuals within an institution.

### **2.1.5 International partnership activities**

Cross-cultural understanding is critical. In a Chronicle of Higher Education article that discusses study abroad and partnerships in higher education, John Burness (2007) remarks that “Colleges seem to be falling all over themselves trying to establish the right arrangements and structures

for partnerships with institutions or governments in other countries, including the development of free-standing or branch campuses.” Where international initiatives once focused on being a magnet by attracting outstanding scholars and students from other countries, partnership models have been expanding as institutions develop various strategies and structures for achieving internationalization goals. International activities are more deliberate and comprehensive. They have expanded in volume, scope and complexity.

Jack Van de Water, Madeleine Green and Kimberly Koch in *International Partnerships: Guidelines for Colleges and Universities* (2008) identify a comprehensive, and yet still partial list of potential activities for international partnerships such as: 1) one or two-way movement of students who study in other countries for a full academic year, one semester, or shortened stay; 2) two-plus-two programs in which students start at their home institution and then finish at a U.S. institution (earning degrees at both); 3) short-term study abroad programs for students from the United States partner to attend class in the United States; 4) delivery of U.S. courses, degree programs, or certificates abroad in cooperation with a partner institution; 5) joint or coordinated degrees, enrolling students from the United States and the partner institution(s) and requiring coursework at both or all institutions; 6) exchange of faculty for guest teaching, either entire courses or parts of a course; 7) online teaching between partners; 8) faculty collaboration for research; 9) faculty development activities such as workshops and videoconferencing; 10) jointly-sponsored conferences; 11) sharing library resources; 12) educational tours for alumni and stakeholder groups; and 13) using the partnership to collaborate with outside organizations, development commissions and businesses. While each type of international partnership activity could be explored in further detail, it is helpful to explore one of the more traditional forms of international partnership activities (Study Abroad) as compared to a more recent internationalization strategy (International Branch Campuses).

**2.1.5.1 Study abroad** In 1923, the University of Delaware established its first study abroad program in France when a professor made the case that cross-cultural understanding could be enhanced with travel (Burness, 2009). The thrust of these early programs was to “improve the intellectual maturation of the student...through structured and intensive cultural immersion.”

Eighty-five years later, the Open Doors Report on International Educational Exchange (Bhandari & Chow, 2008) reported that there were a record high number of American students

studying abroad, with a 150% increase over the last decade to 623,805 students (p. 2). The increase is attributed to new program opportunities, strengthened partnerships between US and foreign higher education institutions, new options in both disciplines and program durations, and more students interested in advancing their knowledge of other cultures.

The United States continues to serve as host to more international students than any other country (Bhandari & Chow, 2008). India (94,563 students), China (81,127 students) and South Korea (69,124 students) were the top three places of origin for international students coming to the United States for the 7<sup>th</sup> year in a row (p. 5). With 61% of the total, students from Asia vastly outnumber those from Europe, Latin America, Africa and other regions.

Forty-four percent (276,842) of all international students studying in the United States are at the graduate level, 39% at the undergraduate level, and others were enrolled in non-degree programs (p. 8-9). Forty-percent are studying in STEM fields (Science, Technology, Engineering and Mathematics) and yet the highest single field with 110,906 students is Business and Management (pp.14-15)

Despite encouraging projections for new international students coming to the United States, many institutions aren't seeing increases due to the worldwide economic downturn, the cost of higher education in the United States, and economic problems in specific home countries. To sustain momentum in their internationalization efforts, institutions are responding by increasing funding for staff time, travel, and marketing to the international recruitment programs (Inside Higher Education, 2009).

With regard to study abroad for academic credit, in 1985/86, there were only 50,000 American students studying abroad in this category (Bhandari & Chow, 2008). Data for 2006/2007 revealed that there were 241,791 U.S. students studying abroad for academic credit. The majority of students who study abroad (57%) go to Europe. Latin America hosted 15% and Asia hosted 10%. The United Kingdom, Italy, Spain, France, and China were the top destinations for American students.

Study abroad options have broadened in range. What was once primarily a junior-year option, newer models have emerged that are shorter term programs (Bhandari & Chow, 2008). Summer/January term, or any program of eight weeks or less during the school year are now growing in popularity as students with personal obligations and/or majors are unable to participate in semester or year-long programs (p. 31). The "semester abroad" program attracts 36% of students

studying abroad while 55% of U.S. students opt for shorter term programs. Fifty-four percent of U.S. students studying abroad were in social science, business and management, and humanities. Reflecting the increasingly global nature of business, the proportion of students in social sciences and humanities has been relatively stable, but business and management majors have increased from 15% to 19%.

Figures indicate that there were 2.9 million students studying in foreign countries worldwide in 2006 (Bhandari & Chow, 2008, p. 30). By 2025, projections are that almost 8 million students will be studying outside their home countries. Overall figures are increasing and, while the United States remains the world's top destination, destinations are changing because of the increased capacity in non-traditional destinations (such as Asia), the rise of non-traditional forms of delivery (such as virtual learning), and new global policies and strategies in the international higher education arena.

Enrollment statistics do not reveal the degree of success for specific experiences. Study abroad experiences are different for those who study in English-speaking countries from those who do not (Burness, 2009). They differ for those who had deeper immersion over a semester or a year. While most, if not all, students found study abroad experiences to be enriching some found it to be a “semester off” and did not experience the same rigor as they did at their home campuses. The best institutions recognize that a student's academic experience is a priority, while the extracurricular programs are intended to round out the study abroad experience.

**2.1.5.2 International branch campuses** International branch campuses are off-shore entities operated by a home institution solely or in collaboration with the host country (Becker, 2010). Upon completion of a program, students are awarded a degree from the home/foreign institution.

The lack of a global definition of an international branch campus and the lack of a comprehensive list of international branch campuses, makes analysis and trend comparisons difficult (Becker, 2010). A report by the Observatory on Borderless Higher Education (OBHE), however, has estimated that since 2006, the number of international branch campuses has increased by 43% to 162 and that branch campuses have taken on new directions (p. 1).

The United States leads the branch campus effort and has established seventy-eight (48% of the total) branch campuses (Becker, 2010). Australia, the United Kingdom, France, and India follow. The United Arab Emirates leads host countries with 40 international branch campuses,

two-thirds of which are located in the Dubai International Academic System. China, Singapore and Qatar follow. Key drivers for host countries are high student demand, the desire for a country to build a knowledge economy, and the need to reduce dependence on other revenue streams (such as the export of oil).

Proposals for branch campus development, Becker (2010) says, are not always initiated by the providing institution. Increasingly, schools are invited to set up branch campuses and are provided financial support by governments or other organizations. Institutions are offered incentives such as tax exemptions, substantial percentage of profits, free infrastructure, administrative assistance and, in some cases, staff bonuses.

Becker (2010), cautions institutions to undertake careful market research before entering into a branch campus venture. Competition is increasing and institutions are becoming more aware of the long-term costs and risks involved. Campuses are beginning to seek sponsors and are entering into public-private partnerships to help offset some of the risk.

An example of an international branch campus venture is highlighted in “On the Ground Overseas: U.S. Degree Programs and Branch Campus Abroad” (Green, Kinser & Eckel, 2008). The Heinz School of Public Policy and Management at Carnegie Mellon (CMU) offer a Master of Science in Public Policy and a Master of Science in Information Technology at the university’s campus in Adelaide, Australia. The university’s Master of Entertainment Center also offers a degree in Adelaide (p. 34). The degrees are awarded by Carnegie Mellon. The first 35 students graduated from these three programs in May 2006. Target enrollments are 160 to 170 for Heinz School’s programs and 25-50 for the entertainment program.

CMU set up in Adelaide at the request of the state of South Australia which offered advantages such as a common language, culture and legal system and significant financial support. Prior to CMU’s arrival in 2005, Australian law prohibited foreign postsecondary institutions to grant degrees in their country. Federal and state legislation was amended to accommodate Carnegie Mellon’s entry into the market viewing the partnership as a means to upgrade the skills of state employees and of attracting talented people to the state.

The Adelaide site was viewed as a platform for reaching students who could not relocate to Pittsburgh and a site that had broad international appeal. CMU also observed the growing economic importance of countries in the Pacific Rim, recognizing that these partnerships would help to further develop its own capacity in information technology and other fields.

Another CMU partnership venture is in Qatar's Foundation Education City where CMU offers undergraduate degrees in business and computer science. This partnership served to establish a university presence in the Persian Gulf region and paved the way for the Adelaide initiative (p. 36).

### **2.1.6 Challenges of international partnerships**

Dating back to 1952, John Gardner wrote an article entitled "The Foreign Student in America." Gardner was impressed with the fact that in 1951-1952 there were 30,462 students from 126 different countries studying at 1,354 different institutions in the United States (Gardner, 1952). He was optimistic about the progress made, noting that hosting students in our country was a "uniquely promising opportunity" (p. 638). At a time when most of the countries in the free world were in a period of significant social change, young leaders had an opportunity to shape the directions of their countries. Many countries, Gardner noted, did not have enough able "men" who were trained to deal with the complex political and economic issues of their countries, and these exchange programs could change this. Beyond this, student exchange programs had the capacity to provide firsthand understanding of the United States. These programs, he indicated, were an opportunity to bring people face-to-face to develop a greater level of human understanding.

While Gardner (1952) recognized the importance of carrying out effective student exchange programs, the United States, he cautioned, is a nation that typically has thrown itself "wholeheartedly into such enormous ventures" without necessary scrutiny (p. 640). He noted that our belief in the value of student exchange programs was so great that we assumed they would be successful no matter how haphazardly planned and implemented. Gardner warned that care should be taken in the selection of students who participate in the programs, training should be appropriate given the needs of individual countries, and both personal and social adjustment should be taken into consideration. The overall student experience could influence the student's career, potential for leadership, political orientation, and opinion of the United States.

Today, international partnerships come in many more forms, each with its own set of challenges for successful implementation (Ault & Martell, 2007). As institutions across the globe enter into partnership ventures, common "trouble spots" that deserve careful attention include:

1) differences in commitment level and expectations; 2) language and cultural differences; 3) differences in educational quality and standards (such as selectivity/student preparation and faculty academic preparation and research productivity); 4) teaching methodologies (active learning versus traditional lectures); 5) student and faculty expectations and customs (such as grading and interaction with faculty); 6) academic freedom perspectives that vary with political constraints, religious traditions or other local issues; 7) balance in exchanging students and faculty; 8) health and safety Issues; 9) clarification of roles for the institution and individuals involved; 10) shifting priorities and goals; and 11) evaluation and accreditation standards and practices (Van de Water, et al., 2008).

Challenges not only exist within organizations, but at various levels of authority. The following pages focus on challenges that have occurred within the United States (national challenge), explore challenges experienced by specific campuses (campus-level challenges) and detail challenges outlined within a very specific partnership initiative (partnership-specific).

**2.1.6.1 National immigration challenges** U.S. colleges and universities are dealing with both “urgent and perplexing questions about how to educate students, how to continue to keep U.S. higher education as one of the best systems in the world and how to educate our students to navigate the terrain of cultural complexity” (Green, 2002). A key challenge for the United States in the international partnership arena has been related to student visas. Visa policies following the aftermath of terrorist attacks from 9/11 involve some of the most complex and politicized areas facing U.S. officials and the higher education community (Goodman, 2006). All of the nineteen persons known to be responsible for the 9/11 attacks entered the United States on valid visas. The two hijackers that crashed into the World Trade Center towers had been granted student visas to permit continued attendance at aviation school. At a press conference following the attacks, Senator Dianne Feinstein indicated that there was little scrutiny on applications for those foreign students who want to study in the United States and that the foreign student program is one of the most unregulated and exploited visa categories (p. 1).

In response, Congress passed the Patriot Act and the Enhanced Border Security and Visa Reform Act, both of which called for full expansion of foreign student visa monitoring (Goodman, 2006). More extensive review of applications by the Attorney General and Secretary of State occurred as did monitoring of student activity once they were admitted. While increased

security measures are defensible in light of terroristic attacks and concerns, there were many challenges associated with implementation.

Under the Patriot Act, the Student and Exchange Visitor Information Service (SEVIS), used to track and report on international student activity had to be operational by institutions nationally by January 2003 (Goodman, 2006). Institutions were required to keep detailed records for their international students including residence, progress toward an academic degree, and any change of status. Institutions implemented these programs with no additional funding from the federal government or their states and faced many challenges in implementation including inability to interface with government computers and technical problems.

The Internationalization and Naturalization Service (INS) was required to re-certify which schools could legally issue paperwork needed as part of student visa applications (Goodman, 2006). Before 9/11 there were more than 80,000 schools registered. Post 9/11 – more than half no longer exist or never existed in the first place. INS was severely understaffed, making investigations difficult and time-consuming, adding to the delay in approvals for schools and for students wishing to study in the U.S. Even further delays were experienced by students who appeared to be “high risk” and those who were studying in certain scientific fields (identified on a “Technology Alert List”). Special paperwork was required for males between 16 and 45 who inquired about military service, participation in armed conflicts and knowledge or training dealing with firearms.

Institutions also struggled with the fact that new laws conflicted with higher education policies including those related to the right of privacy (Goodman, 2006). Federal officials could access student records and personal information that were previously protected by the Family Education Records and Privacy Act (FERPA). They could also wiretap, seize communication devices and monitor student computers as deemed necessary. Many outside the United States viewed new procedures as cumbersome and potentially hostile toward certain groups. By 2003, all those applying for nonimmigrant visa status between the ages of 14 and 79 were required to appear before a consular office for an interview. Often students had to wait for many months to get an appointment due to the limited number of consular officials and were frustrated with costly travel expenses.

Institutions had a stake in keeping academic doors open because they valued the diversity of their student body, depended on the flow of talent from abroad (particularly in science and

engineering), relied on international students for teaching introductory courses and advanced research, and realized the financial benefits to themselves and to their communities of hosting international students. Student applicants, nevertheless, were experiencing delays for interviews, decisions and documents. Review methods were inconsistent. Students returning home for family or personal reasons were having difficulty gaining re-entry. For the first time since 1971-1972, the international student enrollment population in 2003/2004 decreased. While the decrease was small (2.4%) many educational leaders feared that it was the beginning of a trend, would reduce the flow of the world's best and brightest students, and would impact American's ability to maintain its scientific and leadership role in a knowledge-based society.

The newly created Department of Homeland Security (DHS) faced many challenges including overhauling the nation's air transportation security systems, developing improved security for mass transit, coordinating with federal and state intelligence, and creating effective national alert systems. As such, DHS Secretary Tom Ridge indicated to the Association of American Universities that "we know that your foreign students are indispensable to America's continued leadership in science and medicine and technology...but compared to the other challenges...fixing the visa system and speeding up the decision process did not receive high priority."

Ligia Toutant (2009), in her dissertation regarding challenges that international students face in obtaining the F-1 visa, interviewed 30 graduate students from 19 different countries at two California universities. Respondents indicated that while they did not have major problems, the visa process to get to the United States was difficult. There were numerous financial forms, identification forms, transcripts and disclosures for organizations and other affiliations. Fees were high for applications and postal services. Web site information regarding the process was inconsistent. Information was missing or unclear. Students complained most about the waiting, the bureaucracy and the numerous forms. The process was more difficult for students from some countries over others but most students did express fear, anxiety, concern, dread and many worries regarding the process.

Stricter visa requirements resulting from fears of terrorism have impacted the ability of international students, faculty, and visiting scholars to enter the United States. Despite this, the Open Doors 2008 report revealed an all-time high number of international students at colleges

and universities in the United States, with the U.S. remaining as the premier destination of choice.

It is unclear, however, what U.S. enrollments would have been without the visa changes. Some institutions and students from other countries likely did seek partners in other countries where they felt more welcome and where problems and delays were less prevalent (Goodman, 2006). Some other countries took advantage of U.S. restrictions and the concomitant decline in U.S. prestige, promoted their programs heavily and appear to be competing more successfully for international students.

**2.1.6.2 Campus-level challenges** In their “Challenge 2006: Study Abroad and Internationalizing the University” Report, University of California’s Education Abroad Program (EAP) was confronted with several mid-decade challenges that either temporarily stalled growth, altered program design or reduced the financial capacity of its international efforts. Among these challenges were security issues, fiscal deficits, enrollment freezes, and administrative processing.

Security issues that resulted from the spread of international terrorism became high priority concerns. Travel warnings forced temporary closure of some programs particularly with those from Israel and the Philippines. California’s EAP responded by diverting resources to strengthen monitoring and communication systems and by enhancing orientation programs to include emphasis on security and safety.

Severe fiscal deficits within the California system forced budget cuts and enrollment freezes on the universities. These freezes impacted both international recruitment efforts and funding for international operations. EAP responded by proposing a budget formula for funding of study abroad operations and worked to develop a long-range growth plan that geared up for a lift of enrollment caps.

Increasing student fees, sharply declining exchange rates for the U.S. dollar, and pressure to shorten time to graduation negatively impacted EAP’s traditional year-long immersion program in favor of single-term and summer programs that were less costly. EAP was forced to offer less costly short-term programs and mounted efforts to raise scholarship funding to help offset costs. Summer language and culture program enrollments increased dramatically, especially in Asia.

Fiscal challenges also forced EAP to review administrative procedures and processes. Efficiencies were gained when the information technology area provided functional enhancements, constructed real-time automated EAP data, and created a communication center which linked campus offices, study centers, and university-wide offices of the EAP program.

Sheila Biddle, former head of the Ford Foundation's grant program in international studies, studied the quest for internationalization at five major research universities including Columbia, Duke, Iowa, Michigan and Washington/Seattle (Challenge 2006). Biddle reported that large numbers of faculty and administrator hours were spent on internationalization of their universities as they worked in task forces and committees. Often, the results were reports and recommendations that were implemented only to one degree or another, put on hold, or disappeared completely.

Biddle cited several reasons for the lack of progress including: 1) conservatism of the academic culture as an obstacle to international program development; 2) the lack of incentive funding from internal and external sources for expensive and time-consuming efforts; 3) the lack of appropriate reward systems for faculty who pursue international ventures (faculty evaluation systems do not always value internationalization efforts); 4) the reliance on external sources and lack of priority for institutions with internal funds; 5) the view that international programs are at the margin/secondary to the academic enterprise; 6) the lack of campus-wide strategies that address international goals and expectations; and 7) the overall lack of administrative vision and leadership. Biddle also recognized that each university has its own culture and set of goals making the transferability of internationalization plans difficult at best.

**2.1.6.3 Program-specific challenges** While common challenges exist at all levels of a partnership program, unique challenges exist with each specific partnership that may or may not apply to other partnerships. A review of program level challenges can provide more specific insight on a particular type of relationship, serve to help other schools seeking partnerships in the same areas, and can serve to inform continuous improvement measures for the program being reviewed.

In the analysis of an international partnership program between a historically-disadvantaged institution (HDI's) in the Eastern Cape Province in South Africa (Transformed University "TU") and three international partners including the United States, Canada, and the European

Economic Community, specific concerns are addressed (Tedrow & Mabokela, 2007). International partnerships are intended to support the reform process for HDI's that are in the most economically-impooverished areas and have the most to gain out of successful educational reform. This particular study connects back to the earlier discussion in this paper on globalization, the uneven distribution of resources and the role that higher education can have in the transformation of disadvantaged regions.

As part of this study, 30 South African participants who were directly involved with the international partnership project were asked to complete a survey and participate in one-on-one interviews (p. 167). Additional interviews were conducted with ten administrations who handled the implementation of the project and with representatives from each of the partner institutions.

There were a number of themes which emerged from the study including cultural misunderstandings in communications, value differences, and different leadership perceptions. With regard to communications, TU's staff members were shocked at the behavior of the northern partners indicating that the partners were too loud, too informal and too direct (p. 170). They complained that: 1) the African Americans from the northern partner groups were condescending and aggressive as they tried to address southern racial issues; 2) leaders lacked transparency and participants were encouraged to only discuss the positive aspects of the partnership at conferences and presentations; 3) internal communications and processes were unclear and slow (emails were lengthy and hard to read, reimbursements were slow); 4) important misunderstandings were never resolved; 5) the northern partners took the best hotel rooms and controlled presentations; 6) project funding never came through in full; 7) partners came at their convenience as opposed to the host's convenience.

TU identified significant cultural and value differences with the partnership program as well including: 1) the lack of reciprocal hospitality when TU partners were visiting northern schools; 2) the skepticism in the ability of the curriculum initiatives to advance change as they were viewed as a "pipe dream" as opposed to practical empowerment and motivational activities; 3) the concern that partnerships are a waste of money when these funds could be spent on economic development, retention, research and academic development and partnership with their own Department of Education; 4) the feeling that TU was just providing a place to visit; and 5) a sense that the northern schools simply don't understand the depth of HDI challenges (p. 172).

While leadership was expected to inspire change, articulate values, provide resources and solve problems, TU survey participants saw contradictions in their actual experience. They found relationships with leaders to be less than ideal and saw leaders as those who did not get along with anyone, were not kind, not friendly, and didn't care. While the leader may be one who is viewed as someone who can get the job done, the role of local leaders appears to be irrelevant. Northern leaders were aloof, did little to give TU leaders recognition, and did little to inspire them to market the partnership outcomes.

TU survey participants criticized their own leadership as well, indicating that they were too over-focused on merger issues and didn't focus on monitoring the progress of international partnership initiatives. Senior level administration did not recognize the value of the work of those under them in implementing the international partnership activities. In response, TU senior leaders said that they experienced challenges of their own. They were overwhelmed with change, policy was made without thought to implementation, they were just learning how to group problem solve, and the staff was overly sensitive to criticism.

Challenges weren't just one-sided! Northern partners from the United States, Canada, and the European Economic Community expressed problems related to communication, cultural and value differences, and leadership as well. TU staff was criticized for not having a sense of humor, being judgmental about women, and for expecting to be best friends as opposed to professional friends. Partners indicated that TU could not accept honest feedback without being threatened. Northern schools had to travel as their schedule permitted but were not greeted favorably if the time period overlapped with one of their "many holidays." Northern schools noted the difference in the perception of time. Partners complained that TU representatives habitually showed up several hours late for events or presentations and gave numerous reasons for delays. TU staff members wanted to visit northern partners, but viewed this as a chance to get away versus an opportunity to learn more and contribute to their own universities.

One of the most disappointing issues of the partnership, in the eyes of northern partners, was that they didn't see anyone talking about the key reason for the partnership – transformation (p. 176). TU leaders were still in a bureaucratic mode and were not focusing on facilitating change. They were not willing to perform the critical analysis of how the partnership projects were playing out in their institution. They were not monitoring progress or barriers.

### **2.1.7 Strategies for addressing international partnership challenges**

Despite the seemingly endless list of challenges associated with establishing and maintaining international partnership programs, institutions of higher education have no choice but to respond to the global context if they wish to provide high-quality education, if they want to be at the cutting edge of disciplines or if they want to pursue excellence in research. Through international partnerships, institutions have an opportunity to enhance the quality of every major aspect of their operations (Van de Water, et al., 2008).

At a February, 2010 meeting of the Association of International Education Administrators, senior administrators in the field heard the message loud and clear that internationalization of American higher education is both inevitable and important (McMurtrie & Fischer, 2010). Progress requires vision and leadership by chancellors, presidents, and administrators who can't just talk about internationalizing their campuses but have to do something about it. Leadership needs to be committed, needs to set measurable priorities and tie global activities to core institutional strengths.

In the same meeting, a former president of Teachers College at Columbia University, challenged leaders to take the lead in shaping the global university and to integrate international activities that are currently disparate across their campuses (McMurtrie & Fischer, 2010). Institutions, he warned, who hold onto the past and do not work to internationalize their campuses, are destined to fail.

As institutions enter into and expand international partnership activity, it is wise to anticipate and address potential problems such as those that are outlined in the Section 2.1. By recognizing the potential "trouble spots" and by reviewing actual experiences of other institutions, universities may be able to reduce the possibility of future conflicts or misunderstandings.

The Promising Practices: Spotlighting Excellence in Comprehensive Internationalization project, which was organized and administered by the American Council on Education and funded by The Carnegie Corporation of New York, highlights eight U.S. colleges and universities internationalization efforts (ACE, 2002). From an applicant pool of 57 institutions, the following were chosen after evaluation by teams of international educational experts: Appalachian State (NC), Arcadia University (PA), Binghamton University (NY), Dickinson

College (PA), Indiana University (Bloomington), Kapi'olani Community College (HI), Missouri Southern State College, and Tidewater Community College (VA).

Each of these institutions has different profiles, missions, student populations, funding levels and institutional cultures, and approaches to internationalization (ACE, 2002, p. 10-17). Common elements of their internationalization efforts however were identified and include the following: 1) an intentional, integrative, and comprehensive approach to internationalization that is both broad and deep in that it includes schools, departments, and programs across the campus and is expressed in the institutional culture, values, policies and practices; 2) strong leadership at the top who consistently promote and support internationalization efforts; 3) committed leadership throughout the institution by both faculty and administration in order to create energy, provide legitimacy, and achieve broad participation; 4) widespread faculty engagement achieved by recognizing that academic change is the domain of the faculty, by providing opportunities for faculty to travel in order to conduct research, meet with colleagues, or travel with students; 5) a commitment to meeting student needs by establishing reasonable language expectations, implementing programs and policies that enable students to graduate within four years even with study abroad activities, and by addressing portability of financial aid; 6) being deliberate in creating a culture in which internationalization is lived and not merely spoken about by promoting faculty engagement, providing faculty development resources, developing rich cultural opportunities through films, lectures, festivals, promoting study abroad and international learning; 7) providing supportive structures and resources from both internal and external sources. Institutions selected with promising practices all engaged in private fundraising to support internationalization. Some had obtained federal and state grants to support international activities, while others had partnered with businesses to increase both reach and capacity of their programs; and 8) implementing a deeper assessment of institutional strategies and student learning outcomes by shifting from counted measures such as the number of international students on campus, students studying abroad and foreign language enrollments to taking a closer look at learning goals, course content, pedagogy, campus life, enrollment patterns, and institutional policies and practices regarding internationalization efforts.

David Ford, Associate Dean for research and graduate programs at the School of Liberal Arts at Indiana-Purdue, adds “friendship and trust” to the list of strategies (Hebel, 2007). Ford, who is co-authoring a paper with a colleague from Moi University, says that “oftentimes, before you do

business, you have to be friends” (p. 5). The relationships serve as a foundation for trust and open communication. In a study regarding abuse of Kenyan women, for example, Associate Dean Ford doesn’t believe that the Kenyan women would have met with him had they not been comfortable with the relationship that had been formed. The success of international partnership initiatives depends highly on the relationship that is forged between the partners and the “mutual benefit” that each partner receives.

Mark Burness (2009) adds a unique strategy to the list. Be sure to plan an exit strategy upfront. Despite all of the efforts made by institutions, some ventures will fail. Burness (2009) notes that the financial crisis is compounding the complexities associated with establishing and sustaining international ventures. Participating institutions must have a high level of due diligence in ensuring not only a return on the investment of human and financial resources but the maintenance of a quality program. There is a significant investment made in establishing new partnerships and a key issue to consider when planning is to identify an exit strategy upfront.

## **2.2 FOCUS ON FISCAL CHALLENGES AND PARTNERING WITH INDIA**

This case study focuses on fiscal considerations of an international partnership between a U.S institution and an institution in Bangalore, India. Challenges and strategies identified in Section 2.1 of the literature review provided valuable background regarding the internationalization of higher education and included some level of fiscal concern. The following provides greater focus by reviewing literature regarding fiscal challenges pertaining to international partnerships in higher education and partnerships with India, in particular.

### **2.2.1 Focus on fiscal implications**

While internationalization, at some level, has been present in higher education for decades, several things have changed (Taylor, 2010). First, as institutions seek to establish their position in a market-driven, competitive world, the perceived importance of internationalization for a university has impacted its status among its competitors. Internationalization efforts have been

elevated to key strategic objectives for many universities around the world. Second, the scale of activity has changed as more students participate in international programs, new forms of partnerships surface, and new opportunities for collaborative research activity arise. Third, the organizational structure and management of universities have changed to address internationalization objectives including the development of new forms of executive management, flatter decision-making structures, and new responsibilities and services/support. In addition, the concepts of “new managerialism” and “new public management” have resulted in increased emphasis on efficiency, performance and the achievement of targets, the significance of income generation and the diversification of sources of income, and new forms of accountability.

There are a wide range of management issues that arise in higher education in response to these changes and concepts (Taylor, 2010, p. 99). As institutions develop formal strategies for internationalization, there are a number of factors to consider including partnerships to pursue, recruitment, language skills, curriculum, research and knowledge exchange, staff development, support services, governance and organizational alignments. Taylor (2010) adds that the emergence of internationalization has had a significant impact on the fiscal management of the institution (p. 101). Strong qualities of leadership are required, but they must be coupled with specialty fiscal management. There are new demands for skilled financial acumen in higher education administration, requiring business planning abilities to explore opportunities, assess risk, and develop financial models associated with international partnerships.

Engaging in large-scale partnership activities has the potential for huge rewards, but, investment and risk can be equally large (Taylor, 2010, p. 101). On one hand, internationalization efforts may provide new sources of income from student fees, international research, and consulting services. Institutions may have pursued partnerships to supplement revenue streams and/or to off-set losses at home. On the other hand, over-dependence on international activities could be dangerous if the market position is weak and as competition heats up within the home country, other countries, and for-profit providers. Both political changes and threats to quality make internationalization a risky business.

Internationalization often requires a significant level of investment before the benefits are reaped (p. 101). Upfront investments may take the form of new course development, new forms of marketing, new forms of capital to support infrastructure and delivery. Universities should be

fully aware of the costs upfront, including the opportunity costs involved. Schemes may be required to distribute fee income, cover central costs such as student services and research support, recover investment costs, meet direct costs of teaching and research, and to provide appropriate incentives to departments and staff. Management should recognize that while there are opportunities for internationalization across the curriculum, the demand is highest in Business/Management, Engineering, and Technology. Tensions may emerge for institutional managers as they determine appropriate distribution of rewards and costs of internationalization, deciding whether to distribute them across the campus or focus on those departments and faculties most involved in the partnership. As some departments are able to generate high levels of international funding, fiscal managers must determine to what extent it is legitimate to accept the existence of a “cash cow” as opposed to creating a more balanced academic and financial portfolio.

**2.2.1.1 Fiscal concerns of university presidents** First and foremost, leadership of campus presidents in internationalization efforts is critical (Fielden, 2010). The Leadership Foundation for Higher Education (Britain), Aekpt (Malaysia), and the LH Martin Institute (Australia) conducted eight case studies of overseas partnerships and assessed contributions and lessons learned by university presidents. Despite the variety of types of arrangements between institutions, seven roles for university presidents were identified if international partnerships were to succeed. The president should set the international vision or strategy which the academic community will adopt, appoint able champions to develop and carry out activities, obtain support from administrators and faculty, provide centralized financial resources to create or encourage international activities, manage involvement of trustees, bridge cross-cultural differences, and supervise the human resource implications of off-shore activity.

From a fiscal perspective, the case studies identified a wide range of examples of presidents’ allocating funds from the central budget to support faculty trips to partner schools, establish training sessions for language and culture, and creating sufficient staffing (Fielden, 2010, p. 4). In some instances, presidents have even paid the costs of faculty from poorer institutions to travel to the campus. Legal and professional costs of due diligence can typically only be afforded by the central budget. While listed separately, appointing champions and supervising human-resources also have significant financial ramifications. Champions will need to invest a lot of

time working with international partners. Travel and appropriate compensation must be taken into account. Staffing of the venture will require decisions regarding whether the venture will be staffed by the institution's own faculty members, locally-recruited faculty members in the other country and/or international faculty members from the global market. Employment and reward policies need to be developed to encourage faculty members to teach and conduct research abroad in hopes that when they return their skills will have been enhanced.

**2.2.1.2 Fiscal concerns of chief academic officers** A three-year project, the Internationalization Forum of Chief Academic Officers (CAO), convened 50 chief academic officers from different sectors of the higher education community to assess the institutional context for internationalization on their own campus and to choose appropriate leadership strategies to effect positive change in this area (Hill and Green, 2008). Recommendations for leading internationalization efforts included the need for CAO's to make the case for internationalization on their respective campuses, identify champions for internationalization, link internationalization efforts to the institution's strategic plan, provide adequate resources to achieve goals, and evaluate activities and strategies on a regular basis.

From a fiscal perspective, CAO's were encouraged to provide incentives and financial support at the level that ensures that internationalization goals are adequately resourced and staffed consistent with institutional goals (Hill and Green, 2008). CAO's should consider the personnel structure and the appropriate balance between centralization and decentralization. They should identify resources to support staffing, curriculum development, faculty international travel and research, study or work abroad opportunities, infrastructure (such as technology, language support, library holdings, facilities), co-curricular activities, and seed grants for partnership initiatives (p. 13). In addition, it should be determined if the institution has a fundraising strategy for internationalization and what the targeted balance is between internal and external funding sources for initiatives.

As the CAO encourages administrative leadership and accountability for internationalization, he/she must engage other vice presidents, deans, and department chairs to promote and reward a culture of collaboration (Hill and Green, 2008, p. 26). Deans are pivotal in engaging departmental chairs and faculty, and faculty engagement drives successful internationalization. The CAO may need to find ways to encourage collaboration and involvement by identifying new

resources or redirecting existing resources that provide incentives and professional development opportunities. Co-curricular experiences such as student festivals, language partner programs, language residence halls, and international guest speakers and performances all enhance internationalization efforts (p. 33). All of these experiences require review and appropriate funding.

Another factor to consider is that since a vast majority of students are unlikely to study abroad, it is generally less expensive for the institution to “internationalize at home” (Hill and Green, 2008, p. 32). It may not be possible, or even necessary, to determine all costs of internationalization at home. The fact that it is happening may be more important than the actual dollar amount. While CAO’s may be able on their own to determine campus costs regarding workshops, faculty development, research, curriculum development, technology and infrastructure costs, it will be more difficult for them to measure the time and effort costs associated with infusing globalization into the curriculum.

A CAO’s financial authority varies from campus to campus. In some cases, where the CAO serves as executive vice president, the CAO also serves as the institution’s chief budget officer (Hill and Green, 2008, p. 33). In cases where the CAO is equal to other vice presidents, the CAO will need to try to influence those who have budgetary control and authority over revenue streams and expenditures. As it relates to international research, the CAO will need to engage the senior finance and research officers to determine what portion of the funds goes to the principal investigator and what portion is retained by central administration for overhead. Gaining access to resources will be simpler if the CAO has clear measures of both academic and financial impacts of internationalization efforts.

**2.2.1.3 Fiscal concerns of international higher education officers** At the same time that academic leaders, students, parents, and prospective employers are all recognizing that colleges must produce graduates with strong international skills; the recession-caused fiscal challenges are forcing campuses to cut back on internationalization efforts (Fischer, 2010, June 1). While Presidents, CAO, and other academic leaders seek ways to expand their international reach, international education offices are reporting being hit with slashed spending, reduced staffing, and curbed overseas travel. Boise State University went so far as to eliminate its international services offices, decentralizing services across the campus (Fischer, 2010, August 29). Several

sessions at the 2010 NAFSA (National Association of Foreign Student Advisors) international educators' annual meeting focused on how to do big-impact programs on small budgets. Rather than reducing services of international affairs offices, members are focusing on creative but not costly approaches to international work. Some colleges have banded together in consortia to share the costs of marketing and recruiting, others have turned to third-party agents to help identify and attract students when their own staff members are unable to afford the costs of overseas travels, and still others are relying on parents and alumni to help in recruitment of prospective students. Facebook, Twitter, and Skype are all providing new options for electronic recruitment, and yet directors note that there are limits to "armchair recruiting" (p. 2). While members explore ways to respond to budget cuts and yet continue internationalization goals, NAFSA leadership indicate that educators shouldn't just focus on short-term tactical responses to the budget crunch. Efforts should continue to ensure that international work is seen as central to the institution's strategic direction, otherwise risking becoming marginalized during the rush for campuses to cut budgets.

## **2.2.2 Partnering with India**

**2.2.2.1 Historical** Pawan Agarwal (2007), a member of the Indian Council for Research in International Economic Relations indicates that the foundation for modern higher education in India was laid by the British colonial regime and focused on serving the economic, political, and administrative interests of the British. Curriculum emphasis was on the languages and humanities as opposed to science and technology. Agarwal's historical overview is helpful in understanding how the Indian higher education system evolved. During the 1960's and 1970's a few institutions were established for professional education (primarily for engineering education) such as institutes of management, regional engineering colleges, and institutes of technology. Entry into these institutions, which were ranked as some of the best in the world, was highly competitive and enrollment was extremely limited. The Indian government, anxious to be viewed as a welfare state, began establishing universities and taking over the financial responsibility of running private institutions. Along with this public funding came considerable regulation, reduced autonomy and lower standards. The result...the nationalization of private higher education and a major blow to community-led private education initiatives.

The post-1980 phase saw a growing demand for quality education in relationship to globalization and the needs of business and industry (Agarwal, 2007). The Indian government lacked sufficient funds to operate existing institutions and to respond to the needs of the middle class who could now afford higher education. The government generated funds by charging tuition to self-fund education, and expanded distance learning options to reach a larger audience. Despite government reluctance, private institutions began to proliferate to pick up the slack and to take advantage of the untapped market. Government controls continued over both public and private institutions, partly to ensure standards and curb possible exploitation of the students.

In 2004, India's 300 some public universities were serving 9.3 million students, or approximately 7% of the college-age population (Neelakantan, 2004). The goal was to increase the college rate to 10% by 2007. The Indian public higher education system was already overwhelmed, and the cash-strapped government could not afford to expand the system further. While there were many institutes of excellence, the real problem was that there simply weren't enough of them for a country that has one billion people. Many Indian educators believed that the private sector was the solution to fill the gap. Unfortunately, up to that point, the laws that permitted the creation of private universities had loosely-written regulations and lacked oversight, allowed dozens of storefront universities to flourish, and tainted the few legitimate educational institutions that were established. The laws passed in cities, such as Chhattisgarh, made it legal for anyone to set up shop, placed no limits on the number of universities, and had no monitoring agency. Legitimate universities, both domestic and foreign, who wanted to set up programs in India were hindered by the lack of a clear plan and approach for development in the private higher-education sector.

While the government has since enacted stricter legislation, the story of the rise and fall of many private, fly-by-night universities, demonstrates the size and complexity of the issue (Neelakantan, 2004). Foreign universities were still trying to determine how to get into the country, but struggled with India having one of the most complicated and burdensome government bureaucracies in the world. Several institutions left, frustrated with the regulatory climate for non-Indian universities.

There is a significant difference between tuition charges at public institutions versus private institutions (Neelakantan, 2004). For example, the private Western International institution could charge \$2,000 per year, while the prestigious public University of Delhi charged less than \$200

per year. On the other hand, the difference between attending an American institution versus one in India is significant. For example, international students attending the American campus of Michigan Technological University's (MTU) Center for International Education pay an estimated \$26,000 per year compared to only about \$6,000 at MTU's New Delhi campus. The benefits for Michigan Tech include the ability to generate revenue, to hire more qualified faculty members and to improve its research capacity.

By 2007, 11% of India's 18 to 23 year-old population was enrolled in higher education, and with India's key role in the global knowledge economy, there was a push to increase this to at least 20% (Agarwal, 2007). Post-1980 enrollments in engineering, technology, medicine, teacher education, computer applications and management (post graduate) began to rise in response to the job market. There was concern for those graduates who learned that their college education has not prepared them to find employment or earn a living due to a tight labor market. The mismatch between students seeking employment in the industrialized sector in a country whose economy is largely agrarian became even more profound.

Shailanja Neelakantan (2008) reported that because of the heavy government regulation and restrictions pertaining to higher education in India, foreign providers were unable to easily set up shop. Most foreign institutions avoided major partnership initiatives with India and limited their relationships to joint research programs and basic student and faculty exchanges. While foreign providers wanted to enter India's lucrative higher-education market, Indian academics and government officials did not want foreign institutions to have autonomy. A major concern of foreign institutions was having the ability to have sufficient autonomy, maintain standards and protect their brand.

Interestingly enough, since the early 1990's when India began its market reforms, it rolled out the red carpet for American corporations such as Coca-Cola, General Motors, and Citibank (Neelakantan, 2008). Foreign direct investment was nearly \$16 billion in 2007. Corporations were welcome but foreign universities were not! The Indian government will not permit foreign universities to create a legally-recognized degree program in India. While nobody disputes that the country's higher-education system needs help, nor do they deny that some of the foreign universities interested in establishing campuses in India are among the top institutions in the world. Some indicate that inequalities will be exacerbated if foreign players enter the Indian market, suggesting that only a small segment of society and students will really benefit. Fees will

be so high, and most will not be able to afford the cost. Others argue that the students who can afford to go abroad are seceding from the system since 160,000 Indian students study abroad and take their \$4 billion elsewhere in the world.

Proposed legislation that permits foreign providers calls for strict regulatory controls (Neelakantan, 2008). The University Grants Commission could grant or take away university status, could conduct inspections at any time, and would require the institution to retain \$2.5 million dollars in a reserve account in India. Institutions, the bill suggests, would be required to reinvest their profits into their operations in India.

Recognizing that establishing stand-alone campuses in India was considered risky, complicated and expensive, some institutions entered into “twinning arrangements” whereby Indian students can study at home for the first part of the program and then travel to the partner institution to finish their coursework and earn a foreign degree (Neelakantan, 2008). The United States had more twinning arrangements (66) than any other country. These twinning arrangements are primarily with local, mostly unaccredited private institutions. These types of arrangements are believed to result in the least amount of risk for the foreign university and offer the most income as partners share in tuition revenue for the part of the program that is taught in India. The foreign institution keeps all tuition revenue when the students are on their campus. Faculty members from India teach a curriculum provided by the foreign institution. The fee structure is quite low for students while they are studying in India, significantly less than it would be had they taken all classes at the foreign institution. For an institution to set up shop in India, with its own faculty, they would have to charge \$10,000 to \$15,000 in fees. Most Indians can’t afford this.

The local institutions in India were believed to be circumventing government regulations to participate in “twinning” and other partnerships by calling themselves institutes, academies, schools and foundations (Neelakantan, 2008). They offered diplomas instead of degrees to avoid governmental restrictions. Regardless of the type of partnership, unregulated Indian institutions were not left to their own devices in ensuring the quality of the programs. Most twinning programs, for example, are closely monitored and require an extensive amount of time and commitment on the part of the American institution. There have been numerous challenges associated with these collaborations including differences between the two institutions’ performance assessment approaches, emphasis on laboratory work and cultural norms.

As it relates to America's push to get involved in Indian education, Gary Schuster, Georgia Tech's provost, noted that "We want to be invited [there]" (Neelakantan, 2008). He emphasized that the U.S. institutions do not want to be seen as colonists or invaders. They want to comply with the laws of India and the United States in order to partner in international education. The struggle seems to be primarily an issue of control. Foreign institutions insist on autonomy and ability to maintain their standards, while protecting their brands. On the other hand, the Indian government insists on control and oversight.

**2.2.2.2 Recently** Over the past few years, higher education in India has received a lot of attention for several reasons including that the country's weak higher education system has been blamed for skills shortages in high need areas and that reservation quotas have become a highly divisive issue. The country is unable to sustain growth momentum and maintain competitiveness under existing regulations, and there is a huge gap between the demand for higher education and the availability of providers (Agarwal, 2009). In response to these concerns, and with the goal of engaging its huge pool of human resources to become a leader in the rapidly-expanding sectors of services and highly skilled manufacturing, many steps have been taken to revamp the higher education system. The National Knowledge Commission (NKC) examined the higher education sector and made several important recommendations. Increased funding and many new institutions have resulted from increased funding consistent with India's Eleventh Five Year Plan. While the plan has many good components, it is criticized for being disconnected, having some initiatives that appear to be at cross-purposes with each other, and for being based on the views of various individuals as opposed to being supported by data and research..

In an article regarding what recent moves in India could mean for American higher education, Shailaja Neelakantan and Karin Fischer (2009), indicate that Kapil Sibal, India's new higher education minister may do what Indians have long hoped for and many Americans have wished "to shake up India's dysfunctional higher-education system and open up India to foreign universities." Sibal has worked to establish lines of communication with the United States and promised to push through a bill that would permit foreign universities to set up campuses in India. He also suggested that he would replace India's multiple higher education regulators with a single agency.

American institutions, however, aren't sure what the future is for them in India (Neelakantan and Fischer, 2009). Champlain College has had a campus in Mumbai since 2001 and applied for accreditation from the All India Council for Technical Education in 2007. Two years later, they were still waiting. Yale University has had long-standing relationships with institutions in China due to its national higher-education strategy and a level of ease with partner institutions. It is less certain of its success in India because it is so decentralized, each institution has its own priorities and approaches, there is no cohesive approach, and it is difficult to adapt when the ground rules are unclear.

Speaking at the Hindustan Times Leadership Summit in June 2010, higher education minister Sibal reminded the group of the goal that by 2020 there would be 45 million students in their country who would go to college as opposed to the 14 million in 2010 (Asian Age, 2010). Sibal recognized that support for higher education was vital for the future of the country, would create human resources at the university level and could create added wealth for the country. He called for more private sector investment in higher education, but emphasized the importance of quality and standards.

The signs are positive as India's first single-party government in twenty years is permitting the Congress Party to pursue reform that sets aside the politics of the past, aims to reduce governmental barriers to the higher education sector, allows foreign institutions into the Indian market, and seeks to simplify the daunting regulatory framework of the Indian system (Ruby, 2010). Wanting more Indians to go to the college, many recognize that India simply can't afford to create the number of high-quality institutions to meet the demand. Beyond this, the quality of higher education can't be increased without drawing upon international models and significant knowledge transfer. Sibal and other top officials recognize the value of foreign investment in Indian higher education.

Revenue enhancement, alone, can't be the reason for higher education institutions to establish a physical presence in India (Ruby, 2010). Surplus revenues would be at stake as remittance to home would not be without risk or controversy. Institutions would enter into the Indian market to enhance its academic standing, intellectual prestige, and reputation. Campuses recognize that a presence in this market could contribute to the "three P's" namely the power to shape the market environment, access to some of the best scholarly minds and decision makers (people), and the financial resources that the host institutions can utilize (principal).

Ruby (2010) suggests that there are a series of questions that an institution must consider before setting up shop in India including (p. 2): 1) Is there a population that wants this type of education, can they afford it and can they meet the admissions standards?; 2) What is the scale and quality of future student demand?; 3) Are there alumni or family ties that can be a source of political or financial support?; 4) What faculty resources exist?; 5) Which institutions are already there? Will the market be crowded out by a few market leaders who will absorb all demand?; 6) What is the relationship between international expansion and mission (open, affordable, alignment with priorities of the legislature for state-supported colleges)?; 7) What is the fit between American college traditions and values and India's culture and political landscape (such as religion and caste conflict with admission policies)?

Some see American ties with traditional locations, such as European universities, as “rainy-day” insurance (Ruby, 2010). While valuable and enduring, these ties are “demographically and strategically dwarfed by the possibilities of Brazil, Indonesia, Russia, India and China (Ruby, 2010, p. 5). China has driven up quality by quickly scaling up its higher education sector thus making foreign investment/partnerships even more pressing for India.

### **2.3 FINANCIAL MANAGEMENT IN HIGHER EDUCATION**

The first two parts of this Literature Review focused on broad issues regarding international partnerships, specific financial issues associated with international partnerships and challenges associated with partnering with India. As the study seeks to explore fiscal considerations, this section seeks to review literature that helps to build a financial framework to be used in developing the interview questions for this study.

A budget is a spending plan for a given period of time (Lasher & Greene, 2001, p. 476). While there are never enough resources to fund every institutional need, budgets help to establish and communicate institutional priorities. A budget results from many political battles, offers, counter-offers, negotiations and compromise. It serves as an operational plan for a given period of time and as a contract as to what should be accomplished with allocated funds.

There are five measures that budget officers can take to assist in the budget process including having: 1) an organized budget process in which all elements competing for institutional resources are competing at the same time; 2) organized financial data with logical groupings of revenues and expenditures; 3) program data such as enrollment figures and financial projections; 4) financial projections for future years; and 5) coordination between institutional budgeting and planning (Bowen, 1986, as cited in Lasher & Green, 2001, p. 476). While planning is conducted to reduce uncertainty, Bowen indicates that the ability to provide accurate, durable and precise plans of actions are often constrained by: 1) the uncertain nature of future conditions; 2) the difficulties in predicting opportunities and threats; 3) the politics of institutional decision making; 4) the distribution of power in an institution; 5) the potential rigidity in a formal planning process; and 6) the time and costs associated with comprehensive planning.

### **2.3.1 Influencing factors**

Lasher and Green (2001) identify both internal and external factors that impact higher education budgets. External factors include economic, political, demographic and regulatory, while internal factors include institutional history, mission and other characteristics (p. 479). The state of the economy directly affects the fiscal health of higher education. In challenging times, for example, competition among nonprofit sectors is increased, unemployment increases, endowments become eroded, charitable giving is reduced, and consumers purchase few goods leading to less tax dollars being allocated for federal and state programs. At the same time that fewer dollars are available, enrollments tend to increase during periods of unemployment and recession as students work to increase their skills in hopes of attaining employment. During economic downturns institutions are often faced with declining state appropriations, and the need to make up revenues with higher tuition and fees.

The development of public policy and the imposition of regulations at the national, state, and local levels of government are examples of the political environment impacting the fiscal management of an institution (Lasher & Green, 2001, p. 479). At the national level, for example, the Higher Education Act of 1992 requires that any public and private institutions that receive any kind of federal funds also must ensure that all programs on campus that benefit from federal

funds comply with federal legislation pertaining to civil rights and employment, age, disability and gender discrimination.

At the state level, the legislature, the governor, and the structure of its higher education system all have a significant amount of influence on budgeting for public and private higher education (p. 480). Legislatures are becoming increasingly involved in higher education policy and many retain the authority to set tuition rates, thereby impacting the level of tuition revenue institutions can generate. Governors also play a role in influencing higher education policy development. Not only can the Governor influence higher education by having the authority to approve or veto legislation (such as appropriation funding), but also through providing leadership on various higher education issues and through making appointments to the governing boards of public institutions and systems.

The regulatory environment imposes various governmental regulations and related programs on public and private higher education, along with imposed costs must be covered by the institution (p. 480). Each requirement includes both direct and indirect costs. Some costs are one-time, while others are recurring. Examples include those related to work standards, tax reform, due process, public information and environmental protection.

Clearly, the demographic characteristics of a region impact higher education budgets. The college-age population and the ethnic composition of a state can positively or negatively impact an institution's budget (Lasher & Greene, p. 481). Enrollment declines, for example, can result in reduced tuition and reduced state support that is based on enrollment-based formula funding. Higher numbers of minority students in high schools typically result in fewer students going on to college in particular regions. Changes in priorities and internal resources typically result in an institution increasing efforts in new markets (p. 481). To counter potential declines in traditional cohorts, many look to new markets to attract students including part-time students, older students, and foreign students. Lasher and Green (2001) address the issue related to marginal cost factors in budget processes associated to enrollment changes (p. 481). They highlight that the Indiana Commission for Higher Education that recognized that marginal cost factors tend to minimize the funding losses caused by enrollment declines and therefore provide greater funding stability than do average cost factors for institutions.

A budget is shaped by an institution's mission, age, traditions, legal history and other special characteristics (Lasher & Greene, p. 481). The mission statement guides much of an institution's

instructional, research and service activity. It dictates the degree programs and its curriculum. Curricula vary in program mix, level of instruction, method of instruction and class size according to an institution's mission, thereby affecting resources needs for equipment, library holdings and faculty training. The mission statement prescribes the character of the student body through its admission standards. Services and expenditures vary along with the mix of students. The instructional level, the mix of the academic disciplines, the nature of the student body and institutional policies regarding student/faculty, determine the size of the faculty and therefore, the cost of compensation.

The overall financial condition of an institution impacts the budget (Lasher & Greene, p. 482). Level of debt and the limited number of revenue sources to support expenditures come into play. Where public institutions were once completely reliant on state appropriations and tuition, they have resorted to higher levels of tuition, expanded fund raising efforts, and pursuit of indirect cost revenues from grants and contracts. Trends suggest that institutions have begun to seek whatever sources are available to offset declining appropriation support.

### **2.3.2 Types of budgets**

Lasher and Greene (2001) review several types of budgeting including incremental budgeting, formula budgeting, program budgeting, zero-based budgeting, performance budgeting, incentive budgeting and cost center budgeting. The one most relevant to this research study is cost center budgeting which originated with Harvard's president James Conant who stated that "Every tub stands on its own bottom, each dean balances his own budget" (p. 491). With this approach, academic departments and support units are expected to be self-supporting in that projected expenditures must be supported by sufficient revenues. Income from tuition, fees, gifts and grants must be sufficient to cover faculty and staff salaries, operating expenses, a share of physical plant costs and other overhead costs. Some institutions refer to this form of budgeting as Responsibility Centered Budgeting (RCB). Three principles serve as foundation for RCB including: 1) all costs and income attributable to a unit should be assigned to that unit; 2) appropriate incentives should exist for each unit to increase income and reduce cost; and 3) all costs of other units should be allocated to the academic unit (p. 491)

### **3.0 RESEARCH METHODOLOGY**

The purpose of this study was to explore and document the fiscal considerations of an international partnership in higher education, with emphasis on an existing partnership between a U.S. institution and an institution in India for the delivery of an MBA degree on-site in India. A case study approach was utilized to learn more about the fiscal considerations (both external and internal), financial models (revenues, expenditures, incentives, and risks), and roles and responsibilities associated with an international partnership venture drawing upon lessons learned through an existing international partnership between Indiana University of Pennsylvania (IUP) and the Peoples Education Society (PES) of Bangalore, India.

A mixed research approach was used, utilizing both qualitative and quantitative methods. Interviews were conducted with a population of individuals believed to be able to provide insight regarding fiscal considerations of the existing international partnership venture. From a quantitative standpoint, financial data was gathered in order to gain a better understanding of the types of revenue and expenditures associated with the partnership. Data analysis was conducted only to the extent that it was used to support the information obtained regarding influencing factors and the financial model.

#### **3.1 POPULATION SAMPLE**

Criterion sampling was used in the qualitative portion of this research with selection being based on individuals who have been involved at some level with the partnership between IUP and PES from its inception and/or individuals who have an understanding of fiscal policies and procedures related to the program. Thirteen individuals were asked to participate and were judged to be able to provide different and informed perspectives on fiscal considerations of an international partnership in higher education, using the IUP-PES partnership as the example.

### 3.2 PARTICIPANTS

The following 13 individuals were invited to participate in this research study:

*Indiana University of Pennsylvania*

Vice President for Administration and Finance

Dean, Eberly College of Business and Information Technology (Eberly College)

Dean's Associate/IUP-PES Program Coordinator, Eberly College

Assistant Vice President, Office of International Education and Global Engagement

Assistant Director, Office of Financial Operations

Five faculty members from the Eberly College (selected from those who have participated in the IUP-PES partnership at/near the inception of the partnership and continue to participate at the time of this study)

*Pennsylvania State System of Higher Education (State System)*

Associate Vice Chancellor for Administration and Finance

*Peoples Education Society (PES), Bangalore, India*

Chief Executive Officer (CEO)

Dean of Student Affairs

All individuals invited agreed to participate and provided detailed information in response to each of the research questions.

### 3.3 DATA COLLECTION

A semi-structured interview approach was used in data collection, utilizing both structured and unstructured methods. From a structured perspective, a specific set of questions were asked of key program participants regarding fiscal factors, financial modeling, and roles and

responsibilities associated with an international partnership, with emphasis on the international partnership between IUP and PES. Face-to-face interviews were conducted with participants from the IUP campus (and from the PES campus to the extent possible), while telephone interviews were conducted with participants from Bangalore, India, and the State System office. Participants were interviewed individually. Interviews took approximately one hour for each participant, with the exception of the interviews with the dean and dean's associate of the Eberly College. These two interviews ran several hours. Notes were taken during interviews. Unstructured questions were developed based on the flow of the interview. Follow-up interviews were conducted as needed. Interview questions will be open-ended.

Documents identified during the interviews (such as policies, reports standards, and financial data) were obtained and reviewed. Actual revenue and expenditures were not reported in the study, but financial data helped to gain a greater understanding of the types of revenue and expenditures and the financial model utilized. General fiscal information, including types of revenue and expenditures, were requested from PES.

Factors that influence the budget for this particular partnership were explored utilizing the categories identified in the literature review by Lasher and Greene (2001) including exploration of economic, political, national, state, regulatory, demographic, and institutional factors that influence the structure and operation of this partnership from a fiscal perspective.

In preparation for each interview, the following steps were taken:

***Step 1*** Scheduled to meet with on-campus individuals to explain my research and invite them to participate. Fully informed the participants about the research study and purpose of the interview. Provided on-campus individuals with a hardcopy invitation to participate (see **Attachments A and B**).

***Step 2*** Made phone calls to off-campus individuals to explain my research and invite them to participate. Fully informed the participants about the research study and purpose of the interview. Provided off-campus individuals with an electronic invitation (or hardcopy if possible) to participate (see **Attachment C**).

*Step 3* Confirmed the date, time, and location of the interview.

*Step 4* Provided all participants with a list of the research questions developed (**see Attachment D**).

The following steps were taken for each of the interviews:

*Step 1* Reviewed the purpose of this research study.

*Step 2* Reminded participants that names would not be used in this study, but that titles would be used. Faculty names and department affiliation were not used. Faculty responses were merged.

*Step 3* Reviewed follow-up procedures with the participants for clarification purposes.

*Step 4* Personally contacted all participants expressing appreciation for their participation in this research study.

### **3.4 DATA ANALYSIS**

Gay and Airasian (2003) recommend five key steps in the analysis of qualitative data including: data managing, reading/memoing, description the context and participants, and classifying (p. 229). These steps were followed for this research project.

All data collected during this research project was dated and organized. Themes, patterns, regularities and issues were identified. As description is an integral and important aspect of qualitative research, the research included a thorough description of participants, setting, and the phenomenon studied. Emphasis was placed on ensuring that the responses of the participants are accurately captured and reported. Responses were organized and categorized into themes that

emerged as a result of all interviews, with a goal of ensuring that the initial research questions were answered along with others that emerged from the study.

Questions were devised to gain relevant information regarding the fiscal considerations of an international partnership in higher education, with an emphasis on the existing partnership between IUP and PES. A single questionnaire was devised for all participants, recognizing that that all participants were not in a position to provide an answer for each individual subcategory. Providing a comprehensive set of questions, permitted the participant to see how their responses fit into the overall framework of the study.

To enhance the ability to categorize and compile input received from the participants five broad categories were identified for the research questions pertaining to the fiscal considerations issues including: 1) background; 2) influencing factors; 3) financial model; 4) roles, responsibilities and processes; and 5) other fiscal considerations and conclusions.

## **4.0 FINDINGS**

### **4.1 DEAN'S ASSOCIATE AND IUP-PES PROGRAM COORDINATOR**

#### **4.1.1 General description**

The dean's associate (DA) has multiple roles including serving as a tenured faculty member in the Management Department, coordinating the collection and reporting of accreditation data, promoting and negotiating international partnership initiatives, and serving as the coordinator of the IUP-PES partnership. As a faculty member, he reports to the Chairperson of the Management Department. For his other assignments, he reports directly to the dean of the Eberly College. Prior to becoming the DA, he served as Chairperson of the Management Department for 8½ years. Among the six academic departments in the college, the Management Department is the largest in terms of the number of students, faculty, and majors offered. The DA is originally from Bangalore, India, and received his undergraduate degree from BMS College of Engineering in Bangalore. His master's and doctoral studies were completed at universities within the United States.

#### **4.1.2 Involvement with international partnership initiatives**

The DA indicated that in addition to having an International Business major within the Management Department, the department also has a large number of international and globally focused faculty activities such as editorships of international refereed journals, publication of internationally focused journal articles, Fulbright recipients and visiting professors to other countries, and attendance at international conferences.

The DA has been involved as the editor or associate editor for five internationally focused scholarly journals since 1998 and has chaired or played a key role in annually organizing several international conferences. The DA was one of 12 faculty members from the United States selected to participate on a study tour of Japan co-sponsored by AACSB International and the

Keizai Koho Center. As part of this tour, he had the opportunity to study Japanese business issues, management practices, and economic conditions.

The DA was among the first few faculty members in the Eberly College to become actively involved in nurturing some of the existing relationships that IUP had in different parts of the world and visited many of the institutions in an effort to gain more knowledge about the partner schools and to explore opportunities for collaboration. Because the International Business major was in his department he had the opportunity to be in contact with a majority of international students who often selected International Business as an undergraduate major. He had the opportunity to work closely with advisors of international exchange programs across the campus as they placed students in various programs around the world as part of their program requirements. He also had a significant amount of contact with the IUP Office of International Affairs regarding administrative issues for students in existing partnerships and for exploring the expansion of future partnerships.

In 1996, the DA visited six universities in Australia to try to establish partnerships between IUP and Australian universities. He was unsuccessful with these efforts and he believes that it was because Australia had relatively few universities and is one of the most popular destinations for foreign exchange partners. He concluded that Australia was becoming saturated by partnerships with some of the premier universities from around the world, including universities from the United States.

In 2002, the DA began to explore opportunities for a partnership in India, including talking with representatives from his own undergraduate alma mater. He indicated that the 1990's was a decade when globalization of business accelerated and he always felt that globalization of education should follow the same trend. He knew that the United States was ahead in graduate education (as compared to other countries) in terms of research, theory development, and industry interaction. He believed that the United States was ahead of developing countries within Asia (such as India and China) that were coming out of a more socialist form of economy. Many of these countries were experiencing the creation and advancement of hundreds of business schools and many of the universities that wanted to distinguish themselves sought partnerships with institutions from the United States.

### **4.1.3 Involvement with the IUP-PES partnership**

The DA was one of the principal architects of the IUP-PES partnership and during this part of the interview he explained his involvement in the partnership from its inception.

While trying to establish a graduate level partnership with a premier Indian university/college, the DA contacted one of his classmates from his undergraduate engineering program who had completed graduate work in the United States and returned to India to become the Chief Executive Officer (CEO) of the Peoples Educational Society (PES), which his father opened in 1972 as a small liberal arts school. Between 1991 (the year that India liberalized trade and moved into a free market economy) and 2002, the CEO transformed the small organization leading it to become the number one engineering college in the state of Karnataka, India. Bangalore, the “silicon valley” of India is the capital of Karnataka. PES has since distinguished itself in the areas of engineering, business, and medicine.

PES already had its own Master of Business Administration (MBA) Program, but given that IUP was an accredited business school in the United States, the CEO was keen on exploring an MBA partnership and visited IUP to explore the possibility with the DA and the dean of the Eberly College. After much discussion regarding the nature of the partnership, the type of MBA program, the potential market, the infrastructure, and the financial parameters, the two parties agreed “in principle” to further pursue a partnership.

To summarize these discussions, the primary goal of the partnership would be to facilitate the delivery of an IUP MBA on-site at the PES Campus in Bangalore, India. IUP would be responsible for admissions and awarding of degrees to qualified candidates. The entire program would be taught in India. Both parties realized, however, that it would be cost prohibitive for the entire 36-credit IUP MBA Program to be taught by IUP faculty given their high salary structure. Because it is already standard practice to allow six credits to be transferred into the regular IUP MBA program, it was agreed that the proposal would be for PES to teach two 3-credit courses (six credits) and for IUP to teach the remaining 30 credits (or 10 courses). The IUP faculty would be tenured faculty who met the criteria for teaching at the graduate level and PES would work with IUP to ensure that any faculty that PES hired to teach their two courses met the same qualifications as those at IUP. The DA added that while the program was initially planned to end at the completion of 36-credits in India, the program was revised to give students the option of

graduating with 36-credits or traveling to the United States for one year to complete an MBA concentration during the fall term and an internship or added coursework for the spring term.

The partners agreed that it would be beneficial to enter into a contract for delivery of the program. IUP would seek approval to utilize State System Board Policy 1983-18-A that permits State System universities to waive any fees (including tuition) for students whose direct instructional costs (faculty salaries and benefits) are funded by a grant or contract (PASSHE Website, Board of Governors Policies, 2011). Students enrolled in the program would not be billed individually and would not pay IUP directly. Rather, IUP and PES would contract for delivery of an IUP MBA program and PES would be responsible for collection and advance payment to IUP of the contracted amount. IUP would determine the contract amount based on projected expenditures for program delivery ensuring that the contract was at least enough to cover the direct costs of instruction as mandated by Board Policy. PES would determine the amount to charge students based on the contract amount that it had to pay IUP plus enough to cover expenditures that it would incur for its portion of course delivery and program support.

PES already had the infrastructure in place for teaching facilities, and because of its hotel management program was able to provide lodging and boarding on-site for IUP faculty traveling to teach in the program. PES would be responsible for program promotion and recruitment expenses, but would work closely with IUP to ensure that promotions were consistent with the IUP catalog. IUP would assume costs associated with faculty travel to and from Bangalore, and PES would provide transportation to faculty while they were on-site. Both parties would have a point of contact who would work together on program implementation, coordination, and assessment.

The contract amount would cover costs associated with the program from the time that the program began in India through the time that students completed an MBA concentration at IUP in the United States. Students would be responsible for flight costs to and from the United States and for room and board while at IUP. Once completing their MBA concentration, after the first semester in the U.S., students opting to stay on for another term (within their one year visa period) would be responsible for all tuition and fee costs (discounted to the in-state resident rate).

Both parties wanted to ensure that, in addition to a partnership for delivery of an MBA program, the agreement would facilitate student and faculty exchanges between the two institutions.

The DA indicated that the program's implementation would be contingent on support from the Eberly College chairpersons and faculty, and approvals from IUP's administration and curriculum committees, the IUP faculty Senate, and State System legal counsel. The DA and dean met with the graduate faculty within Eberly to explain the program concept and to determine their interest level in teaching in such a program. An informal survey of interest was also conducted and more than one-half of the faculty in Eberly expressed interest in teaching in the program.

The DA also met with representatives of the faculty union to ascertain if there were any concerns with pursuing this initiative. The union members did not foresee any concerns as long as the program had appropriate curriculum approvals and as long as faculty were paid in compliance with the contract.

With tentative support from the provost, the DA wrote a program proposal for review by the college curriculum committees, Eberly and IUP administration, and the University-Wide Graduate Curriculum Committee (UWGCC). Fortunately, the DA was a member of the UWGCC at the time that the IUP-PES partnership proposal was being reviewed. This was very helpful to the DA, because he had a good working knowledge of the curriculum guidelines, processes, and expectations. The UWGCC had recently revised guidelines to include a chapter on variability of delivery of an existing program (such as an MBA Program) and the DA understood the associated requirements. The UWGCC approved delivery of the IUP MBA in India (the DA recused himself from this vote).

The UWGCC submitted the IUP-PES partnership proposal to the University Senate for review and approval in 2003. While members of the Senate expressed concerns about travel and safety for faculty members (the proposal came forward at the same time as the Severe Acute Respiratory Syndrome break out in 2003), the proposal received overwhelming support.

Following the curriculum process, the university provost approved moving forward with contract negotiations with PES. A contract between the two institutions was drafted and signed by representatives from both institutions, following review and revisions by State System legal counsel.

Unfortunately, given the timing associated with the approval processes, it was too late to recruit for the 2003/2004 academic year and efforts had to be put on hold. Even with recruitment efforts of both the DA and by PES for the 2004-2005 academic year the program still could not

generate more than one dozen students and the decision was made to hold off again and not start the program that year. The dozen admitted students were asked to wait until the next year and a majority of them were willing to wait until enrollments increased. The DA believes that the main reason for not being able to generate as strong as a cohort as initially hoped was the skepticism among Indian students and their families regarding the ability of IUP and PES to deliver on what was promised. Many found it hard to believe that faculty from the United States would actually come to India to teach classes and that they would ultimately obtain an AACSB accredited MBA degree. According to the DA, there were a few universities that failed to deliver on these promises earlier in India. These programs ended up turning into twinning programs which involves local faculty delivering a program for its international partner.

With extensive radio and newspaper promotion, the program was able to generate a cohort of 20 students for 2005-2006. Revenues from 20 students would still not be sufficient to cover all costs, but both partners felt that it was critical to get the program up and running. They believed that an existing, visible program would be the best promotional tool for future recruitment efforts. The DA and the dean reviewed the contracted cost with the provost for the upcoming year and lowered the cost by waiving all non-mandatory fees for enrolled students and PES absorbed promotional costs above and beyond the original budgeted amounts. By the end of this first cohort of students, IUP was able to break-even and PES ended with a deficit balance due to promotional costs.

In 2005, the DA spent his sabbatical in India. During this period, he was able to further educate the PES administration about the academic details of the IUP MBA program and about the instructional and living support needs for IUP faculty. Fortunately, he was there when the first few groups of faculty came from IUP to teach the first cohort on the PES Campus, which assisted in the implementation of the program and with the transition for the faculty. The DA was also able to join the dean of students from PES to provide dozens of promotional seminars in Bangalore and in a few other major cities in the region. The DA was able to reach several hundred potential students and was able to tell prospects that there were actually IUP faculty teaching on-site in Bangalore at the PES location. These recruitment efforts were successful and the second cohort enrollment reached 96 students.

After several years into the partnership, elections were held for the Chairperson position in the Management Department. The DA had already served three terms as chairperson and the dean

asked him to assume the new Associate position. This was a leadership role that required the DA to: 1) play a key role in preparing the college for its upcoming accreditation visit; 2) focus on the IUP-PES partnership; 3) play a greater role in strategic planning; and 4) nurture and further strengthen international partnerships.

As IUP-PES Program Coordinator, the DA's responsibilities have grown and he is now involved in all aspects of program administration including: 1) assisting PES with program promotion and student recruitment, 2) assisting with faculty recruitment at PES, 3) educating staff at PES, 4) educating faculty and staff at IUP, 5) working with Eberly/IUP administration and PES administration, 6) working with the IUP Graduate School and Research on admissions, probation and dismissal issues. He is also responsible for working through curricular issues, and working with the Office of International Education, the Registrar's Office, Scheduling, and the Bursar's Office.

#### **4.1.4 External factors**

When asked about factors that influence the creation, structure and operation of the IUP-PES partnership from a fiscal perspective, the DA discussed external factors such as the State System Board Policies, Indian parliament, balance of transfers, market assessment, tax implications, exchange rates, student visa requirements, the faculty contract, and accreditation requirements.

**4.1.4.1 State System Board Policy** The DA indicated that the existence of a policy that permitted State System universities to contract for the delivery of a program under a grant or a contract, as long as direct instructional costs were covered, provided the critical element for the partnership to be able to proceed. Under standard conditions, each student coming to IUP individually to participate in the MBA program would pay 150% of the in-state graduate tuition rate and would be charged by the credit. Under a contract model, however, IUP was able to require PES to collect tuition and fees in advance and pay IUP in lump sum payments. Not only did this significantly reduce the burden of tuition and fee collection for IUP, but more importantly, it provided for upfront payment to IUP before any costs were incurred (such as payment to faculty for instruction or flight purchases). The financial risk to IUP was totally eliminated through advanced payments from PES. Beyond this, through the ability to contract,

IUP was able to ensure that it established a competitive rate that was acceptable to its partner. The DA added that not only does IUP collect enough funds from PES for the contract to cover the direct cost of instruction (as mandated by the State System), but the contracted amount collected goes beyond this and also covers all required fees and direct program delivery costs incurred by IUP such as faculty travel, administrative support and travel, clerical support, and program delivery (phone, supplies, and operations).

**4.1.4.2 Parliament of India** The DA indicated that at this point there are no clear cut governmental policies for foreign universities to operate in India. Foreign universities are permitted to collaborate with Indian partners through various mechanisms. He indicated, however, that a bill has been pending in parliament which proposes to regulate entry and operation of foreign educational institutions imparting or intending to impart higher education. Highlights of the bill include the requirement of the foreign institution to be approved by the central government and maintain a minimum fund with a percentage of the fund earnings being used to further develop its institution in India and the remainder of the fund earnings to be placed back into the fund. The DA indicated that the bill outlines the financial investment required for foreign universities to operate in India and provides clear guidelines regarding repatriation of revenues. He added that that the central government could grant certain exemptions and waivers under the bill.

**4.1.4.3 Balance of transfers** The DA noted that India has guidelines about transferring money out of the country. According to the DA, PES must demonstrate that it is bringing in as much foreign exchange as it is remitting to agencies outside of India. In other words, if PES is transferring \$500,000 to IUP for contract costs, then PES must demonstrate that it is bringing in \$500,000 in foreign exchange into the country. Fortunately, PES has a strong engineering program that attracts a large number of international students and associated dollars, enabling PES to clearly demonstrate that it is bringing in as much money (if not more) to India as it is sending to the United States for the partnership program.

**4.1.4.4 Market assessment** The DA indicated that it was very important to assess the tuition that the market in India could bear. There were other U.S. universities already operating in

Bangalore such as Marshall University of West Virginia and Ohio University. The DA analyzed their offerings and their charges and looked at the cost of attending some of the reputable Indian Business Schools in Bangalore such as Christ College and Jain. He also considered the cost of the MBA program that PES was offering independently on its own campus (which is also a competitor). The DA indicated that India has over 1,000 MBA programs ranging from about \$1,000 in cost to \$12,000. The range in the quality of education also varies substantially. In the end, PES sets the price taking into account the payment that they need to make to IUP, their own costs associated with program delivery, and what the market can bear. PES has often consulted with the DA on pricing strategies.

The DA believes that the IUP MBA Program at PES is probably one of the best values for money in the region as it includes instruction by U.S. doctorally-qualified faculty, provides an AACSB accredited degree, and provides the option to spend a semester to a year in the United States.

**4.1.4.5 Exchange rates** The DA indicated that IUP must take into account the exchange rates that can vary between the time that the money is collected from students in India and the time it is remitted to IUP. Also, there is a lag between the time the financial agreement is signed and when payments are made. The historical dollar-to-rupee exchange rate has fluctuated between 40 and 52 rupees for each dollar, but has never fluctuated this much between the time that the PES publishes the price of the program to the students and the time that PES makes payment to IUP. A limited time frame between the time the price is published and paid by students in India and the time that the annual payment is made to IUP, minimizes the risk of fluctuations in exchange rates for PES.

**4.1.4.6 Student visa requirements** In order for Indian students to study in the United States they need to apply/obtain an F-1 Visa. The DA indicated that there are three main factors that the U.S. Consulate considers when granting an F-1 Visa including: 1) the quality of the U.S. institution; 2) the ability of the student to fund their stay in the United States; and 3) the long term goals of the student.

The DA noted that before the first cohort started in the program, he and the dean of the Eberly College worked with the two U.S. senatorial offices located in Pennsylvania to fully explain the

partnership and the financial implications/components. They were able to gain support from the Senators who, in turn, wrote to the U.S. Consulate General in Chennai, India, to explain the partnership and to vouch for the stature of IUP in Pennsylvania and nationally. The DA believed that this measure helped tremendously in the visa application process for Indian students. Ninety-seven percent of all students who applied for an F-1 Visa have been approved. Students who were denied were unable to provide evidence that they had adequate resources to fund their expenses in the United States and were unable to provide evidence of a strong bond to India that would convince the consulate that they would return.

**4.1.4.7 Faculty contract** As noted earlier, IUP is part of the Pennsylvania State System of Higher Education (State System). The faculty within the State System are represented by the Association of Pennsylvania State College and University Faculties (APSCUF). The agreement between APSCUF and the State System includes contract language regarding the compensation of faculty. As it pertains to the IUP-PES partnership, the faculty agreement considers the instruction in this type of program as “Continuing Education” and the courses are not part of the faculty member’s regular workload. Faculty teaching in the program are doing so on a voluntary basis.

According to this agreement, continuing education instruction (such as the IUP MBA Program in India) is to be paid via Article 27 (Agreement, p. 87). In instances in which credit bearing courses are offered through continuing education, a faculty member is to be compensated according to the university’s local Meet and Discuss agreements and compensation can be “no greater than 1/24 of the faculty member’s academic year salary for each workload hour (for three credits/workload hours of instruction, compensation is at 3/24 or 12.5 % of the annual salary of a faculty member).

Table 1 provides an example of the maximum compensation that can be earned for teaching one three-credit course under Article 27 for the IUP-PES partnership using the highest pay step (Step 13) for each of the four faculty ranks as a base. As demonstrated, the faculty agreement permits a full professor at the top of the pay scale to earn up to \$13,483.74 for teaching one 3-credit class in the IUP MBA Program in India. The DA noted that it is important to consider local agreements pertaining to Article 27 payments as outlined in section 4.1.5.4.

**Table 1. Example of Maximum Compensation Limits under Article 27**

Faculty Rank and Step	Base Salary	Article 27 Maximum per Workload Hour 1/24 <sup>th</sup> Base	Article 27 Maximum per Three Workload Hours (One three-credit class)
Instructor Step 13	\$66,222.38	\$2,759.26	\$8,277.79
Assistant Professor Step 13	\$76,660.85	\$3,194.20	\$9,582.60
Associate Professor Step 13	\$88,744.68	\$3,697.69	\$11,093.08
Full Professor Step 13	\$107,869.99	\$4,494.58	\$13,483.74

The DA believes that the 12.5% of base compensation is very lucrative. Faculty, he indicated, who teach on an overload basis on-campus (due to an extra course, emergency assignment, or sick leave replacement) are paid at a rate of 10% of his/her 2010 base year salary (adjusted for any rank and step changes), and a faculty member teaching a summer course is paid at 7.5% of his/her 2005 base year salary (adjusted for any rank and step changes).

In addition to salary requirements, the collective bargaining agreement details guidelines associated with compensation for travel associated with continuing education offerings.

**4.1.4.8 Accreditation requirements** The DA indicated that there are two accrediting bodies that had external influence on the partnership program: the Middle States Commission on Higher Education (Middle States) and the Association to Advance Collegiate Schools of Business International (AACSB International). IUP is accredited by Middle States and the Eberly College is accredited by AACSB International. In 2003, IUP requested a Middle States review for a substantive change to its mission for the addition of an MBA program to be offered in partnership with the PES on their site in Bangalore, India. In 2006, an on-site evaluation was conducted by a Middle States evaluator in Bangalore, India to ensure compliance with Middle States standards. The DA traveled to India to be part of the evaluation process. The evaluator met with the DA, the PES CEO, students enrolled in the program, and IUP faculty that were teaching on-site in India at the time. The evaluator reviewed program delivery, admissions criteria, degree requirements, infrastructure, pedagogy, and financial aspects of the program. From a fiscal perspective, the evaluator worked to ensure that resources were sufficient to meet the mission of

the program, college, and university. The visiting evaluator indicated that the program seemed to be “firmly grounded within the scope of IUP’s accreditation” and recommended the inclusion of the additional location in Bangalore, India, be within the scope of IUP’s accreditation.

As it pertains to AACSB, the DA indicated that while all of the standards have some level of fiscal implication, there are two key standards as it pertains to the partnership program. First, AACSB requires its members to justify that resources are sufficient to meet the mission of the college and the mission of the IUP-PES partnership. Second, IUP must be able to demonstrate that all programs are being taught by qualified faculty, including those at off-site locations. The DA noted that AACSB requires its members to maintain a 75% ratio of academically qualified (AQ) faculty at the graduate level. A large percentage of Eberly’s AQ faculty are full professors at the top of the pay scale. Due to this, the Article 27 payments for the IUP-PES partnership are very high. While IUP could consider hiring academically qualified faculty outside of IUP at a much lower cost, faculty at IUP would not easily approve hiring them. This might only be possible if IUP faculty interest in teaching in the program declines to the point that outside hiring is needed. In this case, faculty might approve temporary hires for limited term assignments.

The DA added that the Eberly College underwent its Maintenance of Accreditation review by AACSB International in 2011 and included the IUP MBA Program in India in its accreditation report and in its discussions with the visiting team members. The college received reaccreditation and was complemented by the visiting team for its internationalization efforts including commending the Eberly College for its impressive partnership with PES in Bangalore, India.

Table 2 provides a summary of the external factors that influence the creation, structure, and operation of an international partnership in higher education from a fiscal perspective as identified by the DA.

#### **4.1.5 Internal factors**

When asked about internal factors that influence the creation, structure and operation of the IUP-PES international partnership from a fiscal perspective, the DA focused on the curriculum process, institutional leadership and support, team teaching, payment calculations, enrollments, and college-level expectations as follows:

**Table 2. Dean’s Associate – IUP – External Factors**

External Factors	Detail
Governing Board Policies (Pennsylvania State System of Higher Education)	Need for compliance with policies issued by governing bodies pertaining to international partnerships and agreements, international student tuition and fees, ability to contract, and procedures for requesting alternative pricing.
Indian Parliament – Foreign Educational Institutions (Regulation of Entry and Operations)	Need for compliance with foreign regulations associated with higher education partnerships. There are no clear cut governmental policies for foreign universities to operate in India at this time. A bill is pending in parliament that seeks to regulate the entry and operation of foreign educational institutions seeking to impart higher education. Bill outlines requirements associated with maintaining a minimal level corpus fund. Exemptions may be applied.
Balance of Transfers	Need for compliance with guidelines associated with transferring money out of the country and demonstrating that an equal or greater amount is being transferred into the country.
Market Assessment	Need for assessment that determines the tuition that the market can bear and the level of need associated with a new program.
Exchange Rates	Need to understand fluctuations in exchange rates. Ensure that a buffer is built into an agreement to reduce the impact of fluctuations in exchange rate. Work to minimize or totally eliminate risk for both partners. Payment required in U.S. dollars reduces risk for U.S. institution. Expedited payment between time of collection and time of transfer of funds reduces risk for foreign partner.
Student Visa Requirements	Need to understand student visa requirements associated with demonstrating a student’s ability to fund his/her educational costs.
Faculty Contract	Ensure compliance with faculty contract as it pertains to compensation for teaching at an off-site location.
Accreditation Requirements	Need for compliance with accrediting body standards as it pertains to ensuring sufficient resources allocated to achieve statement mission, consistency with mission, delivery of coursework with qualified faculty, and costs associated with accreditation visit.

**4.1.5.1 Curriculum** The DA noted that, originally, the IUP-PES partnership called for two of the twelve 3-credit courses to be taught by our partner (PES) with these six credits being transferred and accepted as part of the IUP MBA Program. This practice, he indicated, is consistent with what IUP would typically accept from other accredited institutions of higher learning. Over the course of the program, however, program needs have changed. Faculty interest levels have changed (heightened interest in participating), faculty availability has changed (due to faculty retirements and/or sick leaves), and the IUP-PES budget has gotten tighter on occasions (particularly when the cohort size was limited to one section versus two - as

explained in Section 4.1.8.4). In response, IUP had to have flexibility to adjust (on an annual basis) the number of courses that it would teach and it would permit PES to transfer.

Any change in program curriculum delivery, however, requires approval of the college-level graduate curriculum committee, the UWGCC, and the University Senate. The DA explained that most institutions have a minimum 30-credit requirement for master's degrees and allow a maximum of six credits to be transferred toward that degree from other institutions. This would mean that the faculty of the institution offering the degree would teach a minimum of 24 credits. The IUP MBA Program, however, requires a total of 36 credits, which is six beyond the minimum. The DA proposed that IUP should be allowed to transfer 12 credits from PES because IUP would still be teaching the same number of credits (24 credits out of a total of 30) that would apply to a normal master's program. The UWUGC approved the proposal.

IUP worked with PES to identify those courses for which PES could hire faculty that met IUP standards. For example, the Business Law course could be taught by Indian faculty and would likely have better applicability for the students with an emphasis on Indian law. The Management Information Systems course could be taught by Indian faculty due to the availability of Indian faculty with a high level of technical expertise in this area. The courses actually taught by PES have varied annually.

The DA indicated that the more courses that PES faculty teach, the lower the instructional costs for IUP to deliver the program and the lower the payment from PES to IUP. The DA indicated that the cost savings associated with one course was nearly \$17,000 in compensation and travel costs. However, IUP and PES both recognized that the quality and reputation of the program could be placed in jeopardy as fewer IUP faculty traveled to teach in the program. The partners were able to strike a healthy balance by having PES teach some pertinent courses in the MBA program while IUP faculty still taught all of the major area functional courses, the strategic management courses, and the specialization courses. Since obtaining university approval to accept up to four courses from PES, the number of courses taught by PES has fluctuated between two and four and has been based on faculty interest, faculty availability, and budgetary considerations.

**4.1.5.2 Institutional leadership and support** The DA noted that several leadership positions were in transition at the early stages of the partnership, including IUP's presidential position. The

establishment of the partnership was primarily the responsibility of the provost and vice president for Academic Affairs and the Eberly College administration. The provost was extensively involved in the planning and implementation of the partnership. There was no start-up funding allocated to the program by either the University or by the Division of Academic Affairs. Travel expenses associated with program discussions/cultivation were incurred by the Eberly College. The provost agreed to support the program as long as it was in compliance with State System policies, obtained legal counsel approval, obtained proper curriculum approvals and it could be delivered without requiring added financial support from the Academic Affairs Division or from the institution.

The DA indicated that the provost reviewed and approved the program budget and approved waiver of all non-mandatory fees (such as registration, transportation, and instructional fees) during the first year to reduce the cost for our partner and to facilitate the start-up of student enrollments. Had it not been for this decision, the partnership would probably not have succeeded.

With the change in the presidency, a new provost was hired in the following year. This provost also carefully reviewed the program and the budget but required the dean to include all university fees in the contract in order to provide support to offices/programs around campus. Anything generated by the college, after all costs were covered and fees were paid, could be retained by the Eberly College. Fortunately, given the success of recruitment efforts, the revenues from enrollments could be sufficient to cover the contracted costs which would include not only the direct cost of instruction (as required by Board Policy) but would also cover all IUP costs of delivery (travel and operations), and all fees (such as transportation, registration and instructional fees).

The DA indicated that today it is a whole new ball game. There is heightened interest among institutional leaders in the IUP-PES partnership. The budget crisis in higher education has impacted both the State System and IUP. Administrators, therefore, are reviewing all programs and line items (including the IUP-PES partnership) as they look for additional revenues to support the university and offset budget shortfalls. The DA appreciated the recent stability in various leadership positions that allowed for more informed discussions, provided a historical context, and allowed for future planning of international partnership activities.

**4.1.5.3 Team teaching** The DA indicated that graduate courses are scheduled to exceed six-weeks in length. The on-site instruction is scheduled for six weeks and further instruction/assignments normally occur electronically. Traveling to India for a six-week period to teach a graduate level course would be very challenging. In addition to ensuring that they continued to deliver quality coursework on-campus and at regional locations, faculty also have campus-based commitments associated with service (such as university-level, college-level, and departmental committees), advising and research.

In order to ensure that faculty members did not have to be in India for six weeks, the Eberly College implemented a “team teaching” model for the IUP-PES partnership program in which faculty split the course instruction. Through this model, 50% of the course is taught by one faculty member and 50% is taught by another. One faculty member travels to India for a three week period to teach the first half of the face-to-face instruction and the second faculty member travels for the second three-week period. The team decides on who has responsibility associated with completing the course and final grade submission.

When one of these faculty members travels to Bangalore during the semester, the other faculty member covers his/her classes at the IUP campus and vice versa. During a given term, faculty are listed on the course schedule in both India and at IUP as team teachers. Team teaching is a model that had already been used for faculty to split regional off-campus and on-campus teaching responsibilities, and it seemed an appropriate fit for the IUP-PES partnership.

The DA indicated that team teaching clearly has its benefits, but it reduces the amount of pay that a faculty member could earn in half. An example of split-compensation under the team teaching approach is shown in Table 3.

**Table 3. Team Teaching – One Section**

Faculty Rank and Step	Annual Base Salary	Article 27 Maximum per Workload Hour	Article 27 Maximum per 3-Credit Class	Article 27 Team Teaching Payment for 1.5 Credits of Instruction
Instructor Step 13	\$66,222.38	\$2,759.26	\$8,277.79	\$4,138.89
Assistant Step 13	\$76,660.85	\$3,194.20	\$9,582.60	\$4,791.30
Associate Step 13	\$88,744.68	\$3,697.69	\$11,093.08	\$5,546.54
Full Step 13	\$107,869.99	\$4,494.58	\$13,483.74	\$6,741.87

To clarify, under the team teaching approach, faculty will earn ½ of the compensation that they could have earned if they taught the entire course themselves. A faculty member, who may have earned \$13,483.74 for teaching one full three-credit course, could now earn \$6,741.87 under the team teaching model. Clearly, this is less attractive from a financial perspective, but it is more manageable with other commitments and time being spent away from home. From a budgetary standpoint, it is important to note that faculty travel costs are doubled under the team teaching model because two faculty are traveling to teach one course.

**4.1.5.4 Local agreement and related payment calculations** The DA indicated that payment of faculty is even more complex than outlined above because Article 27 identifies the “maximum” that a faculty member can earn and directs that payment be made according to local meet and discuss agreements. The local agreement at IUP calls for actual payment to a faculty member to be based on a calculation that includes course enrollments, the tuition cost per credit hour, and the number of credits. According to the local agreement, payment is to be made at a rate of 65% of the tuition cost per credit hour (at the graduate rate) times the student enrollment in the course times the number of credits. For example, if graduate tuition is \$624 per credit and there are 40 students enrolled in a three-credit course, then the payment amount would be 65% of \$74,800 (40 times \$624 times three) or \$48,672. However, as stated in Article 27, a faculty member is limited to making 12.5% of his/her annual base salary, which is \$13,483.74 for a full professor, therefore the compensation to the faculty member in this scenario is \$13,483.74. The calculation is adjusted by 50% if the faculty members are team teaching.

The DA indicated that this requirement is one of the reasons that the establishment of an annual price is necessary as opposed to a multi-year price agreement. Program enrollments are not known until the summer before the cohort starts, the tuition rates aren’t known until the summer before the cohort starts, and the maximum payment is dependent on the annual base salary of the faculty member that is assigned.

The DA indicated that it is a goal during the recruitment process to generate as many student enrollments as possible to, at a minimum, ensure that a faculty member receives that maximum allowable 12.5% compensation.

**4.1.5.5 College-level expectations** The DA indicated that it was clear from the beginning of the partnership exploration that the Eberly College was on its own and would not receive any funding from the division or the university to operate the program. The first goal would be to ensure that the program was self-supporting. The college had limited and declining operating funds and personnel budgets, so it needed to ensure that the program did not require resources to be diverted from its existing on-campus and off-campus operations to support it. The DA and college administration had to be knowledgeable about the collective bargaining agreement regarding compensation and travel reimbursements and had to ensure that there was a sufficient contingency built into the budget to allow for fluctuations in benefit rates and travel costs. Ideally, the program would generate surplus funding that could be used to supplement college operations and support the exploration of other international initiatives. In addition, added enrollments from PES students coming to the United States to complete an MBA concentration would also serve to make graduate-level courses on campus more viable.

**4.1.5.6 Departmental considerations** The DA indicated that a key factor from a fiscal perspective at the departmental level is the unofficial rotation of additional compensation opportunities among faculty members within a department. This has significant fiscal implications and is detailed in Section 4.6.3.3. Each department has set its own internal practices regarding how they would like compensation opportunities to be distributed among its faculty. To the extent possible, the dean follows the recommendation of the department, but has ultimate authority over all teaching assignments. Both he and the DA work to ensure that faculty members assigned to teach in the IUP MBA program in India meet requirements for teaching at the graduate level as outlined by the IUP Graduate School and Research and meet qualifications for teaching at the graduate level established by the Eberly College based on accreditation considerations.

The DA added that scheduling of faculty to teach in the IUP MBA program in India is complex and that he and the chairpersons must work together to ensure that instructional requirements at the IUP campus and at other off-campus locations are also met. This issue is addressed in more detail in Section 4.6.3.3.

Table 4 provides a summary of the internal factors that influence the creation, structure, and operation of an international partnership in higher education from a fiscal perspective as identified by the DA.

**Table 4. Dean’s Associate – IUP – Internal Factors**

Internal Factors	Detail
Curriculum	Need to consider the number of courses that are to be taught by each partner and the related fiscal impact. Ensure appropriate faculty curriculum approvals.
Institutional Leadership and Support	Need to obtain support from leadership team and ensure compliance with university expectations regarding financial model and program delivery.
Team Teaching	Need to distribute workload between two instructors which reduces the payment for instruction in the program by one-half.
Local agreements and payment calculations	Need for compliance with local agreements that determine amount of compensation for faculty based on course enrollments, faculty base salary level, tuition rates, and maximum compensation limits.
College-Level Expectations	Need to ensure minimal or no impact on college-level operational budgets. Ensure clear understanding of costs associated with compensation, travel, and operations.
Departmental Considerations	Need to consider unofficial rotation related to distribution of supplemental compensation opportunities above base pay.

#### **4.1.6 Financial goals**

The DA indicated that the initial financial goals of the Eberly College related to the IUP-PES partnership were to ensure, at a minimum, that the program was self-supporting and did not require added resources from the college or the university. This was an entrepreneurial initiative that required significant commitment, energy and time. Both he and the dean hoped that it would eventually generate added funds for college operations to offset budget cuts and to further support special initiatives, including those related to internationalization efforts. There was no specific financial target set regarding a required net revenue margin.

#### **4.1.7 Contract language**

As noted earlier, the contract between IUP and PES calls for IUP to deliver an AACSB International accredited MBA program on-site at PES in Bangalore, India. IUP is responsible for compensating its faculty and for paying for travel expenses to and from Bangalore. PES is responsible for providing appropriate teaching facilities, computing facilities, connections to library holdings, board, and lodging. PES is also responsible for onsite promotion and recruitment. The contract calls for PES to pay a contract amount to IUP in lieu of all tuition and fees for program delivery. Payments are made to IUP in three installments with the first and second being of equal amounts and the third being the balance owed. Funds are payable to an FDIC-insured American bank account by IUP. The program delivery contract extends over multiple years but the payment amount is set annually in order to provide an opportunity to update figures based on the most current enrollments, tuition rates, salary levels, benefit rates, and transportation costs.

#### **4.1.8 Components of the financial model**

The DA addressed the following important components of the financial model associated with the IUP-PES partnership including: 1) initial investment; 2) revenue and related challenges/strategies; 3) expenditures and related challenges/strategies; 4) contingency funds; 5) financial modeling; and 6) break-even analysis.

**4.1.8.1 Initial investment** The DA indicated that the initial financial investment by the Eberly College was minimal and limited to travel by the DA and the dean to visit PES. This was funded from the Eberly College annual operating budget. No funding was spent by IUP on infrastructure or on marketing and promotion.

PES incurred upfront costs by upgrading teaching facilities with air conditioning and by upgrading teaching equipment. They also renovated apartments for faculty and student visitors from IUP and for visitors from other regions. PES assumed all marketing and promotion costs for the program. PES also contracted for a vehicle service for faculty transportation while teaching in India. As it pertains to staff, PES had a Manager of Admissions on-site who was upgraded to the dean of student affairs and assigned the responsibilities for operation of the IUP-

PES partnership and coordination with the IUP DA. PES also hired a faculty coordinator who handled the academic aspects of the program. A manager was hired for the housing facility and an admissions staff member was partially assigned to provide program support.

**4.1.8.2 Revenue and related challenges/strategies** The DA indicated that the only source of revenue for the program is the contracted income from PES to IUP. The rate paid by students to PES is determined by PES and takes into account the amount that PES has to pay IUP according to the contract. PES recognizes that the rate that they charge must be competitive. Although the IUP-PES partnership offers a U.S. based MBA degree which clearly differentiates it, the Indian market is fairly cost conscious. PES collects all tuition and fees directly from the student and pays a portion of these proceeds to IUP in accordance with the contract and financial agreement. Both partners are aware of the changes in exchange rates although IUP assumes no risk since the contract calls for a fixed payment by PES in U.S. currency. IUP's strategy from the beginning was to not put IUP at any risk with fluctuations in the exchange rate. The CEO from PES was willing to take the risk and sets its price accordingly. IUP doesn't control what PES collects and PES publishes their tuition in rupees and not in dollars.

It is important to note that students participating in the program are offered the opportunity to enroll in the second semester during their stay at IUP. While the MBA concentration is completed in the first term (fall term) students can enroll during the second term (spring term) for internships or additional coursework. Students who stay for a second term and meet the nine month requirement by the U.S. Citizen and Immigration Services become eligible for Optional Practical Training (OPT) and can work in the United States for up to one year. Per the contract, students opting to stay on for this additional term can enroll and receive a discount to the in-state tuition rate. A large majority of students exercise this option and all tuition and fee revenues generated by the program go directly to the institution and are not allocated to the Eberly College.

**4.1.8.3 Expenditures and related challenges/strategies** The DA indicated that faculty compensation is one of the most challenging aspects of the IUP-PES partnership program from an expenditure standpoint since compensation costs are a function of the rank and step of the

faculty member who is teaching, actual enrollments, per credit rate of tuition, and current benefit rates.

The DA noted that faculty salaries account for approximately 70% of annual program expenditures. IUP faculty members teaching in the IUP-PES partnership program are paid via Article 27 that allows for a maximum of 12.5% of annual base salary. Benefits, which vary with compensation levels, such as social security, are also covered by the contract revenues from PES. The DA noted that the IUP-PES contract extends over multiple years to facilitate planning and recruitment. The contract payment amount is set annually to allow for changes in faculty compensation, benefits and fees.

Another challenge associated with budgeting for the IUP-PES partnership is that the DA is not always certain as to who will be teaching a course in any given period or year of the contract. In that faculty are compensated up to 12.5% of their base salary, compensation will vary depending on the actual base salary of the faculty member assigned. Given that a large majority of professors are full professors, the budget is built using the highest rank and pay step to apply the 12.5% multiplier. This provides a contingency within the budget that is essential, but often results in some saved dollars as a few associate professors will invariably teach in the program.

Faculty travel is the second highest expense associated with the program and includes travel to and from the airport, visa applications, repatriation coverage, incidental meals during travel, airport expenses, and extra luggage, as applicable. A few key challenges include: 1) fluctuations in airfare given the time of the year or prevailing airfare rate changes (has ranged from \$1500 to \$2600); 2) creation of new fees by the airlines; and 3) faculty wanting to stop at other locations along the way or on their return. As with faculty salary changes, it is important that IUP build in a contingency that allows for fluctuations and unforeseen increases in travel expenditures. In instances where faculty request to fly to alternative sites before and after their trip to India, the standard fare from Pittsburgh to Bangalore is calculated and faculty are required to pay the differential.

Other IUP expenses include payment of the DA during the academic year (alternative work assignments) and summer term, clerical support, student support, and operational expenses. University fees are to be covered by contract revenues and are allocated to the appropriate university departments. Contract revenues must be sufficient to cover all university fees as these are not paid directly by students.

**4.1.8.4 Enrollments and the number of sections** The DA indicated that another important factor in determining the level of faculty compensation is the total enrollments in each new cohort and the number of sections to run. Each year, a new group of students is recruited for the program. At some point, it is necessary for the partners to work together to make the decision to either stop enrollments (for pedagogical reasons) or to work to enroll a sufficient number of added students to run another section. If the decision is made to keep recruiting and enrolling students, then it is essential that there are enough enrollments to make both sections financial viable. When two sections are run, then a single faculty member teaches the same class twice during the first three weeks and the second faculty member teaches the remainder of both classes for the second three weeks. This serves to double the income potential for a single faculty member and offsets the reduction of compensation earned when classes are team taught.

Table 5 provides an example of faculty earnings potential (lost from team teaching but regained if a second section is run) in the instances where there are a sufficient number of students to run two sections instead of one. The DA indicated that of the seven cohorts that have been through the program, five of them have had sufficient numbers to split into two sections.

**Table 5. Team Teaching – Two Sections**

Faculty Rank and Step	Annual Base Salary	Article 27 Maximum per Workload Hour	Article 27 Team Teaching Payment for 1.5 Credits of Instruction		Article 27 Maximum per 3-Credit Class (1.5 + 1.5)
			Section #1	Section #2	
Instructor Step 13	\$66,222.38	\$2,759.26	\$4,138.89	\$4,138.89	\$8,277.79
Assistant Step 13	\$76,660.85	\$3,194.20	\$4,791.30	\$4,791.30	\$9,582.60
Associate Step 13	\$88,744.68	\$3,697.69	\$5,546.54	\$5,546.54	\$11,093.08
Full Step 13	\$107,869.99	\$4,494.58	\$6,741.87	\$6,741.87	\$13,483.74

**4.1.8.5 Contingency funds** The DA indicated that the financial addendum is prepared annually so most expenditure can be as close to budget as possible. The DA indicated that a contingency line is essential in the budget in order to cover unforeseen expenses. For example, the first budget plan prepared for the program did not include expenses associated with the accreditation visit by a Middle States evaluator such as airfare for international travel, lodging, and meals. With each added year of experience with the program there seem to be fewer surprises, but the DA feels that a reasonable contingency should always be built into the budget at between five and ten percent of projected expenditures.

**4.1.8.6 Financial modeling** The DA indicated that each year he works with the assistant dean of the Eberly College to develop a detailed budget projection for the delivery and operation of the MBA, from the time that a student starts in the program in India until the time of completion of a concentration. Different scenarios are developed with varying enrollment levels.

The contract with PES is structured in a manner which assures that all program costs will be paid for from program revenues. If enrollments are inadequate to cover projected costs then scheduled delivery will be cancelled or postponed until sufficient numbers can be recruited. If cancellation does occur then any monies collected by PES from student applicants will be returned to them.

The program involves delivery of all coursework for the general MBA over a 12-month cycle. Recruitment begins for the next academic year shortly after classes begin for the last group of recruits. The decision about whether to begin classes for a new group of students is made during the summer prior to commencement of classes in the fall. If student demand is robust then a decision has to be made about whether or not to run one or two sections. That decision is based on the projected cost of instructional delivery and associated fees and expenses. The projected cost to IUP would include onsite delivery of 8 to 10 courses delivered by full professors at step 13 of the salary schedule plus estimated travel and associate fees and expenses. An additional margin would be added to assure that all expenses are covered. Once a decision has been made to run a cohort, the cost is relatively fixed, although not perfectly certain. In any event, for decision purposes, the projected cost would be considered fixed for IUP. PES would go through the same process of projecting their expenses related to delivery of two to four classes plus marketing, program administration and expenses related to support for IUP faculty when they are onsite.

Once the decision has been made to run the cohort then these expenses are relatively, although not perfectly, certain. PES presumably bills in some additional margin for safety and a profit.

Once the IUP and PES budgets have been added together and a market-sensitive price (tuition) per student established, then it's a simple matter to calculate the number of students required to break even. If the amount of pre-paid enrollment falls short of the break-even number, then the two parties have to decide whether or not either or both of them can accept a somewhat lesser amount of revenue. If the program is run with fewer students than the required break-even, based on the calculation process outlined above, then it would reduce the profit and/or safety margin for either or both of the partners. Actually, the first year of program delivery, PES accepted a loss in order to get the program off the ground. As noted earlier, subsequent enrollments have been sufficient to cover all the expenses of both partners as well as providing surplus funds to both partners.

There is a factor that would allow the partners to reduce the total cost of delivery. That would involve increasing the number of PES-instructed classes to the maximum of four and reducing the number of IUP-instructed classes to the minimum of eight. This combination is the least costly. It would require somewhat more funds being allocated to PES and somewhat less to IUP but would clearly reduce the total cost of delivery. The ratio is sometimes affected by the availability of qualified faculty but becomes a more critical issue if enrollments are not robust.

The DA indicated that a somewhat more challenging decision occurs when the two parties have to decide whether or not to run a second cohort. As an example, the enrollment of 40 students would normally generate sufficient revenue to cover the costs of instructing one cohort. For pedagogical reasons, it's not desirable to increase the number significantly beyond this figure. If admission to the program remains open and a total of 80 pre-paid students are admitted, then it's an easy decision to run a second cohort. In fact, running two cohorts at once is somewhat more efficient because of lower transportation expenses. Enrollment in a single cohort at somewhat fewer than 40 is acceptable, although the margins for safety and/or profits would simply be less. Running a single cohort with between 40 and 50 students is acceptable, although not necessarily desirable. The real challenge comes when the pre-paid admitted numbers are between 50 and 70. Slightly over 50 is not really enough for two cohorts. Less than 70 is not really enough for two cohorts. Should a joint decision be made to run classes with enrollments at 60? Not really. The point to be made here is that these decisions ultimately have to be made by

both parties, since it may require modification of the price and/or instructional share and/or safety and profit margins.

Table 6 provides an example of financial model that identifies projected revenue and expenditures for single cohort of students and identifies how the expenses are covered. Line items identified as “Contract” are totaled to arrive at the price due from PES and payable to IUP.

Line items identified as “PES Direct” are the responsibility of our partner and are paid directly by them. Line items identified as “Student” are the responsibility of the student and are not covered by either the contract or by PES directly. The line items identified as “Waived” are based on State System Board Policy that permits institutions to waive any and all fees (including tuition) as long as it is demonstrated that the amount generated from the grant or contract covers the direct cost of instruction. In other words, contract revenues must be sufficient to cover the costs of all IUP faculty salaries and benefits associated with instructing the students. The IUP-PES partnership, however, goes substantially beyond this. Contract revenues not only cover the direct cost of instruction, but cover all applicable university fees, faculty travel, administrative support provided by IUP (primarily the dean’s associate/program coordinator), clerical support, operating costs, and equipment costs. As noted earlier, several of the non-mandatory fees (such as instructional fee, registration fee, transportation fee) were waived during the first year of the program to lower contract costs during start-up. All fees have been included in the contract cost from the second year forward.

As noted in Section 4.1.5.1, the number of courses that are taught by IUP instructors will vary. As fewer courses are taught by IUP faculty, more are taught directly by PES, and the contract cost is reduced accordingly.

#### **4.1.9 Indirect costs**

The DA indicated that there has been a great deal of time and energy spent by himself, the Eberly College dean, and the Eberly College assistant dean for administration in program planning, program execution, visiting India multiple times, hosting faculty, supporting the relationship, contract administration, and hosting students. Work is done on an ongoing basis to ensure the proper processing and posting of expenditures associated with the program. The DA

**Table 6. Overview of Financial Model**

Description	PES Faculty teaching in India	IUP Faculty Teaching in India	Students traveling to IUP to complete concentration in Fall Semester	Students staying for internship or additional coursework in Spring Semester
Projected Enrollments	Scenario A	Scenario A	Scenario A	Scenario A
Contract Revenues – from PES to IUP	Contract	Contract	Contract	Contract
PES Revenues – Retained by PES	PES Direct	PES Direct	PES Direct	PES Direct
Tuition to IUP by PES Students				Student In-State Rate
<b>Total Revenues</b>				
Application Fee – One time	Contract			
Technology Fee		Contract	Contract	Student
Instructional Fee	NA	NA	Contract	Student
SEVIS/Immigration Fee	NA	NA	Contract	Student
Health Fee	NA	NA	Contract	Student
Transportation Fee	NA	NA	Contract	Student
Registration Fee	NA	NA	Contract	Student
Activity Fee	NA	NA	Contract	Student
Repatriation Fee	NA	NA	Contract	Student
Room and Board			Student	Student
Student Travel			Student	Student
<b>Total Fees</b>				
Foundation/Transfer Courses – PES Faculty	PES Direct			
Operational and Equipment Costs at PES	PES Direct	PES Direct	PES Direct	PES Direct
PES Staffing Costs at PES	PES Direct	PES Direct	PES Direct	PES Direct
Promotions and Advertising	PES Direct	PES Direct	PES Direct	PES Direct
IUP Faculty Room, Board, Transportation in India	NA	PES Direct	NA	NA
IUP Faculty Salary/Benefits (between eight and ten courses)	NA	Contract	NA	NA
Travel for Faculty to India	NA	Contract	NA	NA
Concentration Courses – IUP Salary/Benefits	NA	NA	Contract	NA
DA – Program Coordinator Salary/Benefits	Contract	Contract	Contract	Contract
DA – Program Coordinator Travel	Contract	Contract	Contract	Contract
Clerical Costs at IUP – Salary and Benefits	Contract	Contract	Contract	Contract
Student Employment Support at IUP	Contract	Contract	Contract	Contract
Equipment Costs at IUP	Contract	Contract	Contract	Contract
Operational Costs at IUP	Contract	Contract	Contract	Contract
Contingency Funds	Contract	Contract	Contract	Contract
<b>Total Expenses</b>				

is available nearly “24/7” via email or phone to assist with student concerns and to assist the program managers at PES in all aspects of planning and administration. The standard time difference between IUP and PES is ten and a half hours. When the work day has already ended at PES, it is just beginning at IUP. The DA is involved in assisting in the development of promotional materials, scheduling classes, holding alumni meetings, establishing and maintaining corporate relations, developing website materials, addressing pedagogical needs of faculty, making travel arrangements, dealing with student performance issues and student concerns about faculty teaching, handling personal/family issues, and dealing with issues pertaining to housing, transportation, lodging, and program events.

The DA also indicated that, due to the change in leadership at both the provost and presidential levels (and in other key leadership roles), there has been a great deal of time spent educating the various leadership members about the IUP-PES partnership, its structure, and its direct and intangible benefits. Appreciation for internationalization has varied among leaders, as has their experience and interest in international program models. He has appreciated the opportunity to share information about the program and its benefits with upper administration and believes that it has served to shed light on the benefits of internationalization and on the possibilities associated with financial modeling.

Several offices provide support to the IUP-PES partnership as part of their responsibilities in supporting the students, faculty, and programs of the university including the Graduate School, Office of International Education, Registrar’s Office, Payroll, Accounts Receivable, Purchasing, and Grant Accounting. These offices provide support with admissions, registration, international document generation, training issues, student records, program purchases, travel payments, and administration of the budget. Many of these offices receive allocations of funds through the various fees that are generated through the program (such as Application fees to the Graduate School, Registration fees to the Registrar’s Office, and international fees to the Office of International Education). Some of the support offices do not receive added funding directly, but would benefit indirectly from the added general fee revenues.

#### **4.1.10 Distribution of funds**

The DA indicated all contract revenues come directly to IUP through a wire transfer to an FDIC insured American bank account identified by IUP and are posted directly to the IUP-PES cost center that falls under budget responsibility of the dean of the Eberly College. The DA works with the assistant dean and with the Bursar's Office on distribution of revenues in accordance with the budget plan. The distribution includes the allocation of all applicable fee income to the appropriate offices (such as the transfer of Registration Fees to the Registrar's Office).

In order to ensure compliance with Board Policy 1983-18-A (Waiver of Fees), the DA and the assistant dean for Administration work in collaboration with the Budget Planning Office to ensure that the "direct cost of instruction" is covered by the IUP-PES contract revenues. During the time period when students are studying in Bangalore and faculty are traveling to teach on-site, the direct cost of instruction is covered by ensuring that all faculty Article 27 contracts are charged directly to the IUP-PES cost center. In other words, if a full professor is teaching a one-half of a 3-credit course and earns \$6,741.87, then this expense is charged directly to the IUP-PES cost center.

If students opt to come to the IUP campus for an MBA concentration in the following fall term, the process of ensuring that the direct cost of instruction is more complex. Faculty are teaching both regular MBA students and students from the IUP-PES partnership at the same time. A calculation is made to determine the proportion of the instructional costs that apply to the IUP-PES partnership. For example, if there are 15 PES students in a class of 30 students, then 50% of the instructional costs (faculty salary and benefits) of that course must be charged to the IUP-PES budget. If seven students are enrolled in a class of 10 students, then 70% of the instructional costs must be charged to the IUP-PES budget. The DA and assistant dean work directly with the Budget Planning Office to determine proportionate share and to ensure that the IUP-PES cost center is charged accordingly. This is difficult to budget for as the proportionate share will vary with the size of the regular MBA program enrollments in any given course. If regular MBA enrollments decline, then the proportionate share for the IUP-PES budget increases. Historical experience and enrollment projections are used in budgeting.

Once the required fees are transferred to the appropriate offices, the direct cost of instruction payments are made, program support personnel costs are covered, and all travel and operating

expenses are paid, there is some latitude with discretionary expenditures for programming to support/nurture the program and the partnership.

#### **4.1.11 Financial incentives**

As indicated earlier, the DA believes that the level of faculty compensation associated with teaching in a continuing education program that is for credit is significant. Not only are the faculty generally paid 12.5% of their annual salary for teaching a three-credit course in the IUP-PES partnership, but all expenses are paid for including visa applications, travel, lodging, boarding, repatriation fees, and materials. The total faculty compensation for this program is significantly higher than that for similar programs in India and higher than what faculty can earn for other alternative teaching opportunities. As noted earlier, faculty teaching on an overload basis during the academic year are paid at a rate of 10% of their 2010 base year salary (adjusted for any rank and step changes), and a faculty member teaching a summer course is paid at 7.5% of his/her 2005 base year salary (adjusted for any rank and step changes).

The DA added that even with the lucrative payment for faculty that it was important for faculty to want to participate on a recurring basis. There are only so many faculty in each department who meet the university and college-level requirements for teaching at the graduate level and it is imperative that this be a positive experience for them so that the program can continue.

The DA receives added compensation during both the academic year and the summer for work related to program coordination. The intangible reward for him has been the ability to establish and maintain an extremely successful international partnership program and to utilize this experience (including financial experience) in the exploration and negotiations associated with new partnerships in other parts of the world.

About one-third of the faculty who have taught in the IUP MBA Program in India including the DA, are from India. Faculty interviewed who are originally from India have all indicated that this program has given them the opportunity to go back to their home country, not only to visit family and friends, but also to contribute to the academic development of the younger population of India. The DA indicated that many of the faculty left India before the economic liberalization that occurred in the country in 1991. Coming from an economic system which was more

socialist, faculty who are now well trained in the free market business and management systems feel very gratified to be contributing and imparting that knowledge.

For faculty who are not from India, the DA believes that the IUP-PES partnership provides exposure to one of the most distinct, oldest and diverse cultures in the world. In addition, India is a country of interest for economic and business reasons as it is one of the leading emerging economies. The program has given IUP faculty exposure to what they have read or watched in the popular press. Many of the faculty have developed research agendas and have published about India and about various aspects of business in India. Faculty have often co-authored with faculty that they have met while in India. An indirect financial reward is that faculty who have research agendas and publish can earn reduction in teaching workloads to further their scholarly work.

At a broader level, the DA indicated that the IUP-PES partnership has given visibility and stature to the Eberly College for having a highly successful and unique international MBA program. The partnership has many other positive aspects including: 1) serving as a recruitment tool for American students who see the opportunities for cross-cultural exposure; 2) being valued by our corporate partners who recognize the value of a diverse student body and of cross-cultural opportunities for our students and faculty (many companies have a requirement that they recruit from colleges and universities that have a diverse student body); 3) recruiting other students from India who are not a part of the PES program, but have heard about IUP through PES program promotions; and 4) having a positive economic impact on the Indiana community with 40 to 60 students coming each year to IUP to rent housing and to purchase products and services.

#### **4.1.12 Fiscal roles**

As it pertains to the IUP-PES partnership, the DA works closely with the dean and the assistant dean of the Eberly College on the financial modeling to review all projected expenditures, financial policies, contingency needs, and necessary revenue streams. Together, they are responsible for ensuring completion of all appropriate paperwork associated with fiscal processing of the partnership. The dean is involved on an as-needed basis, particularly at times when the contract revision is due. The DA, as opposed to the dean, typically works directly with the PES CEO on financial and contractual issues.

The DA works on an ongoing basis with the assistant dean for administration to ensure the proper and timely payment of expenses. They both work with various offices across campus including the Bursar's Office (to ensure accuracy of individual tuition, fees, and waivers), the Associate Provost Office (to ensure that faculty contracts are processed in an accurate and timely manner), the Graduate School (to ensure compliance with admissions requirements and timely payment of graduate application fees), the Purchasing Office (to process purchases for the program), the Accounts Payable Office (to ensure timely payment of invoices and travel reimbursements), the Grant Accounting Office (for accounting and record keeping), and faculty members (to address operational and fiscal concerns).

The DA noted that when IUP first entered into the IUP-PES contract, there was nothing similar in place at the university. Basic exchange and study abroad programs were in place, but large international contracts were not. Given his experience with the IUP-PES partnership, he has been able to take on the advisory role to the dean and other faculty in negotiating and budgeting for similar contracts/partnerships. Through this program he has gained invaluable administrative experience associated with fiscal policies, procedures and processes.

#### **4.1.13 Key decision makers**

The DA indicated that on the IUP campus, the university president's support is essential and that each provost that has been in place since the inception of the program has been involved in reviewing and approving the contract between IUP and PES. The provost's support has been critical and he/she has had signatory responsibilities associated with the final contract. While there was little involvement from other administrators early on, more recently many of the administrators across campus have become interested in international partnership initiatives for a variety of reasons including the overall financial viability of the program, the contracting process and the details of the financial model.

The DA indicated that a key decision maker regarding the partnership has been the dean of the Eberly College. From the onset, it has been his decision (in consultation with his chairs and faculty) as to whether or not the college should become involved in an international partnership program of this magnitude that required extensive commitment from the dean's associate, assistant dean and faculty members. The dean needed to be confident that the Eberly College was

partnering with an institution that had a strong academic reputation and had a vision that was consistent with IUP's. He needed to be certain that he would not place IUP at financial risk by engaging in a large international partnership initiative, and that the program would meet accreditation standards.

While the assistant vice president for the Office of International Education and Global Engagement initially had limited involvement in this specific partnership, the office has become more involved in advising senior administration regarding partnership viability and has worked to build and sustain partner relationships.

The DA added that a wide range of collaborative decisions related to financial, personnel, and operational matters are made routinely with the full participation of the PES CEO and/or PES program managers.

#### **4.1.14 Non-monetary rewards**

The DA indicated that the IUP-PES partnership has been very rewarding to him and believes that it has been very valuable to IUP. This is a very unique partnership. He doesn't believe that there is anything like it in India in which regular U.S.-based faculty deliver the large majority of the program on-site at the partner institution. Twinning programs are more likely, in which the Indian faculty deliver courses for a foreign institution. Most programs do not provide an opportunity for the students to come to the United States.

Because of the reputation of the program, nearly every student who wishes to come to the United States for an MBA concentration is able to do so. An academically-sound accredited business program has been delivered to over 400 students. Students who have graduated from the program are working all over the world in companies such as BMA, Canon, Caterpillar, InfoSys, Google, JP Morgan Chase, Nike, and Wipro.

The program has been particularly rewarding for the DA. He has enjoyed seeing young people from his home country have an opportunity to get a U.S. degree and to travel to the United States for an MBA concentration. He doesn't believe that many of them would have had this opportunity had it not been for the program. He feels as though he has made some contribution to both IUP and to his hometown of Bangalore. He has been instrumental in connecting IUP with one of the top institutions in India.

The DA has hosted nearly 50 American students to India as part of the partnership program. These students have had the opportunity to participate in international competitions, international symposiums, company tours, historic site tours, cross-cultural programming, and coursework. The DA noted that there have been American students who have enrolled in classes in the IUP MBA Program in India as opposed to taking them in the IUP MBA Program on the IUP campus. Over thirty faculty members from IUP have had the opportunity to go beyond making presentations in international settings and to become fully integrated into the Indian classroom and culture. The program, he believes, has contributed to the cross-cultural development and understanding of Indian students, Indian faculty, American students, American faculty, and individuals who have participated from other countries either as participating students or visiting faculty.

#### **4.1.15 Critical ingredients**

The DA indicated that it is critical that each partner view this partnership as a win-win situation. The program must be financially viable for the two institutions, the reward for the faculty must be sufficient, and there should be certain unique aspects to the program so the students will see value in the program (such as instruction by IUP faculty, AACSB accredited program, and opportunity to study in the United States). The DA indicated that support by the leadership in both organizations is critical. Leaders must not only have a vision to advance internationalization on the campus, but must also have the ability to oversee the operational aspects of the program. He acknowledges the fact that the program of this magnitude needs a “champion” such as himself who understands both the Indian and IUP systems and who is willing to work with all constituents.

The partnership, he noted, would simply not exist if there was not a strong level of trust and open communication between himself, the dean, and the PES CEO. There have been numerous challenges and hurdles associated with getting the program approved, implemented, delivered, and maintained. The strong rapport between these three individuals has been a key reason for its success.

#### **4.1.16 Key changes**

The DA indicated that there have been numerous changes over the life of the partnership and highlighted changes that have occurred in course scheduling, movement to a new campus, appointment of a dean/program coordinator at the PES campus, improved processes, the number of courses taught by IUP, and the availability of a dedicated vehicle and driver.

**4.1.16.1 Course scheduling** One of the primary changes made in the partnership involved scheduling of delivery of courses. The initial delivery schedule had too large of a gap between groups of courses being delivered. Team teaching of every subject, appropriate approvals (from Administration, APSCUF and the Senate), and faculty support and participation has permitted IUP faculty to be present on the PES Campus for 36 weeks per year. This has served to strengthen the academic experience for both the students and the faculty members.

**4.1.16.2 Movement to a new campus** Within the last year, PES has built a new teaching facility for the program and for other PES programs. There are now dedicated classrooms and office space specifically for the IUP-PES partnership and for faculty and administrators. The PES CEO relocated the program operations to a facility within a mile from “electronic city” in Bangalore in order to strengthen internship and job placement opportunities for the students. This was a growth area in the region that was within a mile of more than 100 companies.

**4.1.16.3 Appointment of a Dean/Program Coordinator at PES** Initially, the MBA Director at PES was asked to assume responsibilities associated with the IUP-PES partnership. The CEO and the DA did not believe that this person had either the time or the passion for the project. It was seen as just another duty. The CEO of PES then appointed the manager of admissions as the dean of student affairs (with the IUP-PES partnership including among his duties) who brought focus and attention to the program. The DA appreciated the fact that there was a primary point of contact to deal with students, faculty, promotions, and facilities.

**4.1.16.4 Improved processes** The DA indicated that with time and experience, there have been improvements on many fronts including, but not limited to, the faculty selection process for the

foundation/transfer courses, the application materials, the processing of I-20 documents, and in communication with the various offices around the IUP campus.

**4.1.16.5 Number of courses taught by IUP** The DA indicated that the number of courses taught by IUP faculty has varied between eight (PES teaches four) and ten (PES teaches two). As noted earlier, several factors have caused fluctuations in how many courses each of the partners taught including faculty availability, faculty interest, and budget conditions.

**4.1.16.6 Dedicated vehicle and driver** After the challenging experience of the first cohort, PES contracted for a vehicle service and hired a dedicated driver for IUP faculty. When teaching in India and needing to travel for meals or other reasons, faculty appreciated the stability in vehicle availability and known driver, the enhanced independence, and the sense of safety.

#### **4.1.17 Perceptions of colleagues**

The DA indicated that colleagues in the Management Department see the IUP-PES partnership as extremely high value particularly because of the Article 27 compensation level at generally 12.5% of the salary and the limited alternative opportunities to enhance compensation. In most departments, the DA indicated, payment for participation in the IUP-PES partnership is outside of the unofficial departmental rotation and does not impact a faculty member's ability to earn other forms of pay.

He noted that the economics professors (which are part of another college on the IUP campus) have also been extremely supportive of the program. Multiple professors from this department and from the Eberly College have gone back to India numerous times to teach in the program. The DA indicated that the very fact that there hasn't been any course with less than two or three faculty interested in going to India to teach in the program still speaks to the viability of the program.

The DA indicated that colleagues outside of IUP who hear about the success of the program want to understand the financial model of the program and are routinely contacting him to obtain details about the operation and strategies associated with the program.

#### **4.1.18 Future of the partnership**

The DA indicated that he plans to continue as long as the program remains fiscally viable and there continue to be incentives for him to lead the program. He believes that the Eberly College will continue to participate in this partnership as long as IUP has a “champion”, is able to maintain fiscal solvency of the program, does not jeopardize any aspects of AACSB International accreditation, and continues to respond to the mission of the college. He appreciates the need for the Eberly College to continue to seek added international partnership ventures, but cautions that the College should not spread faculty resources too thin. On the other hand, he realizes that it is important to have multiple programs in order to broaden the cross-cultural opportunities for our students and faculty, increase diversity on campus, and broaden the revenue base for the institution and the college.

The DA indicated that the expectations of a new president and new provost (expected to start in mid-2012 and early 2013, respectively) will play a very important role in the viability of this program. Their support of the program and financial model will be essential. The changing policies and priorities of the State System concerns the DA as it pertains to the ability to keep the program at an affordable level.

The DA has discussed the future of the program with the PES CEO who has indicated that his ability to recruit more MBA students in his own program has increased. The government quota that was once restricting PES on the numbers of MBA students that it could accept when the IUP MBA program began in India has now been increased as discussed in Section 4.3.3. In other words, PES can now accept more MBA students into its own program, so a key motivator for them to partner with us is now less of a factor. In fact, the IUP MBA program is a competitor with the PES MBA Program. PES earns more money per student joining their local program than they do through the IUP-PES partnership. Despite this, the CEO still sees value to the international option. The quality and content are clearly different. The DA believes that the partnership will be able to survive this issue because of the distinctiveness of this program, the instruction by doctorally-qualified faculty, the achievement of an AACSB accredited degree, the global recognition, and job opportunities. The DA added that there are always “geo-political” issues that could influence the continuation of the program. The Indian subcontinent is fairly

volatile at times and could lead to declining faculty interest as they consider security and safety issues.

The DA also noted that competition is always a concern. There are a number of U.S. universities in various phases of partnering with institutions in India. If they are able to create the uniqueness of this partnership and are able to replicate the distinctiveness, this will clearly have an impact on the program.

Table 7 provides an overview of the fiscal considerations of an international partnership in higher education based on the DA’s experience with the IUP-PES partnership.

**Table 7. Dean’s Associate – IUP – Fiscal Considerations**

Fiscal Considerations	Detail
Financial Goals	Need to ensure that, at a minimum, the program is self-supporting and does not require added financial resources from the college or university.
	Need to recognize that this is an entrepreneurial activity that requires substantial commitment and effort with a goal of generating added funds to support college operations and internationalization efforts.
Contract Language	Need for advanced collection and payment to IUP of revenue collected by PES.
	Need to establish annual payment amount established based on enrollments, faculty salary and benefit costs, university fee structure. Payments due in installments.
	Need to ensure that contract details responsibilities of each party.
	Need to ensure that contract details responsibilities of partner if it is determined that enrollments are insufficient to make program viable.
Initial Investment	Consider costs of cultivation and negotiation.
	Determine initial investment required and which party will be responsible.
Revenue	Partner determines cost to students taking into account its own expenses and contract payment amount.
	Price must be competitive in the market.
	Impact of fluctuations in exchange rates. Partnership established in U.S. dollars.
	Amount of contract must be sufficient to cover all university fees and all direct costs of program delivery.
Expenditures	Faculty compensation accounts for approximately 70% of expenditures.
	Annual payment amount from partner must take into account the rank and step of the specific member teaching.
	Faculty travel is the second highest cost of the partnership. Airfare rates fluctuate depending on the time of year traveled and over the course of the partnership.
	Partners must ensure that adequate staffing is in place (on both sides) to support students and faculty.
	Need to budget sufficient amount for contingencies.

**Table 7 (continued). Dean’s Associate – IUP – Fiscal Considerations**

Fiscal Considerations	Detail
Financial Modeling	Need to consider various enrollment scenarios.
	Need to identify responsibilities of partner for each cost of the program.
	Need to develop annual budget model to reduce uncertainties.
	Evaluate enrollments and determine appropriate financial point to split into multiple sections.
	Need to utilize most current salary, benefits, and fee information.
	Need to ensure compliance with Board Policy, faculty contract, and university guidelines.
	Need to recognize that financial investment in a program “champion” is essential.
Financial Incentives	Need to recognize that compensation level must provide incentive for faculty participation on recurring basis.
	Need to recognize that opportunities associated with research may result in teaching workload reductions.
	Potential of adding to the earnings of program graduates due to international experience.
	Need to recognize that international partnerships can serve as a recruitment tool for American students who value opportunities for cross-cultural exposure.
Fiscal Roles	Program coordinator and college administrators must have thorough understanding of budget.
	Need to identify support areas across that campus that are required to support fiscal processing associated with partnership such as those in accounts payable, purchasing, accounting, bursars.
Key Decision Makers	Partnership requires support of university leadership.
	Partnership requires support of college dean in consultation with chairs and faculty.
	Partnership requires ongoing decision making with partner for both strategic and operational concerns.
Critical Ingredients	Financial viability of both partners is imperative.
	Need to create and promote unique aspects of the program.
	Leadership support from both organizations.
	Program coordinator that is willing/able to work with all constituents.
	Trust and open communications.

**4.2 DEAN, EBERLY COLLEGE OF BUSINESS AND INFORMATION TECHNOLOGY**

**4.2.1 General description**

The dean of Indiana University of Pennsylvania’s Eberly College of Business and Information Technology (Eberly College) provides leadership for six academic departments including:

Accounting, Finance and Legal Studies, Management, Management Information Systems and Decision Sciences, and Technology Support and Training. In addition, he oversees the Management Services Group (MSG) which provides outreach and economic development services to the region. The dean reports directly to the provost and vice president for academic affairs, serves on the dean's council, and serves on numerous university-wide strategic planning and operational committees.

The dean, who has held this position for 24 years, led the college through its initial accreditation by the Association to Advance Collegiate Schools of Business (AACSB-International) in 2001, and recently led the college through its reaccreditation process in 2011. The dean works in collaboration with the deans from business schools of the 13 other System universities in order to share information and create a collective voice with which to address common challenges. He consults on a regular basis with a 60-member Business Advisory Council that provides guidance to the Eberly College in areas such as student preparedness, student recruitment, ethics and academic integrity, job placement, facilities and budget, and alumni relations. The dean serves as a board member for both corporate and non-profit entities. The emphasis for the non-profits is on economic development issues. The dean plays a leadership role in a wide range of activities related to international higher education including serving as a: 1) mentor for AACSB-International accreditation processes; 2) team leader or team evaluator for AACSB-International accreditation and reaccreditation reviews (including internationally based institutions); 3) board member of the International Academy of Business Disciplines and the American Society for Competitiveness; and 4) editor of several international refereed journals.

#### **4.2.2 Involvement with international partnership initiatives**

During this interview, the dean indicated that “business schools have no choice about engagement with globalization...any business school that is not pushing this envelope is making a mistake.” The dean indicated that there are very few businesses that are not connected either directly or indirectly with other entities in the far reaches of the world. He strongly believes that it is in the best interest of the Eberly College to have a global footprint for the sake of the students and the faculty. International partnership initiatives in higher education serve to create

both global connections and global opportunities for students and faculty. The dean believes that there is a role to play for all U.S. institutions of higher education in building bridges to other cultures. Many of the major issues confronting countries today are global in nature.

The dean added that a significant number of the firms represented on the dean's Business Advisory Council are either owned by foreign entities or have operations in foreign countries. A large majority of Council members are alumni of the Eberly College. Advisory Council members have indicated routinely that cross-cultural exposure will enhance the ability of IUP graduates to function successfully in their respective globalized corporate environments.

The dean indicated that the mission of the Eberly College includes the commitment to maintain a global focus and to provide opportunities for students and faculty to gain real world exposure and cross-cultural experience. The college recruits substantial numbers of international students (over 220 students from 36 different countries for Fall 2011) and faculty (25) from all over the world in order to create a highly diverse learning environment. The dean is actively involved in seeking out opportunities for the college to be recognized by the global higher education community and in identifying partnership opportunities with foreign higher education institutions.

The dean works directly with faculty members in his college who are interested in pursuing or strengthening international relationships. When possible, he visits international institutions and hosts international guests in the exploration of partnership opportunities. Both IUP and the Eberly College have a long history of successful student exchange programs that lead to enrollment of international students on the IUP campus and study abroad opportunities for American students. With the exception of a few programs, however, none of these historical agreements generated substantial traffic. No academic unit on campus was offering a degree program in another country. The dean and his staff/faculty, however, have focused on creation of more fully-engaged partnerships with a few institutions that resulted in greater numbers of participating international students, increased international opportunities for faculty, and increased cross-cultural exposure for American students and faculty.

### **4.2.3 Involvement with the IUP-PES partnership**

As detailed in the interview with the dean's associate/IUP-PES program coordinator, the partnership between IUP and the Peoples Education Society (PES) of Bangalore, India, was the outgrowth of a relationship between the DA and the CEO of a private educational society located in Bangalore, India.

The dean was particularly excited about the possibility of exploring a partnership with a school in India. India was of particular interest because of our common language which would enhance communications among the students and faculty. In addition, the dean added that India is a critical country in world affairs. It is the largest democratic country in the world, but it is not fully developed economically. In spite of 20 years of strong economic growth, poverty continues to be widespread. Poverty is a threat to democracy. The dean also recognizes that there is a severe shortage of highly qualified faculty in India and that schools in the United States are in a position to fill part of that void. The dean believes that it is clearly in the best interest of the United States for India to develop economically so that the country can play a more forceful role in world affairs. This partnership which will provide cross-cultural exposure for students and faculty from both schools will serve to build bridges and contribute to the academic growth of students and faculty in both countries. More broadly, the dean believes that highly developed countries have a moral responsibility to assist in the development of less developed countries so that the world's citizens will more equally share in the world's resources.

The dean was very involved in the initial discussions with PES, in on-campus meetings, in PES site visits, in negotiations, in creating draft contract language, and in developing a financial model that were agreeable to our partner, System legal counsel, and IUP administration. The dean continues to be involved in the IUP-PES partnership program from a strategic standpoint (in collaboration with the dean's associate, assistant dean for administration, and IUP administration), but delegates operational aspects to his staff. He continues to maintain contact with the CEO of PES on a fairly regular basis and visits the partner school on an annual basis.

#### **4.2.4 External factors**

When asked about external factors that influence the creation, structure and operation of the IUP-PES international partnership from a fiscal perspective, the dean discussed pricing, market saturation within the United States and within Pennsylvania, State System policies and priorities, accreditation requirements, and experiences of other universities. These factors are detailed as follows:

**4.2.4.1 Pricing** The dean indicated that it was critical for IUP to be able to charge a competitive price to PES which in turn could set tuition at a competitive level in the Indian market. The dean relied on the dean's associate/IUP-PES program coordinator to conduct an environmental scan of the market for an AACSB accredited American MBA degree in Bangalore, India, and in surrounding regions. Without a competitive rate and without a rate that would cover all of direct costs of delivery for both IUP and PES, the program would not be viable. The dean reiterated the fact that he could not use funds from state appropriations to support the program, so successful pricing is paramount. IUP needs to charge a high enough price to cover the bills, and yet charge a low enough price so that the partner can recruit enough students to cover the contract.

**4.2.4.2 Market saturation** The dean indicated that, in his opinion, the U.S. market is overrun with MBA programs. As IUP sought to increase enrollments and to grow revenues, he did not believe that there were significant opportunities for new program delivery within the United States. The same was true for MBA programming specifically within Pennsylvania. He added that even if there were small pockets of opportunity for MBA growth, additional programming within the United States could help slightly with revenue but would not help to achieve the college's broader goals of globalization and cross-cultural exposure for students and faculty.

**4.2.4.3 State System policies** The dean indicated that the System has, and continues to have, no real goals related to globalization. When IUP started the partnership with PES there was benign indifference to the international market. Most partnership agreements involved basic one-for-one exchanges with any excess traffic being discounted to, at or near the in-state resident rate. The dean noted, however, that as state appropriations continue to decline, the State System's Board

of Governors are looking to resident students to increase enrollments, increase revenue from tuition dollars, and to offset the shortfall in public funding. He appreciated the fact that the System was allowing institutions to submit plans and justifications for alternative pricing strategies.

The dean also indicated that fortunately, and to the System's credit, the System has a policy that permits institutions to contract for delivery of specific programs as long as the direct instructional costs are covered by the revenues collected by the contract. This policy provided a vehicle for IUP to partner and to contract with PES for the delivery of the MBA program on-site at a competitive rate. The dean believes that this policy demonstrates the fundamental understanding of issues pertaining to "marginal costs."

This is a critical economic concept that indicates that the size of the marginal cost will change with volume. In this case, the addition of an international student to the IUP student population does not mean that we need to hire another President, build another building, or keep lights on longer in a facility. The same is true for an additional 40 international students. There are, however, some costs that do increase with large groups of added international enrollments particularly those related to recruitment, instruction, direct services and travel.

From a System perspective, the dean also indicated that Article 27 of the collective bargaining agreement with the faculty union provides a mechanism to pay faculty at a highly-competitive rate for atypical instructional delivery including instruction in the IUP-PES program. This is crucial for program success as participation in off-site instruction is voluntary. The payment to faculty must be sufficient to entice them to participate and want to participate on a recurring basis.

**4.2.4.4 Accreditation requirements** The dean indicated that the Association to Advance Collegiate Schools of Business (AACSB-International) has clear fiscal implications for the establishment and maintenance of international partnerships. Accreditation standards require that qualified faculty be used for program instruction. This requirement extends to programs at all levels and all sites. It means, therefore, that the faculty providing the instruction at PES had to have the same qualifications as the faculty on the main campus. From the beginning of partnership discussions, it was recognized that regular on-campus faculty would have to be engaged in the delivery of instruction on the PES campus and that (given the faculty contract)

faculty would be paid at relatively high rates in relation to what might be paid to adjunct faculty hired for this program only. In addition, AACSB-International expects that its members demonstrate that resources are sufficient to meet its stated mission and related activities. Visiting team members evaluate the general allocation of resources to meet program goals.

The dean added that IUP's regional accrediting body (Middle States) standards are somewhat less demanding than those of AACSB-International. Middle States expects that the institution will be able to demonstrate compliance with standards such as commitment of adequate resources, management of resources, and consistency with mission. Middle States sent a team member to Bangalore, India, in 2006 to evaluate the IUP-PES Program in relationship to the standards. A favorable report was received.

The dean has served on numerous accreditation teams and as it pertains to any new location (including international partnerships) he is particularly interested in ensuring that the partnership is enhancing an institution's ability to meet its mission and is not detracting from quality on the main campus. He would focus on ensuring that a high-quality program is being delivered to the foreign partner particularly in terms of strategies used to obtain and retain highly-qualified and committed faculty.

**4.2.4.5 Experiences of other universities** The dean acknowledges that this international partnership initiative wasn't the first effort by a school to deliver programming in another country. The experiences of other institutions helped him gain an understanding of what has worked and what has caused a number of these schools to fail. In many cases, he believes that schools did not approach these ventures in a business-like manner. Many institutions over-invested in fixed assets (such buildings and technologies) when it often wasn't necessary. The dean also believes that trusting and collegial relationships are critical to these types of ventures. Relationships aren't successful if there is a lot of staff and leadership turnover. Most importantly, the dean added, somebody has got to be a champion and be fully accountable for the success of the program on both sides. In some of the international ventures that failed, these rather basic, but critical factors, either didn't exist in the first place or didn't last.

Table 8 provides a summary of the external factors that influence the creation, operation, and maintenance of an international partnership in higher education from a fiscal perspective as identified by the dean of the Eberly College.

**Table 8. Dean – IUP – External Factors**

External Factors	Detail
Pricing	Conduct environmental scan of pricing of American degrees in international region
	Need to ensure rate established within State System policy.
	Need to ensure that price is high enough so as to not rely on state appropriation support and to cover costs, but low enough that partner can recruit enough students to cover the contract costs.
Market Saturation	Recognition that there are limited possibilities of adding new programs in the United States and in the surrounding region.
	Recognition that small pockets of opportunity, if they exist, would not help to achieve goals pertaining to globalization and cross-cultural understanding.
State System Policies	Need to consider policies that pertain to international student tuition, fees, and waivers.
	Need to comply with State System policy that permits schools to contract as long as the direct cost of instruction is covered (considers marginal cost concept).
	Need to recognize that faculty contract permits lucrative salary levels for teaching abroad which are necessary in order to incentivize them to participate.
Accrediting Bodies	Need to ensure qualifications of faculty teaching in international program meet the same standards as those teaching on the main campus.
	Need for adequate allocation of resources, management of resources, and consistency with mission.
	Ensure that partnership is not detracting from the quality of instruction on the main campus.
Experiences of other Schools	Understanding that other institutions that have both succeeded and failed in international partnership ventures.
	The need to not to over-invest in terms of fixed assets.
	Establish trusting and collegial relationships.
	Need to recognize that staff turnover will likely impact the program and the relationship.
	Need to recognize that financial investment in a program “champion” is essential.

#### **4.2.5 Internal factors**

The dean addressed internal factors that influenced the creation, structure, and operation of an international partnership from a fiscal perspective including institutional leadership, budgetary conditions, demographics and college-level support.

**4.2.5.1 Institutional leadership** The dean indicated that at the time the partnership with PES was being explored, the university did not have a clear vision about internationalization or about global programming. Neither the institution nor the Division of Academic Affairs had/have any specific goals related to the recruitment of international students. Fortunately, the provost had the foresight to recognize the potential related to this partnership and the ability to understand the implications of the financial model. The financial model was reviewed and approved by the provost. At the early stages of the partnership, the provost worked with the Eberly College to help make the program affordable to our partner (during program start-up) by waiving the obligation for the contract revenues to be used to cover many of the university fees (as shown in Table 6). Had it not been for this decision, given the low enrollment level during the first year (20 students), it is unlikely that this program and partnership would have gotten started. Limited revenues from the contract had to be enough to cover the direct cost of instruction plus the direct cost of program delivery (travel, supplies, and program coordinator) but would not be enough to also cover all of the related university fees (registration, transportation, and instructional fees).

The next provost involved in the second cohort of the partnership, required the contract amount to be sufficient enough to cover all direct costs of instruction and program delivery plus cover all university fees. This, the provost believed, would serve to provide support to various offices and operations across the campus that would be supporting the incoming international students. The provost did indicate that Eberly College could retain any surplus generated for the program. Because the enrollment was significantly higher (96 students), contract revenues were sufficient to meet the provost's expectations of covering direct instructional costs, all program delivery costs and university fees.

**4.2.5.2 Budgetary conditions** The dean indicated that only recently, with declining state appropriations and increased interest in international partnership activity, has the institutional

leadership begun to pay more attention. While the IUP-PES program model was initially built to ensure that contract costs covered the direct cost of instruction and direct program operating costs, the institution has now taken the position that new partnerships should not only cover these costs, but should also generate sufficient revenue to cover overhead costs and, to the extent possible, generate surplus revenues beyond that. The dean believes that this was and is somewhat nonsensical because financially the real issue is whether or not “marginal costs” are covered as discussed in Section 4.2.8. Arbitrarily pricing a program to cover beyond the costs to run that program places that program at risk and could result in a loss of all contract revenue, lost compensation opportunities for faculty, lost revenues to the region (housing, dining, and other consumer spending), and loss of a major cross-cultural opportunity that benefits both our partner and the citizens of the commonwealth. He hopes to continue to have the opportunity to educate new leadership about the components and benefits of the financial model established for this long-term partnership.

**4.2.5.3 Demographics** The dean added that all but one of the System institutions are located in rural communities. As a consequence, the local/regional population is not large enough to create a critical mass of students, especially for graduate programming. At IUP, for example, if it weren't for international students, it would be difficult from a fiscal standpoint to deliver an MBA program that would pay for itself. All programs require the delivery of a specific number of courses over a fairly limited time period. Those schools which are largely dependent on a rural regional population to enroll often wind up with fewer than 20 students in each class. He added that there are zero marginal instructional costs associated with adding 10, 15, or 20 international students to a class which is already being taught.

The dean noted that if these students were not enrolled in IUP's MBA program they would not likely even be in the United States, much less in Pennsylvania. It has been estimated that international students spend at least \$10,000 per year on room, board, and other services per year while they are enrolled. One hundred international students, therefore, would likely spend \$1 million or more in the local economy each year. He thought that it was ironic that the Pennsylvania Department of Community and Economic Development invests significant amounts of money to try to stimulate this type of economic activity. Beyond this, even though

PES students are not here the first year, the payroll for IUP faculty who teach on-site in Bangalore is several hundred thousand dollars per year, most of which is spent in Pennsylvania.

The dean added that he recognizes that IUP does not receive any state appropriation support or corresponding allocation from the State System for international students because public funding for State System institutions is based on the delivery of credit hours to Pennsylvania residents (non-resident student credit hours are excluded from the calculation). In spite of this, there is appreciation for these enrollments because they are included in the headcount for the university and they do generate new revenues from both tuition and fees. International student enrollments, the Dean added, have helped IUP to remain the largest university in the State System. Indeed the current enrollment level is viewed as critical to the identity and stature of the institution.

**4.2.5.4 College-level support** The dean reiterated that the creation of the IUP-PES partnership program is clearly consistent with the mission of the Eberly College. Projecting enough revenue to cover all of the program costs is a necessary, but not sufficient condition for implementing such a program. The internal culture and level of staff and faculty interest and support within the college must be considered. In Eberly's case, the faculty responded by developing curriculum, team teaching (as needed), and even rotating instructional responsibilities. These actions provide evidence that faculty do support the continuation of the IUP-PES partnership and even the possible expansion into other international partnership initiatives. The dean added that while having a vision for such an initiative can come from an administrator or some other individual, the support, execution and delivery by a large majority of the faculty (including the program coordinator) is what makes or breaks the partnership.

Table 9 provides a summary of the internal factors that influence the creation, operation, and maintenance of an international partnership in higher education from a fiscal perspective as identified by the dean of the Eberly College.

**Table 9. Dean – IUP – Internal Factors**

Internal Factors	Detail
Institutional Leadership	Requires vision regarding internationalization and global programming.
	Requires understanding of fiscal implications of the partnership and of the alternative financial models
	Need significant level of support for entrepreneurial activities.
Budgetary Conditions	Recognize that declining state appropriations forces institutions to look for alternative revenue streams including international sources.
	Need to understand impact that international students have on housing, dining, and other consumer spending.
Demographics	Need for recognition that a majority of Pennsylvania State System schools are in rural areas that make it increasingly more difficult to recruit MBA students. International student populations help to make existing programs more viable.
	Need to recognize that it is unlikely, that these international students would come to the United States much less to Pennsylvania if it weren't for efforts associated with partnership programming and support services. Consider lost revenues associated with lack of support for international programming.
College-Level Support	Need to consider internal culture and level of staff and faculty support.
	Need to understand that “vision” is important, but the execution and delivery by a large majority of faculty are essential for a partnership initiative to succeed.

**4.2.6 Financial goals**

The dean indicated that the initial goal associated with the partnership was to cover all direct associated costs without incurring any financial risk for the College or for the institution. Now that the partnership has matured and enrollments have been robust, financial goals have been expanded to generate profits for the college to be used in offsetting annual budget reductions and in support of other entrepreneurial activities.

**4.2.7 Components of a financial agreement**

The dean indicated that it was essential to create a contract that eliminated any risk to the institution or to the Eberly College. He and the dean’s associate/IUP-PES program coordinator worked with PES to create a model that they believed would work, not just for a year or two, but for a long-term partnership. He noted that there were five components in the contract that he felt were most critical from a fiscal standpoint and minimized (or totally eliminated) any risk to IUP

including: 1) advanced collection of the contract amount from our partner school and the transfer of funds to IUP before airline tickets were purchased and faculty contracts were issued; 2) an agreement in American dollars as opposed to Indian rupees in order to ensure the partner assumed the risk associated with fluctuations in exchange rates; 3) an agreement that included a fixed amount for delivery of “x” number of courses as opposed a per student charge; 4) a delivery contract that spanned multiple years, but required annual negotiation of the cost to the partner (this enables price setting that adequately covers changes in fees, faculty salary and benefit costs, airfare, and operating costs); and 5) a contingency built in the budget that provides for unforeseen expenditures.

#### **4.2.8 Indirect Costs**

During the interview with the dean of the Eberly College, he addressed the fact that he believed that it is critical for any institution to apply the marginal cost concept when considering the implementation of new initiatives including those involving international partnerships. New initiatives involve additional costs but much of an institution’s overhead is unchanged. As a consequence, decisions involving the addition of one more student or taking on a whole new venture (program) should involve a comparison of the marginal increase in revenue versus the marginal increase in costs. If the marginal revenue equals or exceeds the marginal cost then the additional students or implementation of the new venture should proceed. In fact, if the marginal revenue exceeds the marginal costs, there will be some net revenue or surplus to contribute to the overhead of the institution. Adding an additional international student to the IUP student population would not require hiring another president, building another building or keeping the lights on any longer on campus. The same is true for an additional 40 international students. Marginal costs are those costs that are directly related to the activity involved (they are prompted solely by that activity). This same logic should be applied if an institution enrolls an additional 40 international students. If the revenue exceeds the direct costs associated with those enrollments then that provides revenue to help cover the overhead.

#### **4.2.9 Fiscal roles**

The dean indicated that he has ultimate responsibility for the success of the IUP-PES program and is accountable to the provost and vice president for Academic Affairs in this regard. Among his other responsibilities, he believes that it is his job to work with his administration and faculty to keep the Eberly College competitive, to continue to seek new revenue streams, and to identify ways to work toward the achievement of the College mission. He also believes that it is his responsibility to continue to stay abreast of higher education opportunities, challenges, and strategies, both on the national and international front. He continually consults with advisors on international issues including members of his advisory council, colleagues from across the system, colleagues from various boards and agencies, his faculty, and colleagues within IUP.

The dean, in consultation with faculty and administration in the college, must continually consider the resources available to the college in relationship to its priorities and objectives as outlined in its strategic plan. In addition to this, he needs to ensure that these priorities are consistent with those at higher levels in the institution and needs to be sure to express internationalization priorities when he and college representatives have opportunities for input into both strategic planning and budgetary discussions.

The dean does not manage the day-to day financial activities of the IUP-PES accounts but works directly with the DA/IUP-PES program coordinator and assistant dean for administration to periodically review the financial status of the program.

#### **4.2.10 Key decision makers**

The dean indicated that it is always important to keep in mind that this is a “partnership.” Any major decision related to program delivery, staffing support, facilities, accommodations, student services, and financial matters, must be made in collaboration with the leadership of the partner school. The partners also need to have confidence in each other’s ability to make ongoing operational decisions for the benefit of the program and its operations.

The dean added that, to a large extent, the university president, the vice president for administration and finance, the provost and vice president for academic affairs, and the assistant vice president for the Office of International Education and Global Engagement all have roles to

play in decisions regarding the creation and maintenance of international relationships including basic exchanges and more complex partnerships. Collectively, these individuals (in collaboration with the dean) have a role in determining the priority placed on internationalization efforts, in identifying expectations and parameters associated with the program and financial model, and in ensuring compliance with both System policies and university guidelines.

The dean indicated that among all of the decision makers, the faculty decisions regarding international partnerships are critical. If faculty are not willing or interested in participating, international partnership activities would simply not be possible. Curriculum development, curriculum approvals, and course delivery all rely on faculty involvement and support. For delivery of the MBA program, he added, widespread support is required. Faculty must be willing to participate and be willing to participate at the price that is put on the table. He has found the faculty to be extremely supportive of this initiative to date.

He added that administrative and faculty commitment is essential, but even this is not sufficient to make this work. Even if everyone is on board, international programming efforts could still not happen if they are not structured and executed properly. Successful execution requires collaborative decision making with the partner, which has certainly been the case between IUP and PES.

#### **4.2.11 Critical ingredients**

As noted above, faculty commitment is not just important, it is imperative. Beyond this, the partnership requires the development of an intelligent, thoughtfully-structured agreement and careful and ongoing execution of that agreement. Execution, he noted, is about recruitment, scheduling, instructional delivery, communication, and logistics.

#### **4.2.12 Key changes**

The dean indicated that the basic structure of the agreement has not changed, but the execution has changed with more experience. The execution of the program has got to be dynamic as both partners respond to challenges in their respective environments. The program would not have survived if partners were inflexible and unwilling to adapt as the program evolved. The

agreement has got to be flexible enough to allow appropriate responses to changing conditions and allow ongoing enhancements to the quality of the experiences of participants. As it pertains to the partnership between IUP and PES, changes have been made in recruitment strategies, personnel, program delivery, program timing, facilities and technology, and support services.

#### **4.2.13 Future of the partnership**

The dean indicated he hopes that the IUP-PES partnership program will continue for many more years. From a fiscal perspective, however, continuation of the partnership could be threatened for several reasons including: 1) a change in State System policies that would prohibit contracts that allow institutions to set competitive pricing for international programs; 2) a change in institutional policies that increase the charge for overhead or siphon a greater share of any surplus from the colleges that pursue these partnership activities, thereby removing the incentive for faculty and administrators to spend time and effort on these initiatives or forcing the program into a non-competitive rate; 3) a change in the competitive landscape in Bangalore to the extent that IUP can't provide a reasonably priced program in relationship to the growing number of competitors; 4) decisions by Indian students who opt to obtain their MBA degrees from an Indian institution or opt to study at an alternative international site (even with a competitive rate); 5) changes in System, campus, divisional, and college leadership and related changes in goals and priorities; and 6) diminished interest of key players (such as the PES CEO, the DA and the dean, himself) in administering the program.

The dean has established a strong professional and personal relationship with the PES CEO but recognizes that the partnership has been successful primarily because of the relationship between the PES CEO and the Eberly dean's associate/ IUP-PES program coordinator. If the dean's associate left IUP, it is unlikely that someone with a similar level of commitment to the program would come on board. This partnership requires a substantial amount of passion, energy and commitment for the program to succeed.

Table 10 provides an overview of the fiscal considerations of an international partnership in higher education as identified by the dean of the Eberly College.

**Table 10. Dean - IUP - Fiscal Considerations**

Fiscal Considerations	Details
Financial Goals	Initial goal to cover all costs without incurring any financial risk for the College or the institution.
	Once partnership matures, financial goals changed to generate profits that can be used in offsetting budget reductions and to support other entrepreneurial activities.
Components of a Financial Model	Need to receive advanced payment of the contract amount from partner before purchase of airline tickets and issuance of faculty contracts.
	Agreement needs to be in American dollars rather than international currency to avoid the risk associated with fluctuations in exchange rates.
	Need to structure the agreement for fixed amount for delivery of “x” number of courses as opposed to a per student charge.
	Need to structure a delivery contract that spans multiple years but requires annual negotiation of contract costs to allow for changes in fees, faculty salaries and benefits, travel costs, and operating costs.
	Need to build a contingency into the budget for unforeseen expenditures.
Indirect Costs	Need to apply the concept of marginal costs in that new initiatives involve additional costs but much of the overhead is unchanged.
Fiscal roles	Recognition that the dean has responsibility for fiscal solvency of the partnership account and will be held accountable for any shortfalls.
	Recognition that the dean has responsibility to see new revenue streams and to remain abreast of higher education opportunities on both the national and international front.
	Recognize that dean has responsibility to consult with advisory council, colleagues from across the State System, colleagues from various boards and agencies, faculty, and colleagues within IUP.
	Recognize that dean has responsibility to consider resources available in relation to priorities and objectives as outlined in the College strategic plan.
Key Decision Makers	Need for collaborative decision making with partner on an ongoing basis.
	Recognition of the role of university leadership in determining priority of internationalization efforts, in identifying expectations and parameters associated with program and financial model, and in ensuring compliance with both State System policies and university guidelines.
	Recognition of the key role that faculty have in partnership initiatives regarding curriculum, delivery, scheduling, and participation.
Critical Ingredients	Faculty commitment.
	Intelligent, thoughtfully structured agreement.
	Careful and ongoing execution of the agreement in areas such as recruitment, scheduling, delivery, communication, and logistics.

## 4.3 PES ADMINISTRATION

### 4.3.1 General description

This section includes interview responses from both the Chief Executive Officer (CEO) and the dean of student affairs from the Peoples Education Society (PES) from Bangalore, India. These two individuals will be referred to as the PES Administration for the IUP-PES partnership program for purposes of this study.

PES was founded in 1972. What started in a rented gymnasium with just over 40 students is now spread across four different campuses with more than 20,000 students (PES Institutions, 2011). The PES offers educational programs at the diploma, graduate, post-graduate, and doctoral level. The PES Institute of Technology (PESIT) was South Asia's first International Organization for Standardization (ISO) 9002 certified educational institution. PES is classified as a private university under state law in Karnataka, India, and is recognized as one of India's premier private educational enterprises. PES focuses on six main educational areas including Commerce, Engineering, Management, Medicine, Pharmacy, and Science. The Department of Management Studies offers a management program, training in management skills, e-learning for corporate managers and employees, corporate advisory services, and management research and consulting services. Sponsored projects from both national and international agencies in areas of management, technology, and education have been an integral part of the overall framework for research for the department.

The CEO received an engineering degree from Bangalore University, and subsequently studied in the United States where he completed a Master of Science degree from a U.S. university. He returned to India in 1991 to lead the ongoing development of PES. The CEO indicated that he and his team have strived to inculcate the core PES values of perseverance, excellence and service to all stakeholders. The values are evident in the relationship between IUP and PES, and in their relationships with their joint stakeholders.

The dean of student affairs has been with PES on-site in Bangalore, India, since 2002. He began his career with PES as the Manager of Admissions and Marketing and was responsible for marketing, branding, partnerships, and new projects. In 2006, he was promoted to the dean of

student affairs where he continued his former responsibilities and expanded his work in the international partnership area.

The PES Administration has worked to expand the global footprint of the institution by recruiting students from all over the world into its programs. Apart from the IUP-PES partnership, the administration has worked to expand international programming for the PES campus including the creation of partnerships with the Ministry of Thailand, several institutions in South Korea, an institution in Germany, and private schools and educational enterprises in Sri Lanka, China, Mongolia, Africa, and the Middle East.

#### **4.3.2 Involvement with the IUP-PES partnership**

The CEO is the architect of the IUP-PES partnership from the PES side. As noted in the interview section of the dean's associate from the Eberly College, the CEO and dean's associate were in contact regarding possibilities associated with creating a partnership associated with the delivery of an IUP MBA Program on-site at the PES campus. The CEO was involved in all aspects of negotiations regarding program delivery, logistics, schedules, housing, instructional facilities, technology, program promotion, and staffing. He has the final approval for PES on the partnership and is the only signatory on the agreement between the two institutions. He continues to be involved in all aspects of strategic issues pertaining to the program.

The dean has been involved with the IUP-PES partnership since the start of the program in 2005-2006. Since that time he has served as the on-site PES operation point person for the program, and serves as the key contact between PES and the IUP program coordinator. He oversees recruitment, promotion, and programming associated with the program for PES. The dean reports directly to the Chief Executive Officer (CEO), supervises staff members in admissions, program operations, and faculty support for the delivery of the IUP-PES partnership program.

#### **4.3.3 External factors**

The PES Administration addressed the following external factors that influence the creation, structure and operation of an international partnership from a fiscal perspective: 1) the value

placed on an American education by the Indian community who view a U.S. MBA education as superior primarily due to its applied nature with cases and practical examples; 2) the ability of individuals to afford an international education; 3) the appeal associated with the opportunity to travel to the United States for a portion of the program at an affordable cost; 4) governmental policies and regulations regarding the ability of institutions such as PES to partner with institutions from other countries; 5) restrictions on the number of MBA students that PES is allowed to enroll in its own MBA program as mandated by the All Indian Council for Technical Education; 6) industry standards regarding faculty compensation which are driven by the Indian Central (Federal) Government 6<sup>th</sup> Pay Commission; and 7) fluctuations in exchange rates.

The CEO indicated that a key motivation for him wanting to partner was the fact that PES was limited by the All Indian Council for Technical Education on the number of students that it could accept into own MBA program. At the time that partnership discussions were taking place, PES was limited to 120 MBA students, 60 of which would be placed by the government at PES and 60 of which could be recruited by PES. This cap limited PES in growing its MBA programs and in responding to increased student demands for advanced education. A partnership with an outside international institution provided a mechanism to recruit more students and yet be in compliance with the Council's mandate.

As it pertains to governmental policies and regulations, the PES Administration indicated that there is limited official regulation at this point regarding international partnership activity. PES is staying abreast of the discussions taking place in the Indian ministry regarding regulations for international partnership programs. PES Administration believes that they are headed toward having more clarity in this regard from the University Grants Commission. While there are some guidelines in place for foreign institutions, he pointed out that the guidelines are "neither clear nor tight."

#### **4.3.4 Internal factors**

The PES Administration addressed the following internal factors that influence the creation, structure and operation of an international partnership from a fiscal perspective: 1) excess capacity in the both housing and teaching facilities on the PES campus (the CEO noted that he estimates that about 1/3 of the facilities in India were not used adequately at the time of

partnership discussions); 2) pricing strategy that is both affordable and profitable; 3) quality of program offered that is viewed as worth the financial investment; 4) a faculty payment schedule that can be adjusted with background and skills with management approval; 5) the ability to recruit faculty at a much lower salary as compared to IUP; 6) priorities associated with accreditation; 7) the desire to provide cross-cultural opportunities to Indian students that enhance both marketability and earnings potential.

The CEO indicated that it was not a priority for PES to seek AACSB accreditation on its own at this time. Rather, efforts would be directed at accreditation by the Accreditation Board of Engineering (ABET) for the PES School of Engineering and in applying to be recognized as a state university in India. According to the CEO, the rationale for a partnership with IUP was that he “had a good feel for the potential of the program” and that IUP was a “good fit” with PES as it pertained to the mission of the two institutions for global expansion, the ability of IUP to offer a U.S. AACSB accredited MBA degree, the competitive pricing structure, the qualified faculty, and the relationship developed between himself and the dean and dean’s associate of the Eberly College.

#### **4.3.5 Financial goals**

The CEO did not see financial profits as the first priority for the partnership. While the partnership certainly needed to make sense financially for PES, this wasn’t the only motivation. Because of the cap placed on PES by the All Indian Council for Technical Education, the CEO hoped to increase the “top line” first by entering into a partnership that would permit PES to recruit more students. He did not expect to break even for the first several years and did not expect to begin adding to the bottom line until later in the partnership.

The CEO added that through this partnership he would be adding a “global edge” to his management school that would ultimately impact earnings. Having a partnership with an American accredited business school, providing instruction by U.S. faculty members, and providing an opportunity for students to travel to the United States for an MBA concentration, all served to further elevate the stature of PES within India. PES enjoys the status associated with partnering with a U.S. institution in the creation of an innovative program delivery model and the addition of this degree menu to their program menu. PES has not only attracted Indian students

into the program, but students from several other countries have appreciated the opportunity to study in India to obtain a U.S. accredited degree, and then to obtain an MBA concentration in the United States. The IUP-PES partnership has enrolled students from Nepal, Sri Lanka, Thailand, Malaysia, Iran, United Arab Emirates, Nigeria and Cameroun.

#### **4.3.6 Components of the financial model**

The PES Administration indicated that PES spent a significant amount of money initially in marketing and branding the IUP-PES partnership. PES spent funds on print advertisements, travel expenses, rental expenses associated with recruitment facilities, radio advertisements, and hard copy promotional materials.

PES was fortunate to have the infrastructure and facilities in place to accommodate the IUP-PES partnership program. The classrooms and library facilities were sufficient for the start-up, but PES made the decision to make upgrades by adding air conditioning to some of the teaching spaces, investing in added technologies and updating some of the apartment spaces. With the growth of both PES and the IUP MBA program, however, the infrastructure was expanded in 2005 and 2011. Additional upgrades are planned for 2012. Expansions were not only done to accommodate IUP-PES activity, but supported the growing activity of PES and its desire to be more strategically located.

The staffing has been and continues to be limited for the IUP-PES partnership. The dean of student affairs is very involved in the day-to-day administration of the program. In addition, one to two program assistants help with student scheduling and student services. PES Admission's Office staff members are released to work on the admission to the IUP MBA Program on an as-needed basis. Periodically, a faculty member from the PES MBA program is partially assigned to work on the coordination of the IUP MBA Program.

#### **4.3.7 Revenue and related challenges/strategies**

The PES Administration indicated that it was clear from the beginning that the payment had to be made to IUP before IUP could incur costs associated with flight reservations and faculty compensation. The advanced collection of student payments protects both PES and IUP. A

majority of the students pay the full program tuition and fees as determined by PES. The PES rate takes into account the fixed payment required by IUP and the expenditures that PES is projected to incur while students are taking courses on the PES campus. The CEO added that families accept having to pay upfront as this is the culture in India and something that they are used to.

The dean of student affairs added that there are two cases in which a student pays a discounted rate. First, some students receive scholarship funding from PES due to extraordinary academic or co-curricular/extra-curricular achievement. Second, students who studied at PES as an undergraduate student and stay on for graduate level instruction also receive a “loyalty” discount from PES.

#### **4.3.8 Expenditures and related challenges/strategies**

The PES Administration listed the following primary expenses of the IUP-PES partnership:

1) advertising and marketing; 2) travel costs associated with branding and recruitment; 3) expenses associated with permanent staff; 4) infrastructure expansion costs; 5) infrastructure maintenance costs; 6) program contracted vehicle and driver; 7) partnership event costs; 8) technology advancement; 9) local faculty costs for transfer courses into IUP; and 10) IUP faculty lodging and boarding.

The CEO indicated that PES invested substantial funds in advertising in promotions, particularly in newspaper ads which are a very popular way of reaching prospective students. He believed, however, that the best promotion was “word of mouth” and that once prospective students and their families learned that the program was being delivered as promoted, interest and applications increased significantly. He also indicated that he is fortunate that construction is inexpensive in India and that he would be able to expand space as needed. The CEO added that he was willing to build facilities (housing, instructional space and support space) to accommodate the IUP MBA program as enrollments and programming needs warrant it. The CEO indicated that he planned to, and has, enhanced the program in some way each year including classroom renovations, recruitment services, placement services, new construction, and technology enhancements.

The dean indicated that once the program became more heavily enrolled he had a manager of admissions, assistant manager of admissions, program director, and part-time faculty supervisor reporting directly to him to support both the IUP MBA Program and other PES programs. None of these were assignments dedicated completely to the program, except for the two program managers who provided limited support to other PES programs.

#### **4.3.9 Indirect costs**

A key challenge for PES is related to the fact that they operate their own MBA program, in addition to offering students the option of joining the IUP MBA program. PES risks cannibalizing their own program as students select the IUP option. Profits from their own program exceed those associated with the IUP MBA program for obvious reasons including the higher costs associated with the IUP contract that are used to cover costs of compensation and travel for U.S. faculty members. PES recognizes, however, that students who select the IUP MBA program may not have opted for the PES MBA. PES has made the decision, however, that it wants to provide students with this choice. The option of obtaining an MBA from a U.S. accredited institution has added one more innovative, quality program to the PES program menu.

The dean also indicated that there are ongoing hospitality costs associated with visiting professors from IUP while they are on-site teaching in India. While the dean and his staff enjoy having IUP faculty on-site, there are always the added concerns of providing comfort, safety, and a pleasurable experience for visitors.

#### **4.3.10 Financial incentives**

The PES Administration indicated that the IUP MBA program is the strongest and most recognized international partnership that PES has. To their knowledge, PES has sent more students to study in the United States than any other institution in India. It is one of the strongest and most recognized partnerships with an American institution in that part of the country. It is rewarding for PES to have a unique partnership with an accredited business school from the United States. The PES Administration believes that it would be very challenging for any university to come to India to have a partnership like the IUP-PES partnership. The program

attracts students to PES and helps to build on enrollments and reputation in the organization's other disciplines. The financial and non-financial rewards are sufficient enough at this point for the partnership to continue.

#### **4.3.11 Financial risks**

The PES Administration indicated that there was limited risk associated with the partnership specifically because of the terms of the agreement between the two institutions. If enrollments were not sufficient to cover the contract amount, then the program would not run. Because PES collects tuition and fees in advance and transfers it to IUP before costs are incurred for faculty instruction and travel, there is limited or no risk to both parties. He added, however, that PES receives payment from students in rupees instead of in dollars and there is always the risk associated with fluctuations in exchange rates. The partners must work together on minimizing the risk for both parties.

In broader terms, however, there are risks associated with increased competition, increased governmental regulations, and changes in the number of MBA students that PES is allowed to accept in its own program. The CEO added that there is a risk that the Indian Grants Commission imposes tougher restrictions on international partnerships forcing the partnerships to be cost prohibitive. Changes, he noted, appear to be inevitable.

#### **4.3.12 Fiscal roles**

The dean indicated that PES has a support staff who handles collection of fees and financial transactions associated with all IUP-PES activities. Staff in the admissions area at PES work on the admission aspects of the IUP-PES partnership during the recruitment season. There are two program managers who handle the day-to-day student and faculty needs and activities. The dean oversees all operational aspects of the program in India while working closely with the DA/program coordinator from IUP.

The dean is responsible for ensuring fiscal solvency of the program and reports on a regular basis to the CEO. The PES CEO's role is strategic in nature. He is briefed on a regular basis about the program by the dean and the DA from IUP. His approval is required for decisions that

are strategic in nature (such as moving the program to another campus of PES) or require significant financial investment (renovation or upgrade of existing space).

#### **4.3.13 Key decision makers**

The PES Administration works together with their faculty and staff to address program issues. PES does not deal with layers of administration and associated bureaucracy and policies. The CEO does not report to higher level authorities but focuses on strategic issues and leaves the daily administration to the dean and program staff. He provides the dean with flexibility and authority to make decisions regarding program operations. Both the CEO and the dean value the relationship with IUP and believe that the important decisions need to be made, and have been made, collaboratively and collectively.

#### **4.3.14 Financial monitoring**

The PES Administration indicated that there are staff members in the Internal Accounts Department who are responsible for recording financial transactions and preparation of financial statements. These staff members handle the inflow and outflow of resources with the approval of program heads. PES is a private enterprise and submits audited financial statements along with its tax return each year. The statements are audited by a certified accountant.

#### **4.3.15 Critical ingredients**

The dean believed that the most critical ingredients for success of this type of international partnership are the mutual commitment, cooperation and understanding of the partners. It is critical to have people on the ground at both locations who can work with each other toward the delivery of a quality program and toward continuous improvement of the program.

#### **4.3.16 Key changes**

The PES Administration noted that processes have continually improved over the life of the program. The infrastructure has improved, support facilities have improved, and the value added experience for the stakeholders (the students) has increased with time. The scheduling change, which resulted in a shorter gap of time between courses taught on-site by IUP faculty was a positive decision for the program. As the program matured, events were added to engage faculty, staff, students and alumni such as symposiums and competitions at both the national and international level. Enhancements have been made in the application process, in visa application support, and in student support services.

#### **4.3.17 Perceptions of colleagues**

The CEO believes that the partnership has been not only valuable to the students in the program, but to the students and the faculty on the PES campus. The dean indicated that a majority of his colleagues on the PES campus enjoy this partnership. Some, he noted, did not get involved and some may not fully understand the program and its expectations. All-in-all, he believed that it was viewed as very positive and something of which the PES employees were proud.

Table 11 provides an overview of the fiscal considerations of an international partnership in higher education as identified by the CEO and dean of student affairs at the Peoples Education Society of Bangalore, India.

**Table 11. PES Administration – Fiscal Considerations**

Fiscal Considerations	Detail
External Factors	Value placed on an American education by the Indian community.
	Affordability of an international education.
	Appeal of the opportunity to travel to and study in the United States at an affordable rate.
	Enrollment caps imposed by external entities.
	Governmental policies that impact the ability of PES to partner with institutions from other countries.
	Consider industry standards regarding faculty compensation.
Internal Factors	A pricing strategy that is affordable and profitable.
	Capacity in housing and teaching facilities.
	Quality of program offered viewed as worth the investment.
	Value associated with accredited U.S. programs.
	Options for adjusting faculty payment schedule with background and skills.
	Recognize ability to enhance marketability/earnings potential of students.
Financial Goals	Program makes sense financially (Profits weren't the first priority as much as the ability to partner with an accredited U.S. program in an innovative delivery method).
	Increase "top line" first by increasing enrollment opportunities.
	Enhance global edge that would ultimately impact earnings.
	Elevate status associated with an international partnership can generate enrollments for institutions other program.
Components of Financial Model	Significant expenditure in initial marketing and recruitment.
	Infrastructure and facilities in place for initial start-up.
	Advanced collection and advanced payment to partner.
	Staffing costs.
Revenue	Culture associated with advanced collection of tuition and fees.
	Discounts provided to students with extraordinary academic or extra-curricular achievement.
	Discounts provided to undergraduate students who stay on for graduate coursework (loyalty discount).
Expenditures	Advertising, promotion, and travel costs associated with recruitment.
	Full-time and part-time staff.
	Infrastructure maintenance and expansion (consider costs of construction).
	Transportation costs while visiting faculty are teaching in the program.
	Partnership event costs.
	Technology advancement.
	Partner costs for foundation/transfer courses.
Indirect Costs	Faculty lodging and boarding.
	Lost revenues of students who select IUP MBA in lieu of the PES MBA program.
Financial Risks	Ongoing hospitality costs.
	Limited risk due to advanced collection from students and payment to partner.
	Need for both parties to understand market conditions and exchange rates.
Key Decision Makers	Necessity to eliminate risk for both partners.
	Need for both parties to understand market conditions and exchange rates.
	Limited bureaucracy.
Critical Ingredients	CEO has strategic responsibility.
	Dean handles daily operations.

## 4.4 FINANCIAL MANAGERS

Three interviews were conducted with individuals who have progressively higher fiscal management responsibilities including the assistant director of the Office of Financial Operations at IUP who is on the financial operations staff, the vice president for the Division of Administration and Finance at IUP who is on the president's cabinet, and the associate vice chancellor for finance and administration in the Office of the Chancellor, Pennsylvania State System of Higher Education (State System).

### 4.4.1 Assistant Director of Financial Operations - IUP

**4.4.1.1 General description** There are five divisions at IUP including Academic Affairs, Administration and Finance, Enrollment Management, Student Affairs, and University Advancement. The assistant director of financial operations works as part of the Office of Financial Operations in the Administration and Finance Division, and reports directly to the director of financial operations. She, unlike the other two fiscal managers interviewed, works with the day-to-day fiscal operations of individual programs and activities on the campus.

The assistant director performs accounting functions associated with the university's major projects, bonds, payroll, grants, and accounts payable. As part of the Office of Financial Operations staff, she works to ensure accuracy in classification and recording of revenue and expenses, works to ensure that financial statements are prepared in accordance with accounting standards, and works to ensure the overall fiscal health of the university.

**4.4.1.2 Involvement with international partnership initiatives** The assistant director explained that her unit is not involved in the negotiations associated with international partnerships. Discussions and negotiations regarding whether or not a partnership will be formed and what financial model will be used with international partnerships are held at higher levels of the institution.

The Office of Financial Operations staff members are responsible for establishing accounts to house the financial transactions of all university programs including those involving international partnerships. University accounts can be assigned to one of the five primary fund groups within

the institution including the general fund, auxiliary fund, designated fund, grant fund, and plant fund. All international partnership activities at IUP (including the IUP-PES partnership) are classified as “designated” fund accounts, meaning that activities in the fund are designated for a specific purpose as opposed to being used for the general operations of the university.

There are over 2,000 designated fund accounts within the university. The assistant director indicated that the accountants do not really care which country or region the international activity partnership is with. The main responsibilities of her area include: 1) understanding the agreed upon financial model as it pertains to the responsibilities of her and her staff; 2) following accounting standards; 3) receiving the revenue according to partnership agreement; 4) recording revenue accurately and in a timely manner; 5) recording expenditures accurately and in a timely manner; 6) ensuring that the account remains in a positive financial position; and 7) working with the budget holders across the campus for the fiscal management of their accounts.

**4.4.1.3 External factors** When asked about factors that influence the creation, structure and operation of an international partnership from a fiscal perspective, the assistant director identified the following:

*State System Board of Governor Policies* The assistant director indicated that there are over 100 policies, procedures, and standards established by the Board of Governors in various categories such as personnel, governance, academic, facilities, advancement, and finance. It is critical that key decision makers (including those proposing and managing an international partnership program) understand the expectations and limitations established by the oversight board/s that impact international partnerships. Several System policies directly impact international partnerships such as Policy 1983-18-A (Waiver of Fees), Policy 1992-02-A (Tuition), Policy 1989-05-A (Student Fees), and Policy 1988-01 (Collection of any Monies from Students).

*Accounting standards* The assistant director indicated that IUP must be in compliance with the State System policy regarding accounting standards and principles for reporting financial information. Board Policy 1986-01-A (Audit) indicates that institutions within the State System must follow Generally Accepted Accounting Principles (GAAP) which provides set rules, standards and procedures widely accepted in the United States for reporting information. She

noted that budget holders across the campus (including those associated with the IUP-PES partnership) are not expected to understand GAAP guidelines and related transactions. There are trained staff members in the Office of Financial Operations that are responsible for ensuring compliance with accounting standards. She added, however, that all financial information associated with international programs (including the IUP-PES partnership) had to be recorded and reported within these standards.

*Accounting system* The assistant director indicated that the State System currently uses Systems, Applications and Products for Data Processing (SAP) software to record and report financial information for all of its fourteen universities and the State System offices. While accountants across the State System must be trained and proficient in details regarding setting up accounts and recording detailed transactions, budget holders (including the IUP-PES program coordinator) are considered the “financial managers” of the accounts and are responsible for having a sufficient level of knowledge to manage their budgets and account activity. All international programs and partnerships (including the IUP-PES partnership) are accounted for through SAP.

*Audits and financial statements* The assistant director indicated that mandated external, independent audits of financial statements are another factor that influences international partnerships from a fiscal perspective. Fiscal accuracy and responsibility are critical in every account within the institution as they contribute to the overall financial statements. Consistent with Board Policy 1986-01-A: Audit, the Office of Financial Operations staff members are responsible for supporting the development of annual financial statements that are audited at the university level by external, independent auditors. In addition, IUP’s financial statements are consolidated with those of the System office and with the other 13 State System institutions for the creation of system-wide financial statements. These consolidated statements are also audited by a contracted external, independent auditor. The audits are conducted to ensure fiscal accountability of each institution, to ensure that each institution is fairly stating its financial position, and to ensure that the State System, as a whole, is fairly stating its financial position.

The assistant director noted that external auditors typically don’t audit the transactions of a specific program such as the IUP-PES partnership unless a specific funding source requires an audit for a grant program funded by an outside agency. Some campuses have internal auditors

that focus on fiscal activity of specific accounts. While the assistant director recognizes that the IUP-PES is a large international partnership program, it is a very small piece of the total. Of the 2010-2011 IUP revenue sources (exceeding \$244 million), the PES revenue accounted for .34% of all revenue streams.

*Payroll* The assistant director also noted that it is imperative to have staff in the Payroll Office who are experts regarding payment of international students who are student employees for the university while on campus. Payroll Office employees must ensure that students have the appropriate employment visas and social security cards if they are going to work on the IUP campus.

At one point, IUP accepted tax treaties from other countries, but no longer does. All international student employees are taxed as though they are filing for a single person unless they indicate otherwise. They are required to file a tax return and apply for a refund. While she does not get involved in scholarships, the assistant director indicated that there are Internal Revenue Service codes pertaining to scholarship support. If a student is provided funding for any support beyond the cost of their education, they are taxed accordingly. This, however, does not apply to students in the IUP-PES partnership since no scholarships are awarded. The Payroll Office must also maintain resident alien documentation and obtain information regarding a student's movement in and out of the country.

**4.4.1.4 Financial goals** The assistant director indicated that, from her perspective, the financial goals associated with the IUP-PES partnership program are the same as any program or cost center including ensuring: 1) clear understanding of the financial model; 2) fiscal responsibility and accountability by the budget holder; 3) appropriate and timely posting of revenue and expenditures; 4) availability of reports that assist the budget holder and other individuals in having a clear understanding of the transactions and status of the account; and 5) fiscal solvency.

The assistant director indicated that it was important for her and her colleagues to have a clear understanding from key decision makers regarding what the financial model and fiscal goals were of any new program so that they could ensure compliance and support fiscal managers in achieving those goals.

For the most part, designated fund accounts (such as the IUP-PES partnership) are self-supporting entities which means that the revenue must be sufficient to cover expenditures. However, the expectations regarding which expenditures a designated fund program has to cover is left to the discretion of the university's president, based on negotiations between key decision-makers. In some cases, the budget holder is expected to cover all costs including administrative overhead charges from the university. In other cases, the overhead is waived. In some cases, the direct cost of instruction is charged to the account using the cost of the actual faculty member working on the project. In other cases, the cost of replacement faculty is charged to the account. Decisions regarding which expenditures need covered by these types of activities often depend on the specific project and the level of support that the university's president is able and willing to contribute. The condition of the institution's budget will likely impact this decision. During tighter fiscal periods, it is more likely that designated programs are expected to cover a higher level of costs.

**4.4.1.5 Components of a financial agreement** As noted earlier, the assistant director does not get involved in establishment of financial agreements with partner schools such as PES. She did recommend, however, that any financial agreement include clarification regarding how funds would be transferred from one partner to another. In other words, international banking issues should be addressed ahead of time so that each partner knows how to transfer money from an institution or individual to its partner.

The assistant director suggested that all international discussions should include clarification regarding how to distribute earnings and tax statements to international students who worked at IUP while they were completing their degree. This is often a challenge for the Payroll Office once students leave the campus. She also suggested that liability issues be included in any agreement that addressed responsibilities associated with students and faculty members getting hurt while traveling to and from the partner location.

**4.4.1.6 Financial risks and strategies** The assistant director identified numerous risks that can occur from a fiscal perspective in the administration of any designated fund program, including programs such as the IUP-PES partnership, such as:

*Expenditures exceed revenue* In some cases, the institution spends funds upfront for a program before the revenue is received for program start-up, travel and operating costs. Any program with advanced funding risks the possibility that the revenue is never collected as planned and that these upfront costs are not recovered.

In addition, the assistant director indicated that university payroll and travel reimbursements are paid automatically and the procedures are not in place to verify that funds are in an account before payment. In these cases, there is a risk for any program that sufficient revenues are not received to cover these specific costs. The assistant director realizes that the IUP-PES partnership, however, requires that funds be received before the program begins. In all cases, designated fund accounts have a back-up cost center identified that is responsible for covering budget overages/deficits.

The assistant director indicated that all program budgets should include contingency funding for unforeseen expenditures or lower revenues than anticipated. She recognizes that with some partnership initiatives, funds may be spent by the institution for cultivation. These costs may or may not be covered through the specific partnership budget, but may be covered by the general operating budget of an area.

*Data entry errors* The assistant director indicated that with hundreds of transactions being posted for each program within the university, there is always the possibility of data entry errors being made. Risks associated with data entry errors can be minimized with trained personnel, checks and balances within the system, and responsibility/accountability for individuals to carry out their respective fiscal roles (as outlined in Section 4.4.1.7).

*Inappropriate use* As with any university account, there is always the risk of funds being spent inappropriately. The assistant director noted that these risks can be minimized and avoided with clear policies, trained personnel, checks and balances within the system, and accountability for individuals to carry out their respective fiscal roles in monitoring account activity.

**4.4.1.7 Fiscal roles and responsibilities** The assistant director indicated that there are dozens of individuals across the campus who are involved in the fiscal management of every account within the university (including the IUP-PES account), but she highlighted the roles of the following:

*Vice President for Administration and Finance* The assistant director believes that it is the role of the vice president for administration and finance and his/her designee to work with other key decision makers in the negotiation and development of a financial model that meets State System guidelines and university guidelines/expectations. It is the vice president's responsibility to obtain input from his/her staff and colleagues during this process and his/her responsibility to communicate decisions and expectations pertaining to the fiscal management of the model to his/her staff.

*Office of Financial Operations* The assistant director indicated that it was her role and the role of all accountants in the Office of Financial Operations to work to ensure compliance with accounting standards, policies, and regulations, while ensuring implementation of the agreed upon financial model. This applies to all accounts on campus, not only to international partnership accounts.

*Budget Holder/Financial Manager* The assistant director indicated that much of the financial activity starts with the budget holder/financial manager as it pertains to the administration of a program budget. The budget holders of accounts, including the IUP-PES account, are the official "financial managers" of the account and have a high level of fiscal responsibility. In the case of the IUP-PES partnership, the program coordinator and the assistant dean for administration in the Eberly College are the budget holders/financial managers for the IUP-PES account. These individuals can't simply rely on a staff accountant to manage the account for them. Budget holders/fiscal managers must understand the revenues, expenditures, and fiscal processes associated with their own programs. As a matter of fact, the fiscal managers initiate many of the fiscal transactions associated with an account. It is his/her responsibility to ensure that the proper cost center number is assigned to all documents processed such as purchases, faculty payment forms, travel vouchers, and student employment hiring forms.

The assistant director identified the following responsibilities of a budget holder/financial manager for any "designated fund" fiscal manager (including the IUP-PES partnership):

1) develop a budget plan for all program revenues and expenditures; 2) complete a designated fund cost center request form including identification of revenue streams, anticipated

expenditures, individuals responsible for managing the cost center, and cost center within his/her budget area that will cover any red balances/deficits that occur; 3) obtain appropriate higher level approvals; 4) review and reconcile detailed transactions; 5) use appropriate cost center number on all financial documents; 6) continually monitor overall account status; 7) maintain contact with the assigned staff accountant; 8) attend training on budget management tools and ensure ability to work within the accounting system; and 9) maintain fiscal integrity of the program.

*Staff Accountant* While it is not possible for the staff accountant to know the operational details of thousands of accounts within the university, it is his/her responsibility to: 1) review the budget plan; 2) obtain appropriate approvals and clarification regarding the expectations regarding the financial model; 3) determine the appropriate fund group and specific cost center for the program or activity; 4) ensure that revenue is posted to the correct cost center; 5) ensure that expenditures are posted to the correct cost center; 6) maintain contact with the budget holder/financial manager; 7) provide training to budget holder/financial manager; 8) contribute to and support budget holder/financial manager accountability; and 9) elevate any concerns regarding fiscal solvency or integrity.

*Payroll Office* With compensation being such a large component (nearly 70%) of the expenditures of the IUP-PES partnership, the assistant director noted the importance of ensuring that employees are receiving appropriate pay in accordance with the contract and that they are paid in a timely manner. In the case of the IUP-PES partnership, faculty payments (which are paid via Article 27 of the contract between the faculty and the State System), are initiated by the program coordinator who provides a list of instructional faculty to the Provost's Office for each cohort. Once students are officially enrolled in each course, the Provost's Office can verify the enrollment, calculate payment and initiate faculty contracts for compensation. All paperwork is submitted to the Payroll Office by the Provost's Office.

**4.4.1.8 Financial monitoring** The assistant director indicated that there is a vertical hierarchy associated with monitoring the activity of designated funds, the IUP-PES partnership, and any international program. It is the responsibility of the budget holder/financial manager to monitor the account on an ongoing basis with the assigned accountant, the dean of each college or his/her

designee to monitor the activity of all accounts within his/her college, the provost or his/her designee to monitor the activity of all accounts within his/her Division, and the vice president for administration and finance to ensure the overall fiscal integrity of all accounts within the institution. Those at the lower levels typically monitor the specifics of the data, whereas those at higher levels review overall fiscal integrity and viability of a single and/or group of accounts. With large partnership programs, such as the IUP-PES partnership, it is common to have more formal periodic status reports regarding program enrollments, finances, and outcomes.

**4.4.1.9 Financial processing** Unlike the monitoring process which is vertical in nature, financial processing requires horizontal communication/processing between mid-level administrators including the budget holder/financial manager, assigned staff accountants, and various accountants from across the campus (such as those in accounts payable, travel, accounts receivable, payroll, and purchasing). Individuals in these areas should be communicating on a regular basis regarding the accurate posting of revenue and expenditures throughout the budget period. Tens of thousands of transactions are posted annually within the institution and it is the combined effort of individuals in these areas to ensure accurate posting of revenues and expenditures. This is nothing unique to the IUP-PES program activity. University fiscal operations are extensive and complex and require a high level of coordination and communication between all parties. Individuals, such as the assistant director, work to ensure that there are open lines of communications throughout the university on budgeting and financial matters.

Table 12 highlights the fiscal considerations of an international partnership as identified by the assistant director of financial operations.

#### **4.4.2 Vice President for Administration and Finance - IUP**

**4.4.2.1 General description** The vice president for administration and finance serves as the chief operating and financial business officer for the university. With regard to responsibility for oversight of a \$270 million budget, his primary concerns are the fiscal health, viability, and financial integrity of the institution. The vice president serves on the president's senior cabinet

**Table 12. Assistant Director of Financial Operations – IUP – Fiscal Considerations**

Fiscal Considerations	Detail
External Factors	Compliance with State System Board of Governor Policies regarding tuition and fees, waivers to international students, and collection of monies from students.
	Compliance with Generally Accepted Accounting Standards (GAAP) as mandated by State System Board Policy.
	Authorized accounting system for program transactions.
	Compliance with financial statement preparation and external audits per State System policy.
	Compliance with payroll regulations.
Financial Goals	Understanding of the approved financial model for a specific international partnership.
	Fiscal responsibility and accountability of budget holder/financial manager.
	Accurate and timely posting of program revenue and expenditures.
	Timely and clear budget reports.
	Fiscal solvency.
Components of Financial Agreement	Clarification regarding how funds would be transferred from one institution to another.
	Clarification regarding how earnings and tax statements are distributed to student employees.
	Inclusion of how emergencies should be handled for faculty and students.
Financial Risks and Strategies	Personnel are trained, checks and balance established, and responsibility/accountability assigned clearly to avoid risks associated with expenditures exceeding revenues, data entry errors, and inappropriate use of funds.
Fiscal Roles and Responsibilities	Vice president for administration and finance involved in negotiation and development of financial model and communication of model to his/her staff.
	Office of Financial Operations staff ensures compliance with accounting standards, policies, and regulations.
	Budget holders/financial managers have clear understanding of revenue, expenditures, and fiscal processes.
	Staff accountant provides fiscal support and handles detailed transactions.
	Payroll Office remains abreast of guidelines pertaining to international students and implements accordingly.
Financial Monitoring	Involvement of individuals in various offices across campus including program coordinator (budget holder/financial managers), staff accountant, and designees at higher levels.
Financial Processing	Involvement of individuals in various offices across campus including program coordinator (budget holder/financial managers), staff accountant, Accounts Payable, travel Office, Accounts Receivable. Payroll, Purchasing.

and provides leadership in three broad categories including: 1) fiscal (safeguarding assets and ensuring proper internal controls); 2) physical (ensuring buildings and grounds are safe and properly maintained); and 3) administrative (providing professional administrative support services to the campus). Areas reporting to him directly include budget, facilities management,

finance and budget, human resources, procurement services and central stores, public safety and university police.

**4.4.2.2 Involvement in international relationships** The vice president has become increasingly involved with international partnership activity given the heightened interest on campus in expanding into international markets. While he was not at IUP when the partnership began between IUP and PES, he has been very involved in a more recent large partnership established between IUP and an institution from China. With the IUP-China partnership, he helped to negotiate and establish a financial model that he hopes can serve as a basis for future large international partnership initiatives. He indicated that his involvement in the IUP and China partnership program shed more light on international opportunities and the complexities associated with financial negotiations. While the vice president is responsible for fiscal oversight and leadership, his staff is responsible for the day-to-day accounting and reporting associated with all university accounts including international partnership activity such as study abroad, exchange agreements and various other forms of partnerships.

**4.4.2.3 External factors** The vice president indicated that there are numerous external stakeholders that influence the creation, structure and operation of an international partnership such as the State System Board of Governors, State System officials, legislators and the communities which they serve. The priorities, policies, and procedures of each of these external groups can influence the creation and maintenance of international partnership programs. Clear communication regarding program goals and demonstration of fiscal responsibility can contribute to gaining and maintaining support for new international partnerships and models. Faculty, staff, and administrators across the State System have the opportunity for input into Board policies and procedures.

While the Board of Governors provides very specific policies that must be adhered to, legislators have their own responsibilities associated with activities of institutions as they pertain to their respective political interests, constituents, and regions. With pressure from the community to keep the cost of education down for Pennsylvania students, legislators may ask what in the world are we doing partnering with a school in India. Why do we need to partner with schools from India when we need to take care of the students in our own areas? Are we using our taxpayer dollars wisely? These are valid questions, and it is important for the

university president and other leaders to be able to respond to inquiries and to communicate effectively regarding the benefits and opportunities associated with international partnership activities.

The vice president also pointed to the need to carefully consider market conditions. Is this a viable market? Who are our competitors? What type of risk is associated with this market? While he is not responsible for conducting this specific analysis, he relies on the individuals working to implement a new program to conduct market research, to analyze data and to report on findings.

**4.4.2.4 Internal factors** The vice president addressed four internal factors that he believed influence the creation, structure, and operation of an international partnership including:

1) university mission and strategic initiatives; 2) institutional leadership, 3) support from IUP Council of Trustees; and 4) the university financial condition.

*Mission and strategic initiatives* The vice president indicated that a key internal factor is the priority given to internationalization efforts by its inclusion in the mission and strategic initiatives of the University and the ability of various international programs to contribute toward the achievement of this mission. IUP's Mission Statement clearly emphasizes core values associated with diversity, global awareness, student development, academic excellence, and resource development. The vice president indicated that it is within this framework that efforts associated with international activities should be built and funded.

*Institutional leadership* A second internal factor that the vice president addressed is institutional leadership. He noted that IUP has had a significant turnover among senior administration over the past decade, including several changes in university presidents. With each change in senior level administration, the priorities have shifted somewhat between those who have supported international partnership programs and those who have been less interested. Some have been highly involved with international partnership activities, while others have been less involved. Without the support of the university president and senior administration, internationalization efforts can easily be placed on the backburner while more pressing issues are being addressed.

*Council of Trustees (Council)* Each university within the State System has its own Council of Trustees. Individuals on the Council report directly to the Chancellor of the State System and have responsibility for financial oversight and compliance of university policies with state law. The Council relies on the strong leadership of the university president and his/her team and provides the president with the autonomy necessary to run this institution. They provide guidance, support and leadership on campus issues while ensuring that State System policies are adhered to. Without the combined support of the university president and the Council of Trustees, internationalization efforts would not move forward. Council members, in general, are aware that Pennsylvania students need exposure to other cultures and are generally supportive of having international students in the student body.

*Budget situation* As the university budget condition worsens, the vice president believes that it is prudent to consider alternative sources of revenue such as those that might be generated from international partnership programs. On the other hand, there is a valid concern of entering into new areas at a time when resources to cover existing initiatives are scarce. The vice president indicated that it is critical to have a good model in place for international partnership ventures that protects the core operations of the institution and provides opportunities for new revenue streams.

**4.4.2.5 Financial goals** Given severe budget cutbacks experienced in higher education in Pennsylvania (base appropriations decreased by 9% between 2010-2011 and 2011-2012 and by over 17% between 2007-2008 and 2011-2012), the vice president is interested in exploring opportunities that have the potential for revenue generation for the university. He cautions, however, the programs such as the IUP-PES partnership must, at a minimum, be able to stand on their own and not require additional allocations from the institution. Programs such as these must be fiscally sound and carefully managed. Ideally programs would not only cover their costs, but would also generate a profit that would contribute to the university operations.

**4.4.2.6 Critical ingredients** The vice president believes that internationalization efforts are important and hopes that the institution wants to be in the business. He recognizes that students benefit, faculty benefit, and that the viability and stature of the university is enhanced through

international partnerships. Engagement in international partnerships and global programming, he noted, will be one factor that contributes to distinguishing one institution from another. He believes that IUP has the desire and the wherewithal to set itself apart from other campuses through international partnership initiatives. He qualifies this, however, by indicating that desire and wherewithal is not sufficient. It is critical that the campus have the proven ability to take care of business at home. He believes that IUP should be able to successfully demonstrate that we are performing our core functions of teaching, research and service on our own campus. When we do this, he believes that we have matured as an institution and can move to another level including international partnerships. Even at that, he noted, everyone can't do this. Each institution needs to "size itself up" in its ability to manage and support international activity.

The vice president provided general parameters associated with factors that he believed were essential in a partnership such as the one between IUP and PES. He understands and appreciates the concept of a "partnership" and views a partnership as a ritual of evaluating costs and benefits. He believes that it is critical that a partner be able to identify its needs and be able to clearly articulate these needs. He added that partnerships are relationship driven, in which both parties should be able to determine what's in it for us and what's in it for them. Neither party should be viewed as exploiting the other. Both parties need to recognize that there will be problems and that everything will not be perfect. Both parties need to conduct due diligence, work to minimize risks on both sides, and try to consider things that might come up in advance. Communication, collegiality, collaboration, and trust within a campus and between partners are essential.

In reflecting on his experience with the recent IUP-China partnership, the vice president believes IUP's international models are growing and maturing. He believes that we are on our way to creating a formalized model that is appropriate, involves the key decision makers, includes all fiscal and operational considerations, and has appropriate reporting mechanisms in place. He cautions, however, that we can't be all over the place with our models and that we can't proceed with every initiative that comes along. We need a standard base model for international partnerships. We shouldn't start from scratch each time and have a different model for every partnership program. We need to drive a model, let the model mature, and leave room to tweak it as we go along. While the base model should be a starting point, he recognizes that each partnership/situation is likely to have nuances that warrant adjustments.

**4.4.2.7 Perceptions of colleagues** While the vice president fully realizes the value of international partnership programs, he indicated that we are facing reductions in state appropriation levels. We can't be all things to all people given scarce resources. Perceptions, therefore, are mixed. We need to consider why we are doing this. We need to explain why we are giving partner students a discount as compared to the maximum that we could collect from an international student. The vice president works to stay abreast of professional development activities that include exposure to internationalization and globalization. It is helpful that beyond his financial training, he has an academic background and an educational outlook that contribute to his appreciation for internationalization efforts. He does encounter colleagues that are somewhat narrow in their views and who have a limited understanding of the value of internationalization efforts.

The vice president also cautioned that we need to avoid having the perspective that any program (including the IUP-PES partnership) be considered a "cash cow" for any one area. All programs, he noted, should be seen as institutional programs as opposed to an individual college within the university doing their own thing irrespective of university needs and priorities. On the other hand, areas should be recognized and rewarded for their entrepreneurial initiatives.

**4.4.2.8 Financial risks and strategies** The vice president indicated that many factors could influence the ability for the IUP-PES partnership to continue. The most obvious reason that a partnership such as this would end is that it was simply not viable anymore. There may be a time where revenues are not sufficient to cover expenses, or we believe that the institution is investing more into it than it is receiving. The complexion of the campus and its priorities can change with influence from changes in the Board of Governors, the Council of Trustees, legislators, other political parties, and community influence. The vice president indicated that the State System Board of Governors may change policies to such an extent that they make the program cost prohibitive for us and for our partner.

**4.4.2.9 Fiscal roles and responsibilities** The vice president indicated that it is the responsibility of his division to work with the program managers and other key individuals to review the resource requirements and financial model at the beginning stage of partnership discussions. He

and his staff should not be brought into the fold at the middle of the planning process. He noted that it is his responsibility to oversee and bring together the fiscal and administrative services to ensure that programs such as IUP-PES not only receive the financial guidance from the accounting staff, but also the administrative support in servicing students such as facilities and maintenance.

The vice president believes that it is the responsibility of his staff to “police” all program activity to ensure that we are adhering to policies, regulations and standards. However, the vice president indicated that with increasing emphasis on internationalization, it was his role, now more than ever, to educate and orient his staff to see the bigger picture for the university, to learn to be more flexible and to be more open to new models and ideas. While it was critical for him and his staff to maintain fiscal accountability and responsibility, there is significant latitude to help create, promote and support new programming options.

The vice president noted that other than the amount allocated to be used to provide for partial tuition waivers (as detailed in the interview conducted with the assistant vice president for the office of International Education and Global Engagement), international education and international partnerships are not funded at the university level. The Office of International Education and Global Engagement falls under the Division of Academic Affairs and is allocated funding by the university provost. Decisions regarding staffing and operations are made by the provost and not by the vice president for administration and finance.

Table 13 highlights fiscal considerations of an international partnership as identified by the vice president for administration and finance.

#### **4.4.3 State System Associate Vice Chancellor for Administration and Finance**

**4.4.3.1 General description** The associate vice chancellor for administration and finance works in the Office of the Chancellor for the Pennsylvania State System of Higher Education (State System) in the Division of Administration and Finance. She is primarily responsible for helping to guide and administer the State System’s budget and financial policy. She has taken the lead on and assists with fiscal policy development, research and analysis. She develops recommendations to be vetted by various leadership team groups including the System Board of

**Table 13. Vice President for Administration and Finance – IUP – Fiscal Considerations**

Fiscal Considerations	Detail
External Factors	Compliance with priorities, policies and procedures established by State System Board of Governors and System officials.
	Establishment of priorities by legislators and communities which they serve.
	Careful evaluation of market conditions.
Internal Factors	Alignment with University mission and strategic initiatives.
	Priorities of institutional leadership team and Council of Trustees.
Financial Goals	Need for international programs, at a minimum, should be self-supporting and ideally generate new revenue streams for the unit and for the institution.
	Need to take into account the budgetary condition of the campus.
Critical Ingredients	Ability of an institution to take care of business at home before venturing into international market.
	Need for institutional maturity.
	Ability of institution to evaluate ability to manage and support international activities.
	Ability of each partner to identify needs and be able to clearly articulate those needs.
	Trust between partners with neither partner exploiting the other.
	Need for due diligence to minimize risk on both sides.
	Need for high quality communication, collegiality, and collaboration.
	Need for standard base financial model that can be used as core model and adjusted for specific partnership nuances.
Perceptions of Colleagues	Mixed perceptions regarding priority for international partnership activities.
	Vice president recognition of the value of internationalization and globalization activities.
	Narrow view and limited understanding of some colleagues.
	The importance of having activities that are seen as contributing to institutional needs and priorities as opposed to compartmentalized areas.
Financial Risks and Strategies	Risk that program is not viewed as viable in relationship to university and stakeholder priorities.
	Risk that program revenues are insufficient in relationship to direct and indirect costs.
	Risk that policies change that result in cost prohibitive partnership initiatives.
Fiscal Roles and Responsibilities	Need for involvement of key individuals at planning stage of program.
	Need for vice president for administration and finance to provide both financial and administrative support to program and students.
	Need for vice president for administration and finance to educate and orient staff to broader picture of higher education.
	Need for appropriate budget units on campus to be fiscally responsible.

Governors, the System’s leadership team, university presidents, chief academic officers, and vice presidents.

**4.4.3.2 Involvement in international partnership activities** The associate vice chancellor is involved in international partnerships in three key areas including: 1) the development and

implementation of the model to distribute state appropriations among State System universities; 2) the development and implementation of the model to distribute performance funding dollars among State System universities; and 3) the development of tuition and fee policies that impact charges to all students, including international students. Each of these areas is detailed in the associate vice chancellor's interview section regarding internal factors that influence the creation, operation, and maintenance of an international partnership from a fiscal perspective.

The associate vice chancellor was involved early on in the IUP-PES partnership as she was consulted and provided guidance regarding which Board policies the institution would need to consider in establishing an agreement. As IUP was working on the initial negotiations, she directed the institution to Policy 1983-18-A that indicated that universities can enter into a contract for delivery of a program as long as the amount collected from the partner covers the total "direct cost of instruction." She also advised IUP that if they entered into such an agreement they were permitted to waive any and all fees, with the exception of the technology fee. Tuition, she noted is considered a "fee" and could be waived. Her involvement with the partnership program has been limited since its inception, except knowing that the program continues to be in effect. The associate vice chancellor added that there is no single department in the System office that focuses on international activities.

**4.4.3.3 External factors** The associate vice chancellor identified the following external factors that influenced the creation, operation, and maintenance of an international partnership from a fiscal perspective:

*Responsibility to the citizens of Pennsylvania* The associate vice chancellor realizes that the Pennsylvania high school graduation numbers are diminishing and that State System universities need to consider alternative customers and revenue streams. She indicated that as a state institution, she believes that our first and foremost responsibility is to the citizens of the Pennsylvania Commonwealth. Any strategic direction that institutions within the State System take needs to support and improve upon what they are offering to the Pennsylvania citizens. As a public institution, these international partnerships have to be looked at through a "public" lens. Institutional leadership needs to be prepared to answer questions regarding why IUP would be

entering into a partnership with India, what the value is to Pennsylvania students, and how we can afford the program.

*Bond ratings* Another factor that was discussed during this interview is that State System office personnel monitor Moody's indicators pertaining to the financial health of system universities. This is important because the State System relies on Moody's for its bond rating which affects the System's ability to borrow funds and at what price. Many of Moody's indicators are demand functions that are based on overall enrollment. In other words, "what is the demand for our service?" Net revenue is a positive factor and higher enrollments contribute to this, including international enrollments. In the recent past, stagnant enrollment, net tuition revenue trends, heightened competition, the decline of high school students in the commonwealth, and student concerns regarding rising educational costs, all contributed to the temporary movement of the System's Moody's rating from stable to negative. The associate vice chancellor indicated that, to the extent that we are looking to diversify our base and strengthen our enrollments by offsetting the decline in Pennsylvania high school students with students from other states and other countries, represents a positive factor for Moody's ratings.

*Workforce competition* The associate vice chancellor also indicated that she had some concern regarding what the large international partnership programs were doing for the workforce demand for Pennsylvania MBA graduates. Are we causing more professional jobs to move overseas by educating international students? Are we preparing international students for professional jobs that are moving overseas? Are we encouraging growth of jobs outside of the United States and thereby causing there to be fewer job opportunities for Americans in the more desirable fields? She indicated that unemployment rates impact our tax structure. Welfare and unemployment programs require significant funding and therefore there is less funding available for higher education appropriations. Is educating international students the role of state public institutions? What is the end result? She maintains that our focus should continue to be on educating the citizens of the state and acknowledged that internationalization efforts may be one form of the educational process.

**4.4.3.4 Internal factors** The associate vice chancellor identified the following internal factors that influence the creation, structure, and operation of an international partnership from a fiscal perspective:

*Distribution of state appropriations* Following a comprehensive budget request and hearing process, the State System is provided with annual state appropriations through the Commonwealth of Pennsylvania. Act 188 of 1982 specifies that this appropriation is to be distributed among the 14 universities within the System based on a funding formula established and approved by the State System Board of Governors. Board Policy 1984-06-A (Allocation Formula) establishes the method by which the System's Educational and General (E&G) appropriation is to be distributed to the State System entities and for System-wide initiatives. The complex funding formula used for distribution of funds is primarily driven by resident enrollments by course level and cost. International and out-of-state enrollments are not used in the allocation formula. Therefore, any enrollments from international partnership programs such as the IUP-PES partnership do not receive base appropriation support from the System

The associate vice chancellor noted that state support is a diminishing percentage of the budget. In 1983-84, for example, state appropriations accounted for 63% of the Educational and General Budget for the State System. In 2001, it was 47% and today it is 27%. Tuition and fees, generated from all students (including international students), and other miscellaneous sources, now comprise 73% of the State System's total Educational and General resource base.

*Tuition and fee policies* Factoring in the level of state appropriations and projected system-wide expenditures, the State System Board of Governors annually establishes a common undergraduate resident tuition rate, a common undergraduate nonresident tuition rate, a per credit graduate resident, and a per credit nonresident or graduate tuition rate. Board Policy 1999-02-A addresses tuition policy and articulates the basic objectives and guidelines of the System's tuition structure. Graduate nonresident tuition is set at a level that ensures that graduate nonresident students are paying the State System's average net cost of education. Adjustments can be made to each category of tuition with State System approval based on such factors as: the cost of instruction; the level of services provided to the student; the level of tuition necessary for the

university to offer programs; the degree to which universities are at, above, or below student enrollment capacity; and the relationship between pricing and demand.

The associate vice chancellor is responsible for monitoring tuition trends, appropriation trends, and funding trends nationally. She indicated that there are several policies that impact what an institution can and can't do regarding charges to international students. Policies that impact charges to international graduate students (such as those in the IUP-PES partnership) are those related to tuition for graduate students and nonresident students (Policy 1999-02-A) and those pertaining to student domicile regulations (Policy 1985-03) that outline regulations associated with where an individual (such as a student) is officially residing.

The policy most relevant to the IUP-PES partnership program, however is Policy 1983-18-A (Waiver of Fees) that indicates that, upon recommendation of the president of each university, a university may waive any or all fees for foreign students (a needs assessment shall be performed to determine the amount of the waiver) or for students whose direct instructional costs are funded by a grant or contract. IUP has a formal contract with PES for delivery of an MBA degree, allowing the university to waive a portion of fees to be competitive. Note: IUP annually documents that program revenues from the contract are sufficient to cover the direct instructional costs of the program.

The associate vice chancellor noted that there has been a significant level of discussion regarding tuition and fees for international students. Heightened attention is attributed to declining state appropriations, increased efforts in identifying alternative revenue streams, increased interest in internationalization efforts, and lack of clarity on procedures for seeking institutional adjustments to tuition rates. In June 2011, a draft clarifying document was prepared that addressed procedures for charging tuition and mandatory fees in the State System. In addition to outlining parameters for charging graduate nonresident students, the draft policy also identifies procedures for obtaining adjusted tuition rates for graduate programs. Requests for adjustments must include a detailed rationale, the marketability of the program, and a recommended price.

With all tuition adjustments, the State System office continues to perform a calculation annually to ensure that all nonresident students, in total, generate at least enough revenue to cover the average cost of education per student. Results have been positive each year with the revenue exceeding the average cost.

*Performance funding* For 2011-2012, the State System reserves \$35.8M (8.7% of the Educational and General (E&G) Base Appropriation and 2.4% of the System's total E&G revenue) to be allocated to universities based on their performance results in various categories in areas of student success, access and stewardship. While specific performance indicators have changed over time, several of them are impacted by international partnership activity including those that are driven by enrollments (such as faculty credit hour productivity and those that consider performance of students (such as 2<sup>nd</sup> year persistence and number of degrees awarded. It is important to note that international students do not contribute to any student-related diversity performance indicators.

The associate vice chancellor indicated that it is important for each campus to have individuals who understand the detailed calculations of each performance indicator and the impact that enrollments from various sources have on these indicators. Some international partnership programs, such as those that have exchanges with a limited number of students, will have little or no impact on performance results. Programs such as the IUP-PES partnership, with over one hundred students in the pipeline at any given time, can and will influence indicator results. Beyond the sheer numbers that can impact student faculty ratios, large partnership programs with effective support services can impact retention in a program and numbers of degrees awarded.

**4.4.3.5 Components of a financial model** The associate vice chancellor listed the following priorities that she believed should be included in any international financial model such as the IUP-PES partnership. The model should: 1) comply with State System Board Policy; 2) not utilize Pennsylvania state appropriations; 3) be revenue generating and self-supporting; 4) cover indirect costs; 5) include contingency and emergency plan (should mitigate risks associated with financial problems, safety concerns, and health problems); 6) consider start-up versus ongoing costs; 7) ensure that a multi-year agreement offsets start-up costs; 8) identify how either partner gets out of the agreement; 9) consider how long would it take to get out of the agreement; 10) consider facility requirements, personnel requirements, and technology requirements; 11) consider if the IUP MBA program would be viable without these enrollments (in other words, how does this program contribute to the existing MBA Program viability); 12) involve

University's legal counsel and obtain approval; and 13) include considerations regarding the market conditions.

**4.4.3.6 Fiscal roles and responsibilities** The associate vice chancellor does not feel that her role has changed significantly over time, but Pennsylvania demographics have changed significantly. The number of high school graduates is going down and, as a State System, we need to look at our non-traditional programs in order to maintain critical masses that help to keep programs open for Pennsylvania citizens. These non-traditional enrollments could include adult learners, more distance education and international programs.

As more institutions move into international partnership activity, there has been an increase in discussion about this among the State System leadership, including university vice presidents and presidents. As long as institutions are in compliance with current Board policies then the State System is supportive of each institution moving forward with their respective international partnership programs. In the associate vice chancellor's opinion, there are only a few expectations regarding tuition and fees associated with international students and the institutions must stay in compliance.

The associate vice chancellor believes that university presidents need to be making the best decisions for their institutions. They are all dealing with a different market and different demand functions. Solutions will differ among institutions. Changing demand and declining state appropriations both need to be taken into account.

In regard to the Board of Governors, their goal is to provide the highest quality education at the lowest possible price to Pennsylvania resident students. When there are decreases in state appropriations, the Board tries to mitigate the cost to students, works to keep tuition increases as low as possible, and requires institutions to lower expenditures to keep their budgets in balance.

The Board, in dealing with officials across the State System, is working to become more flexible in tuition policies and is seeking ways to be more creative in generating enrollments. They are looking to winter, summer, graduate enrollments, and resident enrollments as ways to offset the decline in the core undergraduate resident population. Institutions need to consider how to generate both demand and revenue.

**4.4.3.7 Key decision makers** The associate vice chancellor indicated that the key decision makers are the university presidents. The State System works to provide autonomy to the individual campus presidents in running their respective institutions. The associate vice chancellor noted that there is often consternation with the meaning of “diversity.” When we talk about international programs as a way to provide more diversity, this often rubs diversity officials the wrong way as this may not be in sync with diversity goals in the workplace and in a student body. Diversity issues are not addressed with international position appointments and programs.

**4.4.3.8 Financial monitoring** The associate vice chancellor indicated that it was the responsibility of the universities to monitor international partnership program activity. The State System officials do not get involved at this level of detail. Enrollments, workloads, revenues, and expenditures are all consolidated when they are reported to the System office. The State System relies on vice presidents and their controllers (directors of financial operations) to ensure fiscal responsibility and compliance. Unless something unusual comes through from an external audit at the individual campus level, nobody in the State System office is involved in financial processing. If external auditors find inconsistencies with individual financial statements, they may raise concerns with the controller (director of financial operations). Significant issues would be reviewed by the external auditor and could reach the vice chancellor level if not resolvable at the campus level.

**4.4.3.9 Financial rewards** The associate vice chancellor felt that it was important for IUP to be able to document and justify the fact that because of the IUP-PES partnership and other international activities, that IUP is able to maintain or open new programs for Pennsylvania students. We should be able to explain how these activities improve the quality of academic programs and/or reduce costs for Pennsylvania students. At the core of educational institutions in the State System is the responsibility to improve teaching and programming for Pennsylvania students. Our role is to improve the job placement opportunities for Pennsylvania resident students. She recognizes that international partnerships may be contributing to the placement opportunities of our Pennsylvania residents as they gain more understanding of the global economy and cross-cultural issues.

The associate vice chancellor indicated that just like the value associated with diversifying the financial portfolio, she sees international partnership programs as one way of diversifying our enrollment portfolio and offsetting the decline in high school graduates in Pennsylvania. The impact of this decline, she added, is being felt to a greater extent at institutions on the western half of the state, including IUP.

Table 14 highlights fiscal considerations of an international partnership as identified by the associate vice chancellor of the State System.

**Table 14. Associate Vice Chancellor - State System – Fiscal Considerations**

Fiscal Considerations	Detail
Internal Factors	Need to recognize that distribution of State Appropriations among State System universities is based primarily on enrollments (and excludes international enrollments)
	Need to recognize that State Appropriations are a declining percentage of institutional budgets and international enrollments increase the revenue base.
	Compliance with tuition and fee policies as it relates to charges, waivers, and adjustments.
	Consideration of performance funding programs that may or may not include international student enrollments.
External Factors	Recognition of responsibility to the citizens of the state for utilization of tax dollars to support educational costs of Pennsylvania students.
	Recognition that bond ratings can be affected by declining high school enrollments and reduced state appropriation support. International enrollments and revenues can benefit ratings.
	Impact of educating international students on the workforce demand for Pennsylvania MBA graduates including the fact that unemployment rates impact our tax structure, welfare and unemployment programs, and funding available for higher education.
Components of Financial Model	Compliance with State System Board Policy.
	Assurance that partnership program is not funded with state appropriation funds.
	Assurance that program is self-supporting.
	Need to cover direct costs and indirect costs.
	Contingency funding.
	Start-up versus ongoing costs.
	Need for multi-year agreement to offsets start-up costs.
	Provision that clarifies how either partner exits the partnership.
	Determination if on-campus program is viable without added partnership enrollments.
Involvement and approval from legal counsel.	
Consider market conditions.	

**Table 14 (continued). Associate Vice Chancellor – State System – Fiscal Considerations**

Fiscal Considerations	Detail
Fiscal Roles and Responsibilities	Recognition that Board establishes policies related to tuition, fees, and waivers with input from system-wide leadership team.
	Recognition that Board is working to provide highest quality education at lowest possible price to resident students.
	Recognition of need to look to non-traditional enrollments to offset decline in traditional high school graduate population including distance education, adult learners, and international students.
Key Decision Makers	Recognition that Board works to provide autonomy to university presidents to make the best decisions for their institutions given different market and demand. Solutions will differ among institutions.
Financial Monitoring	Recognition that monitoring is the responsibility of each individual university. State System relies on vice presidents and their controllers (directors of financial operations) to ensure fiscal responsibility.
Financial Rewards	Need to document that international partnership contributes to the maintenance and/or addition of programs for Pennsylvania students by making them viable with sufficient enrollments.
	Recognition that internationalization efforts may be contributing to placement of our students who have gained cross-culture understanding and global exposure.
	Recognition that international enrollments serve to diversify our enrollment portfolio.

## **4.5 ASSISTANT VICE PRESIDENT FOR INTERNATIONAL EDUCATION AND GLOBAL ENGAGEMENT - IUP**

### **4.5.1 General description**

The Office of International Education (OIE) and Global Engagement is a part of the Academic Affairs Division at IUP and is a comprehensive international office that supports all facets of international programming activities on the campus. The assistant vice president (AVP) reports directly to the provost and vice president for academic affairs.

The AVP has institutional responsibilities for negotiating international agreements, handling relationships with governmental/non-profit sponsors with an international mission (such as Muskie, Fulbright, and World Learning), and dealing with for-profit program sponsors (such as CHEVRON). She works closely with both the undergraduate and graduate offices on campus to establish and monitor criteria for international student admissions and to address transfer credit issues for international students and study abroad students. The AVP works to build relationships

with faculty and academic deans who are interested in exploring and/or expanding international partnership opportunities and provides guidance to faculty who lead study abroad programs for students.

The AVP works across all divisions with goals of expanding understanding of internationalization opportunities and benefits, increasing faculty engagement, and integrating international components into the curriculum.

The AVP indicated that her office has frequently changed reporting structures over the past decade. Initially, the office reported to the Academic Affairs Division, but in 2000 it was moved to the President's Office. In 2003, the office was moved from the President's Office to the Student Affairs Division and then in 2006, the office was moved back to the Academic Affairs Division. Constant changes have made it difficult for the area to gain recognition as a source for international activity support, and diminished the view of international programming as a priority for the institution.

The AVP indicated that the return of her area to the Academic Affairs Division has been positive in that it provides more visibility for the area with faculty and academic colleges, provides the AVP with the opportunity to become engaged with faculty and students, and helps to incorporate internationalization into the overall learning environment. The AVP indicated that it was with this recent move back to Academic Affairs that her position was elevated from director of international education to assistant vice president for international education and global engagement.

During the fall of 2011, there were more than 700 international students from 75 countries on the IUP campus. There are approximately 300 IUP students studying abroad (both short-term and semester programs) each year.

#### **4.5.2 Involvement with the IUP-PES partnership**

The AVP was not initially involved in the planning and negotiations surrounding the establishment of the IUP-PES partnership. She attributes this to the fact that her office was in student affairs at the time the partnership program began and her connection was not as strong with the dean of the Eberly College and the IUP-PES program coordinator (also referred to as dean's associate) as it is now. While she was asked to sign the IUP-PES contract, her signature

was really perfunctory. Her office has, nevertheless, been involved in providing document services to the PES students since the beginning of the program.

After moving back to Academic Affairs, the AVP was asked to become more involved in the IUP-PES partnership and visited PES in Bangalore, India, with the provost in December 2006. During this site visit, she had the opportunity to meet with prospective students, to meet with current students who would be traveling to IUP to obtain their MBA concentration, to make presentations about IUP, to meet with faculty and administration, to visit facilities, and to learn more about the culture of the region. This visit gave her the opportunity to learn more about the partnership and to provide increased support to the students and to the IUP-PES program coordinator.

The AVP indicated that, in general, she is less involved in the IUP-PES partnership than she is with other international programs across the campus. She attributed this to the leadership from the IUP-PES program coordinator and the administration in the Eberly College. She also recognized that the program coordinator has a strong relationship with the partner, which contributes to the ability to address issues and concerns in a timely manner. Lines of communication are open between the individuals in the Eberly College, with the partner, and with the AVP.

### **4.5.3 External factors**

The AVP indicated that international partnerships are complex. There are a number of external factors that influence the creation, structure, and operation of an international partnership from a fiscal perspective. Some of these factors pertain solely to exchange agreements, where some can be applied more broadly to larger international contracts. Each of these factors is discussed in more details as follows:

**4.5.3.1 Exchange rate** When considering the viability of an international program, decision makers should consider the exchange rate and the stability of the exchange rate. The AVP suggests that exchange programs incorporate a 10% buffer to allow for shifts in the exchange rates. If the program ends with a surplus, then funds can be returned or an additional excursion or activity can be added for visiting students. She realizes that the IUP-PES partnership requires

advanced collection of the contract amount by PES and that IUP is not impacted by any fluctuation in the exchange rate. IUP is paid the amount due in U.S. dollars.

**4.5.3.2 Exchange potential** For exchange programs, key decision makers should consider the potential for two-way traffic of students. Is there potential for import of their students and export of our students? If, for example, the institution is exploring an exchange with a developing country (such as Africa), the exchange wouldn't be viable if all expenses (tuition, fees, housing, meals) are not included in the agreement because their students simply wouldn't be able to afford to come to IUP. A true exchange should be as close to possible to a "bed for bed" arrangement. Without this, there is the potential for an imbalance in the exchange and a larger financial burden on the schools receiving the greater number of students. In some instances, when an imbalance is projected, institutions create an alternative formula to offset the imbalance (such as a two-for-one exchange).

**4.5.3.3 Cost of living** The cost of living at a potential partnership location should be considered. In some instances, the cost of living is so much higher in another country that our students can't afford to go there (such as Norway), while their students can afford to come to the United States. This leads to an unviable exchange. In these instances, an institution may create a "fee-based exchange" (rather than a "bed for bed" exchange) permitting students to have a discounted rate (as opposed to even exchange) if they want to come to the United States

**4.5.3.4 Transfer taxes** Key decision makers should carefully explore and clarify the tax implications that exist in any region around the world associated with transferring funds out of one country and into another. Some countries charge hefty taxes to organizations and individuals who are transferring funds out of the country. In the case of a partnership that calls for a lump sum transfer for multiple students (such as the agreement between IUP and PES), tax implications should be known and dealt with by both partners during the negotiation process.

**4.5.3.5 Reserve Bank guidelines** The AVP indicated that national reserve banks control the flow of currency between countries. In some cases (such as South Africa and Bangladesh), the AVP is required to generate a letter for a foreign student that wants to come to study at IUP that

outlines the total cost of education and anticipated personal costs that this student will incur while they are studying in the United States. This letter must be prepared annually and is required before a family can receive governmental approval to wire funds for their student's education.

**4.5.3.6 Scholarships** In some cases, international students are provided with full scholarships to come to IUP (such as athletes or community assistants who work in the residence halls). In instances where a scholarship is greater than the out-of-state tuition and fee total (covering such extra things as housing, meals and books), the international student is required to pay taxes to the U.S. Government at a rate of 14%. The AVP indicated that, according to U.S. tax code 1441 (withholding of tax on nonresident aliens), a scholarship/fellowship payment made to a nonresident alien individual is subject to a 14% withholding tax rate, provided that the person is in the United States, on an F, J, M, or Q visa and is a candidate for a degree. The 14% tax rate, she indicated, only applies to the taxable portion of the scholarship/fellowship award (room, board, travel, etc.), because the tuition/fees portion is exempt from tax under Section 117; therefore, no withholding is required on this portion of the award.

The AVP indicated that IUP assesses the tax, collects the money from the student, and pays the tax to the U.S. Government for the student. If the student does not pay the university assessment, a hold is placed on his/her account and he/she is unable to register for classes and unable to obtain transcripts or a diploma. The AVP is responsible for developing the language for the contracts with the students (such as community assistants and athletes) to make them aware of the tax, but the Bursar's Office and the Office of Financial Operations staff work together to assess, collect and pay the tax. The University issues the student a 1042-S for which accounts for the foreign person's U.S. source of income that is subject to withholding.

**4.5.3.7 Evidence of fiscal status** The U.S. Department of State, which is responsible for issuing student visas, ensures that a student who applies provides financial evidence/proof of their ability to support one-year of study (including tuition, fees, meals, housing, and books) at a given U.S. institution through completion of a Financial Affidavit of Support. This documentation is self-reported and provided by the student to the U.S. Embassy in the student's home country when a student applies for his/her student visa. IUP is provided with a copy of this documentation as part

of a student's application. This documentation is collected to verify that the student will not be a financial burden to federal or state agencies in the United States.

**4.5.3.8 Health insurance** The AVP indicated that students with J-1 Visas are federally mandated to have major medical health insurance coverage through the duration of their stay for themselves and all of their J-2 dependents. It is mandatory for them to provide evidence of this coverage to their campus J-1 advisor. In 2006, the AVP recommended and obtained approval for the implementation of a Repatriation/Evacuation Fee that was also mandatory for all international students who are studying on the IUP Campus (F and J visas). These funds are used in the case of death and the subsequent return of a body to a student's home country. The fee is \$22.00 per year.

**4.5.3.9 SEVIS System (Student Exchange Visitor Information System)** Every three years, institutions such as IUP have to pay \$2700 to the U.S. Government to be permitted to legally issue immigration documents for J-visa status. Payment of this fee covers various international services for the institution including access to the SEVIS exchange information system. The AVP noted that since 9/11, the Department of Homeland Security implemented various fees and increased others for services associated with processing international students.

**4.5.3.10 State System policies** The AVP indicated that State System support for international exchanges and partnerships is a key external factor that has and will continue to impact the university's ability to establish relationships abroad. In particular, policies regarding resident tuition rates and allowable discounts impact IUP's ability to negotiate with international schools.

These policies have received heightened review at the State System level in response to appropriation losses and declining high school graduation numbers. The State System is viewing the international market as an opportunity for alternative revenue generation, hoping to maximize (versus discounting) charges. The AVP indicated, however, that increased charges will negatively impact international partnership activity, particularly given the intense competition from schools with greater reputations and greater flexibility in discounting.

The AVP indicated that the State System still has policies in effect that allow for discounts/waivers to be provided to international students. Board of Governor Policy 1983-18-A addresses waiver of fees and indicates that upon recommendation of the president of each

university, each university may waive any or all fees for students in several categories including foreign students. The policy indicates that a needs assessment should be performed to determine the amount of the waiver. Board Policy 1983-18-A.01 (Procedures for Awarding Tuition and Fee Waivers to International Experience Students) further indicates that students receiving discounts/waivers are required to contribute to the globalization of the university and community. Service activities may include participating in cross-cultural events, speaking in campus programs, translating for law enforcement agencies, participating in family hospitality programs, and making presentations to local schools.

**4.5.3.11 Leadership** The AVP indicated that there is currently no advocate in the State System office for internationalization efforts. At one point there was a search underway for an assistant vice chancellor for diversity and international affairs, but the plug had been pulled on the search. The chancellor has created the State System International Education Council and this has enhanced communication among State System international offices, but the group plays a limited leadership role in representing their respective programmatic and financial interests.

**4.5.3.12 Audits** The AVP indicated that her office is subject to periodic audits associated with the issuance of immigration documents. There is a cost involved associated with onsite visits. She estimated several thousand dollars for the travel and costs associated with hosting a visiting team from the Department of Homeland Security. Institutions could be fined or stripped of their right to accept international students if they aren't in compliance with regulations. Individuals with responsibilities for immigration processing could be fined or imprisoned. The AVP noted that some agencies have served as immigration mills and/or have been charged with selling immigration documents. She noted several instances of American universities who had been raided by Immigration and Customs Enforcement (ICE) agents for exploiting visa loopholes to permit foreign nationals to live in the United States. She and her staff attend training on a regular basis to ensure that they are current with regulations. Detailed records must be maintained onsite to ensure compliance.

Table 15 highlights the external factors identified by the AVP that influenced the creation, operation, and maintenance of an international partnership from a fiscal perspective.

**Table 15. Assistant Vice President – IUP – External Factors**

External Factors	Detail
Exchange Rate	Need to minimize risk to institution by incorporating a buffer in exchange agreements or by requiring advanced payment in larger contracts.
Exchange Potential	The potential for two-way traffic of students to maintain a viable exchange.
Cost of Living	Cost of living at partner location in relationship to home institution to maintain a viable exchange.
Transfer Taxes	Tax regulations of partner pertaining to transfer of funds for tuition and fees.
Reserve Bank Guidelines	Reserve Bank guidelines associated with ensuring ability of student to cover cost of education.
Scholarships	Scholarship funding as compared to cost of education in relationship to tax guidelines.
Financial Affidavit of Support	Requirements regarding proof of financial ability to cover costs of education.
Health Insurance	Need for compliance with mandates regarding international student health coverage.
Student Exchange Visitor Information System	Fees associated with operation an international office, including those associated with the ability to legally issue immigration documents.
State System Policies	Need for compliance with State System Policies regarding required rates and allowable discounts to international students, and compliance with State System requirements for service work that contributes to globalization of the university and community.
Leadership	Leadership at State System level that can represent programmatic and financial interests.
Audits	Costs associated with on-site visits of international office operations performed by the U.S. Department of Homeland Security and charges associated with non-compliance.

**4.5.4 Internal factors**

The AVP identified several internal factors that influenced the creation, structure, and operation of an international partnership from a fiscal perspective. These internal factors are detailed as follows:

**4.5.4.1 Enrollment goals and revenue targets** The AVP indicated that, unfortunately, she historically has had little or no involvement with establishing enrollment projections for the University. It wasn't until this past year, with state appropriations in severe jeopardy and high school demographics declining, that her office was asked for projections regarding international enrollments. She indicated that this “sudden” interest in what the international population can do

for enrollments and revenue projections has occurred despite the fact that there have been no university allocations for international marketing and recruitment. Some administrators are expecting international students and related programs to be “cash cows” while there has been no investment in program development.

**4.5.4.2 Strategic planning** The AVP indicated that internationalization goals are not a high priority for the institution, but recognizes that there are many competing, important priorities across the campus. Without the sense of priority, resources are not easily allocated to support initiatives of the area. The AVP recently created and submitted a strategic plan for the international office and a corresponding plan for development of recruitment materials. Budget cutbacks will likely impede progress in this regard.

**4.5.4.3 Allocation of annual resources** For an institution the size of IUP, the AVP indicated that it is important to have sufficient staffing levels. Currently, both personnel and operating allocations are made through the provost to her area. In addition to her own position, her office is staffed with an administrative assistant, an immigration clerk, an international student advisor, and a study abroad advisor. She doesn’t believe that staffing is sufficient given the number of international students. A second international student advisor, at a minimum, would be beneficial.

**4.5.4.4 Exchange agreement fund balances** Unfortunately, many individuals across the campus do not understand the fiscal ramifications/models associated with exchange agreements. The AVP regularly needs to defend the reason for balances in exchange agreements to the administration, explaining that those funds need to stay in the account and be available to meet the obligations for the balancing side of the agreement. For example, a university cost center may have a balance in it because our student paid tuition and fees to go to a foreign institution, but a foreign student has not yet come to IUP as part of the exchange. Therefore, there is still a balance in the account. This has been a long-term issue and something that often comes up as a possible source of funds to help cover campus budgetary needs and other shortfalls. IUP maintains an exchange account for each agreement, as opposed to combining all exchange funds

in one account. This facilitates a clearer picture of the balance/imbalance with any given program at any given time period.

The AVP indicated that the same situation occurs with the IUP-PES partnership account. Individuals see a large fund balance in the program account and are anxious to use these balances to offset university shortfalls and budget needs. Those who understand the program recognize that revenues are collected in advance and the majority of the fund balance is committed for delivery of the program over the next two-year period.

**4.5.4.5 Faculty release** The AVP indicated that there are various faculty members across campus involved in internationalization efforts that include agreements and contracts. The IUP-PES partnership and the more recent partnership between IUP and a Chinese institution have resulted in release time for faculty coordinators. This does not occur in other internationalization efforts across the campus. The AVP believes that faculty releases are critical in cases where the partnerships are large and a higher level of student support is required.

**4.5.4.6 Financial incentives** The AVP indicated that the existence of financial incentives is often necessary in engaging faculty in international efforts. Partnership development and maintenance take a lot of time, if done well. The AVP can provide leadership and direction for partnerships, but can't possibly visit all locations and support all students in all activities. Engagement of faculty is critical as are incentives for the participation. Incentives may come in the form of travel funds, operating support, and professional development funds. The AVP noted that there is no connection to the university tenure/promotion decisions regarding faculty efforts pertaining to international partnerships. She indicated that this is a national issue in the field of international education and something that she believes should be included in the tenure/promotion decision process.

**4.5.4.7 Partial tuition waivers** The AVP indicated that there is a cost to discounting tuition for international students that must be officially recorded on the university financial records as an expense. She is provided with a budget (approximately \$780,000 per year) that she must use to account for the level of discount that she gives to each international student who is not a part of the exchange program. Undergraduate students can be awarded up to \$2,000 per semester

discount/waiver and graduate students can be awarded up to \$1,000 per semester. The discount amounts must be carefully monitored. The AVP noted that not all students are awarded partial tuition waivers and some students pay the full out-of-state tuition and fee amounts. Consistent with State System policy (as noted earlier), students receiving discounts/waivers are required to perform service that contributes to the globalization of the university and community. At IUP, the service commitment is 30 hours of service each semester.

**4.5.4.8 Funding for technology** Technology is an area that may be overlooked in an international operation. An external program review that was conducted on the IUP campus in 2007-2008, however, reported that additional resources should be allocated to the AVP’s office to ensure that the staff had the hardware and software needed to support efficient and accurate online processing of international applications, study abroad paperwork and documents for international student scholars.

Table 16 highlights internal factors identified by the AVP that influence the creation, structure, and operation of an international partnership from a fiscal perspective.

**Table 16. Assistant Vice President – IUP – Internal Factors**

Internal Factors	Detail
Enrollment Goals and Revenue Targets	Need to include AVP and other key individuals in establishing annual international enrollment goals.
Strategic Planning	Development of a strategic plan for internationalization efforts and evaluate corresponding resource needs.
Allocation of Annual Resources	Adequate funding for staffing and operating expenses of the AVP operation.
Exchange Agreement Fund Balances	Need for a clear understanding and record of the balances and obligations for each individual exchange agreement.
Faculty Release Time	Need to explore options for release time for faculty associated with large international partnerships.
Financial Incentives	Need to explore options for other incentives for faculty engagement in international activities such as travel funding, operating support, and professional development.
Partial Tuition Waiver	Need to carefully monitor the budget provided to account for the discounting of tuition for international students.
Funding for Technology	Sufficient funding for AVP office to efficiently and accurately process international applications and associated documents.

#### **4.5.5 Components of a financial model**

The AVP is most familiar with the template for exchange agreements, which doesn't have a specific financial model. Exchange agreements are generic, with no dollars and cents listed. Basically, they are "bed for bed" arrangements. International students pay their home institution and receive an in-kind arrangement at the host institution. Our students pay tuition and fees at the in-state rate (regardless of residence) and then receive the in-kind arrangement at the foreign location. Most exchange agreements are for tuition and fees only, while some may include housing and meals. The AVP indicated that IUP also has a Study Abroad Fee that is charged to all outgoing students. Revenue generated from this fee is allocated specifically to support the operations of the AVP's office.

Regarding partnership programs such as the one between IUP and PES, the AVP indicated that the financial models developed must take into account the support required from her office and other offices on campus. Sufficient funds should be budgeted through communication between the program coordinator, dean, provost, AVP, and other key administrators, regarding the level of support required for a large partnership program. Currently, limited additional funding is allocated to the AVP's office to support the IUP-PES partnership activity. Program reviews conducted by external constituents have pointed to the need to ensure that OIE receives a portion of program revenues to ensure availability of funds to provide support services.

The AVP also noted that exchange programs that were once negotiated at the program level are now negotiated at the institutional level. In other words, agreements are institution to institution, as opposed to program-to-program. Exchange programs that were at the program level were at risk when the faculty member involved left the institution or was no longer interested in participating. Institutional level partnerships get more people involved from the institution, provide more opportunities across the curriculum, and contribute to the longevity of the agreement.

#### **4.5.6 Financial goals**

The AVP addressed financial goals associated with an exchange agreement including the desire to stay in balance with the exchange of students between institutions. While IUP exchange

agreements currently don't include any wording pertaining to recruitment responsibilities, recruitment efforts are expected of both partners. It is important for exchange partners to communicate financial status and evaluate the balance in the partnership. Adjustments in rates may be required to bring the exchange back in balance.

Regarding the IUP-PES partnership, the AVP believes that the financial goals should be to continue to generate sufficient enrollments to cover program costs within the Eberly College and provide some funding to her area to help with support costs. She hasn't been accustomed to receiving any profits from international programs and is happy to break-even. However, she noted that it would be nice to have some additional funding to be used to incentivize faculty engagement, to use as seed money for new initiatives, and to enhance marketing efforts.

#### **4.5.7 Financial incentives**

The AVP addressed several financial incentives surrounding international partnership initiatives including:

**4.5.7.1 Financial incentives for IUP students** The AVP indicated that exchange programs through universities are the most affordable option for students to study abroad. In the case of IUP exchanges, the university sets the price for the students. Study Abroad programs that are established by third parties, however, include significant overhead fees. She noted that there are three fees that have been created by IUP to cover program costs associated with study abroad/exchanges including an application fee (\$50.00), the International Student Identity Card (\$22), which covers basic major medical up to \$25,000, medical evaluation and repatriation, and the Study Abroad Fee (\$300), which supports the AVP's office operations. The AVP added that, despite exchange programs, study abroad programs are costly for students. She continues to work to identify scholarship opportunities for students and has engaged in scholarship discussions with prospective donors.

**4.5.7.2 Financial incentives for international students** Exchanges provide a very affordable experience option for international students who want to come to the United States and receive the same benefit of a "bed for bed" exchange as American Students. In addition to paying fees to

their own institution, these students are charged three fees by IUP including a one-time orientation fee of \$100.00, an immigration fee of \$50/semester, and a repatriation/evacuation fee of \$40.00/semester. The immigration fee revenues are used to cover the cost of an advisor in the AVP's office, and the repatriation/evacuation fees are used to pay for the cost of the coverage policy.

**4.5.7.3 Financial incentive for the institution** While international students do not generate state appropriation funding (which is primarily based on Pennsylvania state enrollments), they do generate significant tuition and fee revenues for the institution. In the past year, nearly \$7.4 million was generated in tuition revenues. Added revenues from university fees, plus housing and dining plans are also significant.

**4.5.7.4 Recruitment of both international students and American students** The AVP feels strongly that the existence of a strong international emphasis on a campus contributes to the recruitment and retention of high quality students on a campus. Without a good internationally diverse student population, high quality students (both international students and U.S. students) would be less interested in IUP. The AVP added that faculty benefit from the diversity in the classroom.

#### **4.5.8 Financial risks**

The AVP indicated that, while she is not a micro-manager, international partnerships are sufficiently multi-faceted and complicated that they warrant ongoing attention. Because of her expertise and the expertise of her staff, she believes that it is vital that she be included in international partnership exploration. While partner needs may vary, there are some base considerations that should be common with all partners. It is not necessary to completely reinvent the wheel each time. She noted that some faculty work to enter international arrangements on their own without the knowledge and skillset to handle all aspects of an agreement. Often her office is then asked to step in and help to resolve unanticipated problems and to help cover unanticipated costs associated with tuition, fees, and living expenses. Partnerships, she noted, can become unwieldy if everyone is doing their own thing. It is

important for her office to be consulted early in the discussion phases for all international partnerships.

The AVP also indicated that there are times when faculty egos are involved. Some faculty prefer to handle the partnership independently and don't take into account the support services that might be required from the AVP's office. Faculty may also work to shield a program/protect a program that is struggling and try to downplay behavioral issues, academic issues, and financial concerns. Negative outcomes can have implications for the institution's reputation and international relationships. The institution risks financial and programmatic problems if the appropriate staff is not brought into the discussion early on.

#### **4.5.9 Fiscal roles**

The AVP has become increasingly involved in the financial negotiations for international partnerships on campus. She attributes this to the fact that she now reports to the provost and vice president for academic affairs who requires that all international exchange/partnership discussions include the AVP or are vetted through her office. As a consequence, she has developed stronger relationships with faculty and academic deans in areas with strong international interests and programs.

Because of her recent involvement with the large partnership between the Eberly College and a Chinese institution, the AVP is increasingly aware of dynamics associated with financial negotiations of this partnership. She is more aware of the complexities, internal politics, and external politics associated with partnerships. She recognized the leadership executed by the Eberly College in modeling and negotiating contracts, but noted that not all colleges are experienced enough to handle the complexities associated with partnership agreements from beginning to end.

The AVP indicated that there are still some faculty-led international programs and related budgets that fall within their respective colleges that only involve her office in a limited way. In these cases, the faculty determine program price, collect revenues, make deposits and pay bills. The IUP Bursar's Office has recently ruled that this process should no longer occur and that all billing and collections should be done by them. The AVP is not sure that all areas are in compliance at this time.

#### **4.5.10 Key decision makers**

The AVP indicated that there are several key decision makers in the international partnership area including:

**4.5.10.1 University President** The AVP indicated that ultimately the university president makes decisions regarding the priority given to internationalization efforts and determines the charges and distribution of funds associated with large partnership programs. He/she does not get involved in the details associated with basic, “bed for bed” exchange agreements. The president’s leadership and vision, she noted, is critical in setting the tone for internationalization and for advocating for IUP priorities at the State System level.

**4.5.10.2 Provost** The AVP indicated that the leadership of the provost is critical in providing academic credence to international partnerships, in providing strategic direction for internationalization, in participating in internal negotiations regarding charges and distribution of funds, in advocating for faculty and deans, for participating in partner cultivation activities, and for ensuring the appropriate allocation of Academic Affairs Division resources to support international initiatives. The AVP noted that the Academic Affairs Division does not currently have a Strategic Plan that makes internationalization efforts a priority.

**4.5.10.3 Assistant Vice President** The AVP believes that it is her responsibility to explore international opportunities with faculty and Academic deans, to provide guidance, and to make recommendations to the provost regarding which programs appear to be viable. At one point, the campus was just signing agreements anywhere that they could. The AVP noted that it is more important to create strong relationships with a limited number of partners as opposed to being spread too thinly.

**4.5.10.4 Academic Deans** The AVP indicated that it is the dean’s responsibility to work with faculty who have international engagement goals and yet to also recognize that we can’t be haphazard in our efforts. For example, we don’t need ten agreements in one country. We simply can’t maintain them all. We need to find a number that is manageable and serves to enhance our

cross-cultural exposure and diversity. Deans should work directly with the AVP and/or guide faculty and encourage them to engage OIE in international partnership exploration.

#### **4.5.11 Financial monitoring**

The AVP indicated that she monitors her office operating budget, exchange program budgets, and the Partial Tuition Waiver budget. She works closely with the Bursar's Office, the Office of Financial Operations (Grant Accounting and Accounts Payable) and Purchasing. The AVP must be trained in the fiscal management of program accounts. The AVP is not responsible, however, for monitoring activity of the IUP-PES partnership that is housed in the Eberly College.

#### **4.5.12 Non-monetary rewards**

The AVP indicated that because the IUP-PES partnership has had large enrollments, it has had a significant and positive impact on the university community. Large numbers of Indian students and faculty have shared their culture with both the IUP and local community through cultural programming/events. The partnership has also served to establish a relationship between IUP and over 400 Indian alumni who now work in the United States, in India, and in other countries around the world. International partnerships, she noted, serve to enhance campus diversity, provide global exposure and sensitivity, and contribute to recruitment of an international workforce. They build bridges between Western Pennsylvania and the rest of the world.

#### **4.5.13 Critical ingredients**

The AVP responded that two key ingredients of an international partnership are trust and open communication. These are essential ingredients, she believes, between partners. She added that while these two ingredients often exist between IUP and the partner school the bigger hurdle, she indicated, has often been trust, open communications, clarity of expectations, and lack of decisions on our own campus regarding internationalization. This is where the complications

typically occur. Changing leadership, changing priorities, competing priorities, budget worries, and political issues have seemed to impede the ability of international efforts to move forward.

#### **4.5.14 Changes over the course of the partnership**

The AVP has appreciated the strengthened relationship between the Eberly College and her unit because of the IUP-PES partnership and the more recent partnership with a Chinese institution. Not only has the relationship between IUP and PES matured, but the internal relationships between her office, the college, the IUP-PES program coordinator, the dean, and the faculty involved, have also been improved. As each cohort of students comes through the program, her office is more prepared and there are fewer issues and problems. The fact that the IUP-PES program coordinator is sensitive to the timelines and pressures on her area goes a long way to enhance the AVP's ability to support the program and the students. She believes that the program coordinator understands and appreciates the complexity of the work of the AVP and her staff.

#### **4.5.15 Perceptions of colleagues**

The AVP indicated that because of the size of the IUP-PES partnership, many individuals across the campus are aware of it and are aware that it has provided faculty in the college with additional sources of supplemental compensation. Some may be slightly jealous of the added compensation opportunities that the program provides to the faculty involved. The AVP added that some faculty may not fully understand the complexity of establishing and maintaining a partnership of this magnitude, and the commitment required to deliver a quality program on an ongoing basis in another country.

#### **4.5.16 Future of the partnership**

The AVP is very concerned about changes in the State System Board of Governor policies. If the leadership in the State System office and the Board of Governors don't see the value of internationalization, policies could be put in effect that make the cost of partnership programs

prohibitive. She noted that there is more pressure for State System schools to get full fee-paying international students as opposed to discounting, but indicated that the institution would have to be willing to invest significant amounts of money for marketing, recruitment and staff support if they want to recruit full paying international students to Indiana, Pennsylvania. She added that the name “Indiana University of Pennsylvania” causes recognition problems in the United States. It is even a bigger challenge in the international market.

The AVP noted that there is increasing competition from U.S. institutions, from other English speaking countries, and from non-English speaking countries (such as Germany, Sweden, and Finland) who are offering programs in English. The AVP questioned IUP’s continued ability to differentiate ourselves from the thousands of other schools, particularly if the State System continues to seek higher and higher tuition rates. The AVP indicated that there are several other issues that could impact our ability to continue with the IUP-PES partnership program and with other international efforts including: 1) political instability overseas; 2) economic recession and inability of students to afford to study abroad; 3) safety concerns; and 4) changing campus leadership.

#### **4.5.17 Other issues**

The AVP indicated that she wished that the PES students coming to IUP for an MBA concentration would stay on campus for an entire year. Most students finish their concentrations in the first semester and obtain off-campus internships during the second semester. She felt that an added semester on campus would benefit the students, create a deeper connection between American and Indian students, and allow the Indian students to become more engaged in the American culture.

Table 17 highlights the fiscal considerations of an international partnership in higher education as identified by the AVP.

**Table 17. Assistant Vice President – IUP – Fiscal Considerations**

Fiscal Considerations	Detail
Components of a Financial Model	Need to ensure that costs associated with support from international office are taken into account.
	Need to negotiate contracts at the institutional level to the extent possible to provide more opportunities across the curriculum and to minimize risk of losing partnership when program coordinator leaves the institution or loses interest.
Financial Goals	Need to evaluate the balance in the partnership on regular basis for student exchanges and consider adjustments need to bring an exchange back into balance.
	Need to ensure that the program generates sufficient enrollments to cover program costs and to provide funding to support international office efforts
	Provision for funding to incentivize faculty engagement and to use as seed money for new initiatives and enhanced marketing efforts.
Financial Incentives	Incentives for U.S. students to study abroad at reasonable rates.
	Incentives for international students to study in the United States at reasonable rates.
	Recognize of revenue enhancement opportunities for the institution in the generation of tuition and fee revenue from international students.
	Recognize of revenue enhancement opportunities through recruitment and retention of U.S. students who value cross-cultural opportunities and a diverse student body.
Financial Risks	Need to avoid faculty entering into international arrangements independently without the knowledge and skillset to handle all aspects of an agreement.
	Need to avoid situations in which program managers can shield a program that is struggling and place institution at financial and programmatic risk.
Financial Roles	Involvement of international affairs office in all international negotiations. Involvement will vary with level of expertise in individual areas.
Key Decision Makers	President, provost and vice president for academic affairs, international office, and academic deans.
Financial Monitoring	Need to ensure that program coordinator is trained on fiscal management of his/her accounts.
Non-Monetary Rewards	Expansion of cross-cultural learning for both campus community and surrounding communities.
	Expansion of global alumni network.
Critical Ingredients	Need for trust, open communication, and clarity of expectations with partner.
	Need for trust, open communication, and clarity within own campus
Future Success	Dependence on continued support at State System and university leadership.
	Impact of increasing competition from schools around the world who are offering programs in the English language.
	Possible impact of political instability, economic recession, safety concerns, and changing campus leadership priorities.

## 4.6 FACULTY INTERVIEWS – IUP

### 4.6.1 General description

The IUP Eberly College of Business and Information Technology (Eberly College) has 54 full-time faculty and six part-time faculty. Twenty-five of the 54 full-time faculty (or 46%) were originally from a number of different countries including Australia, Bangladesh, China, Egypt, India, Indonesia, Iran, Iraq, Jordan, Libya, Nigeria, and Taiwan. Since the focus of this study is the partnership between IUP and PES, it is worth noting that 11 faculty members (20%) among all full-time faculty are originally from India.

Five permanent faculty members from five different academic departments in the Eberly College participated in the interviews for this research study. The five academic departments include Accounting, Finance and Legal Studies, Management (which includes an International Business major), Management Information Systems and Decision Sciences, and Marketing. The only remaining department from the Eberly College is the Technology Support and Training (TST) Department. While faculty from the TST Department were involved in the partnership at the early stages, the department does not currently have faculty teaching in the program in Bangalore. Each of the faculty interviewed have been highly involved in the partnership between IUP and PES since its inception and each of them has taught in the program onsite in Bangalore, India. Each of the individuals interviewed is currently serving or has served as a chairperson of his/her academic department.

The international experience of the faculty interviewed ranges from those individuals with extensive international exposure and engagement to those who had not traveled abroad professionally until they were asked to teach in the IUP MBA Program in India. Included among the activities of those with professional international experience are faculty who: 1) have Fulbright awards; 2) have taught courses in other countries; 3) have made presentations in foreign countries; 4) have made presentations on international topics; 5) have worked on international partnership agreements between IUP and institutions from other countries; 6) have collaborated with international faculty for research and publications; 7) have served as doctoral committee advisors for students in other countries; and 8) have taught globally-oriented courses on the IUP campus in Indiana, Pennsylvania.

Three of the five faculty are of foreign decent and earned undergraduate degrees from their home countries. Each of these three faculty obtained their PhD's in the United States. Faculty interviewed valued internationalization within higher education and recognized the role that higher education plays in promoting and advancing cross-cultural understanding.

#### **4.6.2 External factors**

The faculty participants were asked to identify external factors (such as goals, regulations, and policies) that they believed influenced the creation, structure, and operation of an international partnership from a fiscal perspective. Faculty were asked to separate their responses between those factors that were external to the university (such as international, national, state, State System, and accrediting body) and those that were internal to the university (such as institutional, division, college, and departmental). External factors that faculty identified include: 1) declining state appropriations; 2) the faculty contract; 3) student demand; 4) demographics; 5) tax implications; and 6) transfer credit policies.

**4.6.2.1 Declining state appropriations** All faculty noted that they were aware that state support as a percentage of the total university budget has declined dramatically. Despite the decrease in state appropriations, there is State System and constituent pressure to keep tuition increases as low as possible and not to offset the loss in state appropriations with higher tuition rates. Campuses, therefore, are being asked to reduce expenditures and to identify alternative sources of revenue. Faculty recognize that the international partnership between IUP and PES generates a revenue stream that would not have been achieved through typical recruitment strategies.

**4.6.2.2 Faculty contract** All faculty interviewed indicated that a key external factor that influences the creation, structure, and operation of an international partnership is the agreement between the Association of Pennsylvania State College and University Faculties (APSCUF) and the Pennsylvania State System of Higher Education (State System) which details the fiscal requirements associated with compensating a faculty member to perform his/her duties at an

institution within the State System. Details regarding compensation calculations were provided in Sections 4.1.4.7 and 4.1.5.3.

**4.6.2.3 Student demand** One faculty member interviewed indicated that a current strategic planning subcommittee within the Eberly College is charged with benchmarking graduate (MBA) programs against those of other institutions. Benchmarking data has revealed that there is a growing trend that graduate students want more internationalization in terms of locations, student body, faculty, and curriculum. Advertisements for graduate programs (such as MBA and Executive MBA) have become increasingly global in nature. Some programs require students to travel to three or more countries as part of their course of study. From a fiscal standpoint, it is clear that IUP must engage globally in order to attract graduate students to its programs and to best prepare students to work in the global arena. Without this focus, faculty believe that the IUP MBA program will not be as competitive and enrollments will decline. University revenue will also be negatively impacted.

**4.6.2.4 Demographics** Participants pointed to the fact that Western Pennsylvania high school graduate demographics are declining. This decline clearly impacts the student population available from these regions for both undergraduate and graduate program participation. Lower enrollments lead to lower tuition and fee revenues and less funding to support the operations of the institution. Institutions in Western Pennsylvania, in particular, are being forced to look beyond their traditional recruitment areas for both undergraduate and graduate enrollments. The international market is a target for expanding enrollments.

**4.6.2.5 Tax implications** One of the faculty interviewed has been involved in negotiations associated with another international partnership program and indicated that it is important for the individuals involved in international partnership planning to clearly understand the tax implications of the particular region. There are instances in which the government requires an institution to pay taxes on any transfers to a foreign location. Institutions should consider the additional cost, how it will be covered, and the implications for the contract cost.

**4.6.2.6 Transfer credits** In reviewing fiscal considerations for international partnerships, one faculty interviewed discussed the need to have a thorough understanding of which courses can be accepted into the program from another institution. The faculty member interviewed indicated that some countries are very strict on what they will accept from another country/program and will not issue their degree if a student takes courses from another institution. This is particularly true at the undergraduate level. For some countries, it is better to have partnerships at the graduate and doctoral levels because international schools recognize the quality of the graduate work in the United States and accept U.S. credits to a greater extent. The issue of credit transferability is important as it will impact the total cost of the program for a student who might be required to take additional credits for program completion.

Table 18 summarizes what faculty members interviewed identified as external factors that influence the creation, structure, and operation of an international partnership from a fiscal perspective.

**Table 18. Faculty – IUP – External Factors**

External Factors	Description
Declining State Appropriations	Declining state appropriations force institutions to identify alternative revenue streams outside of traditional recruitment areas, including the international market.
Faculty Contract	Faculty contract which dictates faculty maximum compensation for instruction and requires payment for travel expenses. Local agreements that determine actual payment amount within contract restrictions.
Student Demand	Student expectations regarding global opportunities in an MBA program require institutions to expand international partnership opportunities in order to be competitive.
Demographics	Decline in high school population which is forcing institutions to identify alternative revenue streams outside of traditional recruitment areas, including the international market.
Tax Implications	Tax laws associated with transferring funds from one country to another should be researched and included in negotiation discussions.
Transfer Credit Issues	Total cost of education is impacted by the number of credits that will be accepted and additional credits required to complete a program.

### **4.6.3 Internal factors**

Each of the faculty who participated in this research study identified internal factors (at various levels) that influence the creation, structure, and operation of an international partnership from a fiscal perspective including those at the university-level, the college-level and the departmental-level as follows:

**4.6.3.1 University-level** Faculty identified university mission and faculty eligibility as internal factors that influence the creation, structure, and operation of an international partnership at the university level.

*University mission* Faculty interviewed indicated that the university should determine its position on internationalization, reflect this position in its Mission Statement, and have corresponding procedures and policies in effect that support the recruitment and retention of international students. Faculty indicated that not only do tuition and fee dollars from international students contribute to the financial base of the institution, but internationalization efforts contribute to goals of cross-cultural understanding and diversity and engage faculty and students in new opportunities for research and collaboration. Adequate resources should be allocated to support internationalization goals. Regardless of what the goals are, they should be established with the input of the university community, communicated broadly and supported with adequate resources.

*Faculty eligibility* One faculty interviewed discussed university policies regarding eligibility to teach at the graduate level. The institution has guidelines that are used in determining if a faculty has the qualifications necessary to teach at the graduate level and including criteria regarding an earned degree, graduate teaching effectiveness and fulfillment of professional responsibilities, and scholarly productivity (IUP Website, 2012). Records regarding graduate teaching eligibility are maintained by the IUP Graduate School and Research. Eligibility requirements have fiscal implications for the earnings potential for faculty. If faculty are not eligible, then they do not have the authorization to teach graduate courses and are unable to earn added compensation available from the IUP-PES partnership or other graduate related compensation opportunities.

Faculty who are teaching graduate level courses on the home campus are not eligible for additional compensation associated with Article 27, except for during winter session courses.

**4.6.3.2 College-level** Faculty identified college mission, revenue enhancement, student recruitment, faculty recruitment, spread of compensation opportunities, and program viability as internal factors that influence the creation, structure, and operation of an international partnership at the college level.

*Mission* Faculty interviewed addressed the importance of ensuring that international partnership activities were consistent with the mission of the college. All interviewed recognized that the Eberly College has made internationalization a priority. The college mission statement was updated in 2010. Faculty, staff and students were provided with opportunity for input in the development of the mission statement, including those interviewed. Faculty indicated that there needed to be adequate funding allocated to support this mission such as funding for international travel, exploration of partnership initiatives, recruitment of international students, identification of global opportunities for students, and support of international research efforts.

*Revenue enhancement* While faculty members interviewed do not get involved in the specific details regarding revenues and expenses of the program, all indicated that they recognized the fact that this partnership has provided the college with a new source of revenue for operations and faculty compensation. Given the budgetary cutbacks from the state of Pennsylvania for higher education, personnel and operating budgets have reduced dramatically, and partnerships such as the IUP-PES partnership have the potential for providing alternate revenue streams to the college and/or university that would not have typically been generated through traditional recruitment efforts.

*Student recruitment* Several faculty members interviewed participate in college recruitment activities. These faculty believe that the IUP-PES partnership not only helps with recruitment of Indian students, but is also an attraction for American students and for students from other countries. International efforts, they believe, elevate IUP's status and entice higher quality students to the Eberly College. Students and families who value exposure to other cultures

appreciate the internationalization efforts of the College. Faculty indicated that while some may question the need to educate international students in a public institution, they believe that we are serving the citizens of Pennsylvania through these types of international partnerships by providing global exposure and cross-cultural learning opportunities to Pennsylvania resident students.

*Faculty recruitment* Several faculty interviewed noted that internationalization efforts in the Eberly College are an attraction for faculty recruits when they are seeking employment. Not only do prospective faculty members appreciate the cross-cultural opportunities, but they also appreciate the opportunity to earn additional forms of compensation above base pay that partnership programs can provide. Faculty interviewed indicated that the faculty contract and related faculty compensation package does not provide for differential pay that considers the difference in market for each discipline. For example, faculty in Business disciplines have the same pay scale as those in fine arts, humanities, and social sciences, despite the higher market demand for qualified Business faculty. Programs that provide opportunities for additional compensation, such as the IUP-PES partnership, help to supplement faculty compensation that might otherwise be lower than market.

*Faculty eligibility* As indicated in an earlier section, faculty are classified as “eligible” to teach at the graduate level at IUP by the Graduate School and Research. The Eberly College has higher expectations for graduate level teaching due to expectations of its accrediting body, AACSB-International. Faculty in the Eberly College have to not only be “eligible” according to the Graduate School, but the faculty must also be classified as “academically qualified” in accordance with standards that are established by the college Strategic Planning Council with input from the college faculty-at-large (IUP Website, 2012). From a fiscal perspective, this further restricts which faculty are eligible to teach graduate courses and earn added compensation from programs such as the IUP-PES partnership.

*Spread of compensation opportunities* Faculty interviewed indicated that individuals are often seeking opportunities to earn additional compensation whether it is through summer contracts, grants, winter term teaching, course overloads, and non-credit programming. The IUP-PES

partnership provides a unique way for many of the faculty across the college to have opportunities for international teaching and for earning additional compensation. Because of the breadth of the MBA Program, faculty interviewed appreciated the opportunity for faculty in five of the six departments within Eberly to earn added compensation.

*Program viability* Faculty interviewed also noted that the IUP-PES partnership encourages participating students to travel to the United States to complete an MBA concentration on the IUP Campus. While a concentration is optional, a large majority (ranging from 50 to 80 percent) of the students pursue this option. This not only infuses diversity into the American classroom, but it has also made the graduate level courses more cost-efficient through larger enrollments. With the addition of the IUP-PES partnership students, graduate concentration coursework now has the critical mass necessary to be cost-effective. On campus graduate enrollments in MBA concentration coursework would normally run in the teens, but because of second year enrollments by PES students working on a MBA concentration on the IUP campus these sections often reach over 30 students.

**4.6.3.3 Departmental-level** Faculty interviewed identified the following seven factors that influence the creation, structure and operation of an international partnership from a fiscal perspective within their departments including: 1) the amount of compensation that could be earned from teaching in the program; 2) the enrollments with each new group, which impacts the number of sections; 3) managing multiple priorities; 4) team teaching, 5) the distribution of opportunities for additional forms of compensation (known as faculty rotation); 6) the operational cost of the program to the department; and 7) considerations pertaining to prerequisite requirements.

*Compensation* A key financial factor at the departmental level is the additional compensation that can be earned by faculty who teach in the IUP MBA Program in India. Faculty interviewed recognize and appreciate the significant earnings potential associated with teaching in this program. As noted earlier, a faculty member at the top of the pay scale could earn up to \$13,483 for teaching one three-credit course in the program in accordance with Article 27 of the faculty contract.

*Managing multiple teaching priorities* A second area that impacts the partnership between IUP and PES (from a fiscal perspective at the departmental level) is the scheduling and allocation of limited faculty positions needed to cover courses. Faculty who participated in this study and held a chairperson role at one point during the life of the partnership indicated that they needed to carefully consider what needed to be taught at PES location in India in conjunction with what needed to be taught on-campus at IUP and off-campus sites in western Pennsylvania.

There has not been additional faculty hired as a result of the IUP-PES partnership. A key financial condition, from the onset of the program, was that no added resources would be allocated from the provost to support this program. Resources generated by the program needed to be sufficient to cover all program costs.

A majority of the faculty in the Eberly College teach at both the undergraduate and graduate level. Managing the allocation of faculty across all programs requires administration of a complex scheduling system. Those interviewed indicated that chairpersons needed to ensure that the right faculty are available to teach at the right location and at the right time. This requires ongoing communication and negotiation with faculty within the department.

*Team teaching* Faculty reiterated what had been stated by the dean's associate indicating that traveling to India for a six-week period to teach a graduate level course would be very challenging given other responsibilities associated with teaching, service, advising, research, and campus-based commitments.

A few of those interviewed indicated that without team teaching, the IUP-PES partnership would not be possible. They did point out, however, that the model does create some challenges particularly because faculty have different approaches to teaching, would like to use different textbooks, and would like to use different assessment tools. At times, personalities get in the way of team teaching and collaboration. These issues are often addressed with the chairperson and program coordinator and, in some cases, require dean's involvement. It isn't always possible for the chairperson to change the team as it depends on the course being taught, whose turn it is in the rotation, and the timing of the course delivery.

During the summer, if the course is not being taught on campus at the same time, one faculty member could teach the whole course as the pressure to be on the IUP campus is lessened. In

other words, one faculty member could teach the entire course if he/she desires and the department and program coordinator approve it.

Faculty indicated that team teaching clearly has its benefits, but it reduces the amount of pay that a faculty member could earn by one-half.

*Enrollments and the number of sections* Faculty interviewed indicated that a related factor to compensation and team teaching is the number of sections that are taught with each new cohort. Faculty noted the value of two sections as opposed to one in that it provides them with the opportunity to earn back the lost funds that occur in team teaching. This issue is explained in more detail in Section 4.1.8.4.

*Faculty rotation* As noted above, a key factor that influences international partnership participation from a fiscal perspective is the opportunity for faculty to earn additional compensation above contracted base academic year salary for their instruction in the IUP-PES partnership. All faculty interviewed noted the importance of the process of distributing additional forms of compensation opportunities within a department, based on what departments refer to as a “faculty rotation.” In other words, this is a method of determining whose turn it is (among those eligible), to teach the course and earn the additional compensation.

It is important to note that teaching in any activity that involves extra compensation is completely voluntary. While the faculty agreement provides a maximum for earnings per credit associated with continuing education, it does not dictate “how” opportunities for additional compensation will be distributed within an academic department.

While ultimate responsibility and authority for faculty teaching assignments rests with the dean, each department is encouraged to establish its own internal policies regarding the distribution of opportunities for additional compensation. This unofficial rotation is not a decision that is made at the university or divisional level. To the extent possible, the dean respects a departmental faculty rotation that puts forward qualified faculty, is documented, is equitable, meets student needs, and is supported by the faculty of the department.

According to the faculty interviewed, departments work to address all course needs and at the same time provide equitable financial opportunities for faculty. One participant noted that since faculty are provided with opportunities to share in the added income; they are also expected to

share in the burden associated with planning and delivery of new programs that keep the college competitive.

Faculty interviewed identified two different departmental faculty rotation schemes currently in effect within the Eberly College and related to the partnership between IUP and PES as follows: 1) inclusion of the international teaching opportunity in the extra compensation rotation with all other forms of extra compensation; and 2) exclusion of the international teaching opportunity in the overall departmental extra compensation rotation, but a rotation all of its own for those teaching in the PES program. These two practices are detailed below:

### *Inclusion*

A few of the departments count opportunities for additional compensation earned by teaching in the IUP-PES partnership “in the unofficial department earnings rotation” along with all other forms of extra compensation (other than summer school). In other words, teaching in an international partnership program that provides additional compensation is included among the pool of all other opportunities for added compensation such as additional earnings for covering an extra class due to high enrollments, sabbaticals or sick leave replacements (referred to as an overload), and teaching in a winter session.

As opportunities Article 27 international teaching compensation become available, faculty at the top of the unofficial rotation list are given the opportunity to accept or decline the opportunity. Of course, a faculty member must be eligible to teach at the graduate level and academically qualified according to college guidelines. If they decline, they are moved to the next step and are given the option for the next extra compensation opportunity (which could include teaching during a winter session, or teaching an extra class on an overload basis during the regular semester).

It is the goal of these departments to provide equity across all extra earning options. Those who are not interested in teaching abroad in the IUP-PES partnership are offered the next opportunity for extra compensation domestically. Departments with this type of a policy recognize that while this provides equity in financial opportunities, it could also be counterproductive to internationalization efforts. For example, while faculty who teach in the international programs do earn added compensation, they are often earning the same amount (or close to the same amount) as the faculty member who opts to teach an online winter class from

home or from somewhere on the beach in the United States. Faculty who opt out of the IUP-PES partnership do not have to deal with the hardships associated with extensive travel, time away from family members, pollution, and all other challenges associated with teaching for three weeks in a developing country.

Fortunately, at this point, all of the departments with this type of rotation policy have a sufficient number of faculty who are interested in teaching in the program. It is clearly an advantage that there are so many faculty from India in the Eberly College. Many of these faculty appreciate the opportunity to travel to India to teach, to give back on an intellectual level to their home communities, and to visit family and friends. Other (non-Indian) faculty indicate that they participate because they enjoy teaching abroad and they recognize the value that it is to the college, the university, to the faculty, and to the students. Each faculty member interviewed indicated that there are faculty within his/her department who have opted not to participate in teaching in the IUP-PES partnership and prefer other forms of added compensation.

#### *Exclusion*

Some of the departments count additional compensation earned by participation in this international partnership on a rotation all of its own. This compensation opportunity is “excluded” from other opportunities for additional compensation. There is a separate unofficial rotation list for all faculty members who are eligible and interested in teaching in the IUP MBA Program in India. Each time an IUP MBA Program course is offered in India, faculty are offered the opportunity to participate based on where they are in the rotation. In these departments, faculty who teach in the international partnership program are not excluded from any other opportunities for extra compensation such as teaching on an overload during the semester or teaching in the winter.

Depending on the number of courses that a department is responsible for in the program and the number of sections in a particular group (cohort), there are cases in which all interested faculty have the opportunity to participate for each cohort and there are other cases where faculty have to sit out until the next group of students (cohort) begins.

The departments that practice this type of rotation believe that it is in the best interest of the department and the college to keep this unique program out of the mix of extra compensation opportunities. Without this additional incentive, and with the increase of online and winter

teaching opportunities, faculty members interviewed are concerned that the incentive to participate in this and other international programs will drop significantly over time.

One faculty member indicated that he had to pass on additional compensation teaching opportunities because of his responsibility as chairperson. It is much easier for him to teach in the program during the summer or winter session, but it is difficult for him to leave during the academic term because of his chairperson responsibilities.

*Distribution of operating funds* Several faculty interviewed noted that there were no additional financial burdens placed on the departmental operating budget by the IUP-PES. All operating costs associated with the IUP-PES had been covered outside of departmental budgets with funds received from PES through the contract.

*Prerequisite* One faculty member interviewed indicated that prerequisite requirements could impact the program from a fiscal perspective. This faculty member noted that it is important to remember that this is an MBA Program. The IUP MBA program that is offered on our own campus requires prerequisite knowledge that our MBA students are expected to have based upon their undergraduate degrees. In many cases, students are required to take prerequisite courses to prepare them to perform at the MBA level.

For the IUP MBA Program in India, challenges have occurred when students weren't adequately prepared for advanced level accounting coursework. Faculty interviewed indicated that while there are more similarities than differences in accounting standards between countries, there is some variation. As part of the agreement, our partner is responsible for providing instruction for the financial accounting prerequisite course. While IUP provided tools, textbooks, and syllabi to help them prepare and deliver, their faculty provided the instruction. Despite this, some students struggled with the concepts. After consultation with PES and the IUP Accounting faculty, IUP sent an Accounting instructor to teach a crash course in financial accounting to help with the level of success students had in the program's accounting course. This decision had financial implications associated with additional faculty compensation and travel. Our partner assumed the cost of this initiative.

Table 19 highlights internal factors that faculty members interviewed identified as influencing the creation, structure, and operation of an international partnership from a fiscal perspective:

**Table 19. Faculty – IUP – Internal Factors**

Level	Internal Factors	Detail
University-Level	University Mission	Inclusion of internationalization in the IUP Mission Statement and corresponding allocation of resources.
	Teaching Eligibility	Determination regarding whether or not a faculty member is eligible to teach at the graduate level and can earn added compensation associated with programs such as the IUP-PES partnership as determined by the IUP Graduate School.
College-Level	College Mission	Inclusion of internationalization in the Eberly Mission Statement and corresponding allocation of resources.
	Revenue Enhancement	Opportunity to generate new tuition and fee revenues to support college operations from international partnership initiatives.
	Student Recruitment	Generation of enrollments from both international sources and from American students interested in programs that offer cross-cultural exposure and global perspective.
	Faculty Recruitment	Opportunity for new faculty for international exposure and for additional forms of compensation.
	Teaching Eligibility	Determination regarding whether or not a faculty member is eligible to teach at the graduate level and earn added compensation associated with international programs such as IUP-PES as determined by the college “Academically Qualified (AQ) standards.
	Faculty Compensation	Opportunity for faculty across the college to be involved in the partnership and to earn additional forms of compensation.
Departmental-Level	Compensation Amount	Ability to earn additional forms of compensation above base pay.
	Managing Multiple Commitments/ Team Teaching	Splitting instructional time with another faculty member in order to reduce length of international stay and be able to perform main-campus responsibilities, results in reduction of compensation levels by one-half.
	Enrollments and the Number of Sections	Enrollments sufficient enough to split a cohort into two sections and so that each faculty member can have earnings associated with two sections instead of one. Serves to restore reduction in compensation from team teaching.
	Distribution of Compensation through Unofficial Rotation	Recommendation regarding whose turn is it to receive additional forms of compensation. Departments vary in policies between those who include compensation from this partnership with other opportunities and those who exclude the compensation from this partnership among other opportunities.
	Operating Cost of the Program	Assurance that department is not burdened with any operating costs associated with the program.
	Prerequisites	Potential cost to student associated with taking prerequisites or to program partners for delivery of additional prerequisite support.

#### 4.6.4 Financial goals

Faculty interviewed indicated that key financial goals associated with the partnership are to:

1) provide opportunities for additional compensation for faculty; 2) create a new revenue stream for the university and the college through new enrollments; 3) increase the marketability/placement and salary potential of our students in the global workforce, 4) ensure fiscal responsibility and efficiency in order to ensure both short-term and long-term program viability (keep costs as low as possible to leverage IUP in this competitive market).

One faculty interviewed added a personal goal of contributing to his birthplace, the Indian community, by helping to provide an affordable AACSB-accredited business program to students in the area. This, he believed, contributed to intellectual growth and marketability of the students, to the earnings potential of Indian students, and to the economic growth of the region.

Table 20 provides an overview of the financial goals of an international partnership as identified by faculty members interviewed.

**Table 20. Faculty – IUP – Financial Goals**

Goals	Detail
Compensation	Creation of opportunities for additional compensation for faculty.
New Revenue Streams	Generation of new revenues for the university and for the college.
Student Marketability	Enhancement of global perspective of American students thereby contributing to their placement and earnings potential.
Financial Responsibility	Overall sound financial management of the program.
Indian Market	Contribution to the intellectual growth, marketability and salary potential of the Indian students. Contribution to the economic growth of the region.

#### 4.6.5 Expenditures and related challenges/strategies

All faculty interviewed noted that they have seen the program evolve from both an operational and fiscal perspective. Debriefings held in the Eberly College on a regular basis have contributed to enhanced communication regarding issues and concerns and have led to improvements in many aspects of the program. Faculty who have participated since the inception of the program

indicate that most areas have improved over the last seven years (including some significant improvements) and yet a few have either stayed the same or even worsened.

In regard to expenditures, faculty interviewed addressed the following types of expenditures and challenges related to each of them: 1) compensation; 2) travel documentation; 3) transportation to and from India; 4) travel within India; 5) housing; 6) teaching facilities; 7) technology; 8) staff support; 9) coordinator support; and 10) meals.

**4.6.5.1 Compensation** The primary expenditure of the program is faculty compensation, accounting for approximately 70% of all program expenditures. Compensation was addressed in an earlier section and is paid in accordance with Article 27 of the contract between the faculty union and the State System. Most faculty interviewed indicated that the compensation was sufficient and provided incentive for faculty to want to participate in the program. Some faculty felt that the compensation was initially sufficient but, with declining enrollments, single sections, and other options for additional forms of compensation, the compensation is less attractive.

As the state budget tightens, faculty noted that their annual pay increases have been limited over the past decade and aren't expected to change significantly in the near future. The opportunity for additional compensation through various programs such as the IUP-PES partnership, is valued as annual base pay adjustments are limited.

**4.6.5.2 Travel documentation** The faculty who participated in the interview noted that the partnership covered expenses for faculty visas and repatriation expenditures. While paying for visas has been in place since the start of the program, in the past several years the university has also purchased a repatriation plan for the faculty through the Office of International Education and Global Engagement which is \$22.00/year. This repatriation plan is purchased to provide coverage in the event of death of a faculty member while teaching abroad and will cover the cost associated with returning a body back to the United States. This provides some fiscal relief to faculty members and their family, not by covering the minimal cost of the plan, but in knowing that they won't be responsible for paying for repatriation expenses of a body back to the United States that could cost in excess of \$10,000.

**4.6.5.3 Travel to and from India** According to Article 27, IUP pays the cost of the flight for faculty teaching in Bangalore. Typically, the faculty makes the travel arrangements and the university pays for the flight in advance so that the faculty member does not have to incur upfront costs and wait for reimbursement. In some instances, the faculty member chooses to make his/her flight arrangements and get reimbursed by the university.

Some faculty who teach in the program opt to make side trips around their teaching travels for professional and/or personal reasons. In these instances, the travel agent is asked to calculate the cost of the direct flight to Bangalore. This is the figure used for reimbursement of the flight expense. Faculty are required to pay the difference associated with additional travel. Faculty interviewed indicated that they felt that this was a fair rule. In fact, some noted that it is far better than some other programs in which a faculty member is simply provided with a ticket and not given the option of what route they may or may not take.

Faculty indicated that, in general, travel is acceptable. The flight, however, is long and tiring. Some faculty indicated that the trip to India has been grueling on occasion. They have had trouble with their luggage and trouble with the airlines in resolving luggage issues. Faculty indicated that they needed to be flexible with challenges associated with flight delays and changes such as this can occur with both national and international travel.

Several faculty noted that it is very difficult for faculty to arrive one day and be expected to teach the next day. It is also difficult on the return side, when they have a long flight back to the United States and are expected to begin teaching again the next day. They indicated that the toll of the trip and time difference should be taken into account to the extent possible when scheduling. Faculty felt that they should be given additional time to become acclimated and prepare for class.

Faculty felt that travel reimbursements were received quickly. The program coordinator, who is most familiar with the teaching dates of the faculty member, approves the reimbursement and forwards the request to the assistant dean for administration for final approval. The assistant dean submits all reimbursements to the university Travel Office for processing.

**4.6.5.4 Travel within India** At the start of the program, taxis would be used for faculty who wanted to travel in/around Bangalore in the evening for eating or social activities. Travel outside of the PES Campus was difficult and time-consuming. During the second year, and after further

review with faculty and our partner, PES contracted for a vehicle service to be used in transporting IUP faculty during their stay in India. In addition, the partner hired a driver that could be used when IUP faculty were there teaching. This has been a very positive change for IUP faculty in that they have a reliable, known individual to take them to and from the teaching location and to and from eating/social locations. Faculty also noted that they appreciated the fact that there is a travel agency on the PES campus that is available to help faculty with making plans associated with weekend excursions while teaching in India.

**4.6.5.5 Housing** Faculty appreciate the fact that housing is provided by PES on the PES Campus and recognize the significant financial value this has to the partnership. They all realize that the partnership would not be viable, if the university had to pay for hotel accommodations while the faculty are teaching in India. One respondent indicated, however, that the quality of housing was equivalent to a two-star hotel in India. While this type of housing may be acceptable in India, it is far from the norm by U.S. standards. Some faculty interviewed believe that it is essential to make substantial adjustments in the housing accommodations. A few faculty indicated that, since many of the faculty grew up in India or in other developing countries, they understand the limitations and simply function around the constraints. (Note: upgraded housing accommodations have recently been added to the new facility.)

Faculty indicated that the partner had taken all measures necessary to ensure that faculty felt safe in their living quarters. Cleanliness, laundry facilities/services and general housekeeping were all subpar, but there have been improvements in these areas during the life of the partnership. Faculty appreciated the fact that there is an ATM near the hotel accommodations.

**4.6.5.6 Teaching facilities** All of the faculty interviewed recognize that the facilities will not be at the same level as those they are used to at IUP. While some have taught in other countries and in locations with very high levels of sophistication, they recognize the limitations associated with this region of the world.

For the first five years of the partnership, the teaching facilities were in the same location as the housing facilities for faculty. This was convenient for faculty and students. During the sixth and seventh year, PES built a new teaching facility which was closer to technology parks and required an extra commute. While these classrooms are acceptable, they aren't acoustically

designed very well. The buildings are built with cement blocks which are not ideal for sound projection. Faculty indicated that they can hear themselves talking due to the echo. There is no carpeting or drywall to absorb the sound. While whiteboards are provided, the basic tools such as markers may not be readily available. Laptops may not be functional at critical times, and overhead projectors may need to be brought in and often go missing. Printing facilities are limited for faculty and students, and photocopying services are unavailable on a short notice.

During the middle of the seventh year, in November 2011, the IUP-PES program has been relocated to a dedicated facility on the new campus. Many of the facility and technology issues have been addressed, but not yet experienced by most faculty.

**4.6.5.7 Technology** Faculty recognized that technology would probably not be at the level that they are used to on the IUP Campus. Over time, the technology has improved, but only marginally. While internet connections are getting better, continual access to Wi-Fi or internet in the classroom is still lacking. This results in the inability of faculty to demonstrate advanced tools and information to students in real time. While faculty recognize that the technology available is at levels above the norm for India, there are concerns that competitors have far better technologies and technology access.

Faculty interviewed recognized that some of the technological problems are outside of the control of IUP and PES. Brown-outs often happen in the region and this impacts the classroom experience as equipment shuts down due to lack of power. Air conditioning is affected by the power issues, as well. Faculty indicated that they understand that our partner is working to identify back-up power plans to address these concerns.

Faculty interviewed indicated that while there are high-tech capabilities in many cities in India, the reliability and internet connectivity in the hotel is much more limited. Often, faculty travel to internet café locations to gain access. This is a challenge for faculty as they attempt to keep up with a compact course schedule, grading and communication with students and colleagues.

All IUP faculty are provided with laptops from PES to use while they are teaching at PES. Faculty interviewed appreciated this service and the fact that they no longer needed to pack and travel with their own laptops.

Occasionally, PES has system/procedural problems that impact instruction. Faculty are used to being able to contact technology support areas on the main campus and needs are addressed immediately. They simply don't have this type of luxury when teaching in the program. (Note: many of these issues have been addressed within the start-up of the new location and with a dedicated staff.)

**4.6.5.8 Support staff** Faculty interviewed pointed to the turnover of staff support at the partner school. There have been multiple coordinators over the life of the partnership. It appears, however, that there may be some stabilization with the appointment of two staff coordinators who are primarily assigned to the IUP-PES partnership program.

Faculty interviewed indicated that the investment in support staff is sufficient. Staff are generally available if the faculty member needs support and often bends over backward to assist. The amount of staff support has not only increased, but faculty are also in a better position to help each other while in India. As more faculty have experience with the partnership and the environment, they can provide guidance and assistance to faculty who are newer to the program.

**4.6.5.9 Program Coordinator** The program coordinator receives extra compensation each academic term and compensation during the summer. Faculty interviewed believe that the existence of a program coordinator/champion is extremely critical for the success of the partnership and that the expense associated with Coordinator compensation is appropriate. Those interviewed indicated that the Coordinator is the biggest proponent for students and faculty participating in the program. They recognized the extensive time commitment required of the coordinators from both India and the United States.

The overload payment (extra compensation funded for by the contract) for the program coordinator is a dedicated overload for the coordinator that is not offered to other faculty. The advantage to the program coordinator's academic department (Management Department) is that this person is not vying for other overloads that occur during the academic year, leaving more opportunities for other faculty to earn added compensation.

**4.6.5.10 Meals** As a part of Institute of Hotel Management, PES has wait/kitchen staff to support IUP visiting faculty. Our partner provides breakfast and lunch onsite at the housing

facility. Faculty are also provided with rupees to use for meals in the evening. This alleviates the problem of faculty having to pay themselves and get reimbursed and alleviates the need for faculty to find Indian currency when they arrive at the airport (particularly when it may be in the middle of the night). Some faculty indicated that there is often the desire to eat out in order to get food that is closer to U.S. standards. Feedback was mixed regarding the quality of the food, sanitary conditions and the schedule for eating.

Table 21 provides an overview of the expenditures and associated considerations with the IUP-PES partnership as identified by faculty members interviewed.

**Table 21. Faculty – IUP - Expenditures**

Expenditures	Detail
Compensation	Compensation is seen as lucrative in instances where there are two sections in a single cohort and less appealing when there is only one section.
Travel Documentation	Contract covers visa and repatriation.
Travel to and from India	Contract covers travel to and from India. Trip is grueling and teaching schedule should take into account need for a day on both ends of the trip to become acclimated.
Travel within India	Contracted vehicle and personal driver has been added to the program and deemed positive.
Housing	Consider housing provided. Improvements have been made. Current condition satisfactory, but not ideal.
Teaching Facility	Consider teaching facilities. Improvements have been made. Location is a challenge. Facilities not at U.S. standards. (New facilities have been opened and not yet experienced by those faculty members interviewed).
Technology	Consider technology and technology support while teaching abroad. Improvements have been made. Wireless access is still an issue.
Support Staff	Adequate support staff needed. Stability in staffing appreciated.
Program Staff	On-site program coordinator is critical. Consider costs associated with program coordinator. Investment worthwhile. Essential to have a point person for the entire program.
Meals	Consider costs associated with meals while traveling abroad. Improvements have been made. Feedback was mixed regarding food quality.

#### **4.6.6 Planned versus unplanned revenues and expenditures**

When asked about planned versus unplanned expenditures, faculty indicated that out-of-pocket expenses associated with teaching in the program were minimal noting that PES and IUP work hard to minimize costs for faculty. Faculty assume some costs that are optional and that costs associated with personal services such as tipping drivers, support staff, and wait staff.

#### **4.6.7 Indirect costs**

All of the faculty interviewed indicated that the primary indirect cost is the toll on faculty for traveling to a developing country with high levels of pollution and lower standards of living. Many of the faculty have had some type of illness associated with the trip due to food water, or airborne diseases. Faculty noted that the 24-hour trip to and from India is exhausting. This issue is further exacerbated by the fact that they are often required to teach the next day after they reach India and are often required to teach the next day upon their return to the IUP campus.

Another faculty member indicated that there was an emotional cost of being away from family for extended periods of time, particularly for those teaching over the holidays when family is visiting at home.

#### **4.6.8 Financial incentives**

Some faculty interviewed felt that the program pay is very generous through Article 27 and, for the most part, offsets the sweat and tears of travel and other challenges. Some indicated that “yes” the pay is a strong incentive, but once the faculty are faced with other issues and challenges associated with the trip, then the financial value declines. A few interviewed felt that the pay was very lucrative and well worth any inconveniences.

As noted early, the number of sections in a single cohort is a significant factor. The incentive is clearly different with the number of sections that are run for each cohort. Splitting a cohort into two sections is very attractive as each of the team teachers gets paid for a full three-credits of instruction (1.5 credits for the first section and 1.5 credits for the second section). While the

reward for one section per cohort may be sufficient for faculty from India who want to make the trip for other reasons, it may be less appealing for non-Indian faculty.

Some faculty indicated that if there are similar opportunities for additional compensation offered on campus, online, or at other international sites, faculty may opt not to participate in this specific partnership. Some indicated that the novelty may wear off for some faculty and some may be lured to teach at new partnership sites in order to participate in a different experience.

Faculty interviewed pointed to the fact that IUP is bound by a collective bargaining agreement that does not support market-based challenges of high demand disciplines (such as those faced by many business disciplines). This partnership has provided a vehicle for the Eberly College to provide faculty with additional compensation opportunities at a time when base salaries may not be competitive.

One faculty member indicated that there is an added financial benefit for faculty close to retirement to participate in a program that offers additional compensation. As retirement is calculated on the last three years of compensation, additional compensation earned through this partnership (or any other extra compensation options) is included as part of the retirement calculation. This factor may entice those who are participating to take additional assignments in the program as they near retirement.

International travel has resulted in several faculty exploring research topics with an international orientation. This exposure has opened new opportunities for research ideas, papers and presentations. From a financial perspective, faculty who are productive scholars not only receive workload releases to conduct research but also can use research as one tool in the promotion and tenure application process.

Table 22 provides an overview of responses received from faculty members interviewed regarding the types and sufficiency of financial incentives associated with the IUP-PES partnership program.

#### **4.6.9 Financial risks**

Faculty addressed several types of financial risks that have or could occur with international partnership initiatives including potential expenses in instances of illness, inability to meet

**Table 22. Faculty - IUP - Types and Sufficiency of Financial Incentives/Rewards**

Incentives/Rewards	Detail
Compensation Level	Responses vary from very lucrative to declining in value. Depends on enrollments and number of sections run. Depends on alternative opportunities for compensation.
Market Inequities	Faculty appreciate opportunities for added compensation above base pay appreciated in light of inability to receive market-based compensation.
Faculty Retirement Package	Faculty appreciate the opportunity to earn added compensation prior to retirement.
Research Topics	Faculty appreciate the potential opportunity to earn workload releases that may be earned with international partnership related topics, along with potential for promotion associated with research topics that are generated through the partnership.

teaching demands, and changes in unofficial rotation policies that might remove incentives for participation in favor of more convenient forms of compensation.

**4.6.9.1 Illness** The program coordinator refers all participating faculty to the Center for Disease Control resources prior to their travel to India. Several faculty interviewed mentioned the concern of getting sick while traveling and not knowing the level of financial commitment they are getting involved in. Health concerns may be a factor that older faculty or faculty with health issues take into account before deciding whether or not to participate in the program. One faculty member was concerned about how health care coverage is changing as it pertains to visiting an area that is considered an out-of-network provider. He indicated that it would be worthwhile to explore some alternative scenarios that could occur internationally and also which strategies/services could be utilized.

**4.6.9.2 Sufficient faculty to teach** Faculty interviewed also addressed the concern that some departments may get to the point where they may not have enough faculty members interested, qualified or available to teach in the program at required times. In these cases, the program coordinator may be required to go outside of the University to find qualified faculty or re-evaluate the feasibility of continuing the program. IUP faculty approval would be required for any outside/adjunct hires.

A faculty member interviewed noted that when new faculty searches occur, the College should assess candidate interest in participating in these types of programs. While the College

can't make international teaching a requirement for new faculty hired to teach on-campus, the opportunity can be included in advertisements and interview discussions.

Another faculty member interviewed suggested that the college needs to be innovative in its program delivery and explore options related to online and hybrid delivery to offset the potential decline in faculty wanting to travel to teach in India. Another noted, however, that online delivery is not a viable option as this is not valued in the Indian market.

**4.6.9.3 Changes in rotation policies** One faculty member interviewed indicated that there was a risk of changes in unofficial faculty rotation policies in the department. If rotation policies were changed in the departments that currently exclude the IUP-PES revenue opportunity from other forms (and they begin to include it among other compensation opportunities), then some faculty may opt out in favor of more convenient options.

Table 23 provides an overview of the types of financial risks and related strategies identified by faculty members interviewed.

**Table 23. Faculty – IUP - Types and Levels of Financial Risks/Strategies**

Risks	Detail
Illness	Concern regarding quality health care and coverage by provider, and illness during travel.
Availability of Faculty	Concern regarding being able to identify a sufficient number of faculty willing to participate in the program.
	Consider inclusion of international teaching in discussions with new hires.
	Consider expanded use of hybrid teaching, only if acceptable to partner.
Changes in Unofficial Rotation Policies	Concern regarding changes in rotation policy from keeping IUP-PES partnership compensation external to all other forms of added compensation to one that includes it among other forms of added compensation. If given a choice, a faculty member may opt for more convenient options.

**4.6.10 Fiscal roles**

When asked about the fiscal roles, processes and responsibilities surrounding the fiscal management of an international partnership, faculty all noted that they don't personally get

involved in the day-to-day management of the revenues and expenditures of the program. They addressed seven key parties with fiscal roles including the faculty union, the Chairpersons, the dean, the program coordinator, the assistant dean for administration, international faculty, and teaching faculty.

**4.6.10.1 Faculty Union** IUP has a unionized faculty and fiscal matters pertaining to faculty compensation are addressed in the faculty contract and handled through negotiations between the faculty union representatives and management representatives from the State System. In this regard, the union has a key role in ensuring that faculty are compensated in a fair and equitable manner for instruction in programs such as the IUP MBA Program in India.

**4.6.10.2 Dean** Faculty indicated that they realized that the dean would be ultimately responsible for the fiscal solvency of the program budget and would be held accountable for any fiscal shortages that occurred from the program. They believed that it was the dean's responsibility to engage faculty in conversation regarding partnership options, to explore implications for college resources, and to communicate with the provost and senior administration regarding program goals, delivery mechanisms, and fiscal implications. The faculty indicated that it was imperative that the dean ensure that any partnership is not adversely affecting local programs and must have the autonomy to ensure the appropriate deployment of resources to ensure program viability.

**4.6.10.3 Chairpersons** Department Chairpersons have a critical role as they work with their department faculty to develop an agreed-upon, unofficial faculty rotation, implement the rotation, and schedule resources to meet all commitments. Chairpersons work to execute and maintain program commitments. Without the careful financial review, planning and implementation, the program would not be successful in providing faculty necessary for program instruction. While chairpersons and faculty do not get involved in the daily administration of the program budget, all those interviewed believed that it was critical to deliver programs such as these in as cost-effective a manner as possible and that it was important to raise issues of both fiscal and operational concerns to the program coordinator, assistant dean for administration, or dean (as needed).

Those interviewed who are/were chairpersons at one point during the life of the partnership indicated that they had regular opportunities for input into the decision-making process of the IUP-PES partnership and other programs. While detailed fiscal management may not be their responsibility, the collective decisions made (such as timing, number of sections per cohort, enrollment targets, travel documentation, travel arrangements, accommodations, and support services) ultimately impact the program budget.

Collectively, the chairpersons review the course sequence with the program coordinator to see where adjustments can be made. In general, there are courses that need to be at the beginning of a program, some that can be somewhere in the middle, and one course that absolutely needs to serve as the capstone course at the end of the cycle.

Faculty noted that it is the role of the Chairperson to maintain rotation lists within his/her department, and to keep records of additional compensation earned by each faculty member. Records are updated on a regular basis and shared with the faculty to demonstrate compliance with the rotation policy, equity and fairness.

Chairpersons indicated that while the management of the program delivery among other responsibilities is a challenge, it is manageable. With more experience each year, the management of the program has become more efficient and streamlined.

**4.6.10.4 Program Coordinator and Assistant Dean for Administration** Faculty recognized that it was the role of the program coordinator and assistant dean for administration to work closely to develop and monitor a budget for the program that included sound revenue projections, thorough expenditure projections, and flexibility to cover unforeseen or changing expenditures. Faculty appreciate processes that facilitate efficient and accurate payments.

**4.6.10.5 International faculty** One faculty member interviewed indicated that there is added benefit that IUP's international faculty can bring to the table in international partnership discussions from both operational and fiscal perspectives. When exploring a partnership in a specific region of the world, faculty from a particular region often understand both cultures, both systems, and for the most part, procedures on both sides. They often know the best way to communicate and know who to communicate with at both institutions. International faculty help to build linkages and relationships among both parties. From a fiscal perspective they can ensure

that financial aspects are clearly understood by both parties and that the contract is worded clearly to avoid misunderstandings, miscommunication and surprises. They can also work to ensure that the partner, students, and family members clearly understand the costs to students including tuition, fees, living expenses, transportation, and supplies.

**4.6.10.6 Teaching faculty** Without the support and participation of teaching faculty, the IUP-PES partnership could not succeed. Curriculum development, course delivery, and program support all rely on faculty support. Faculty also have a role in being active participants in the dialog about the operations and fiscal management of the program. It is important for them to identify concerns, to communicate issues, and to work toward resolution of problems. If they identify areas in which expenditures or fiscal support is lacking, it is important for them to communicate this with the appropriate individuals and to play a role in exploring alternatives.

**4.6.10.7 Curriculum committees** All undergraduate and graduate programs, including the IUP-PES graduate program, must have appropriate curriculum approvals. As it pertains to fiscal resources, throughout the curriculum review process, the university requires that proposals include verification that resources are sufficient to support program proposals.

Table 24 highlights key roles associated with an international partnership from a fiscal perspective as identified by faculty members interviewed.

#### **4.6.11 Key decision makers**

Faculty identified several key decision makers involved in the establishment and maintenance of an international partnership including the university president, the provost and vice president for academic affairs, the assistant vice president for international education and global engagement, the dean, the chairpersons, the faculty members, and the university curriculum committees.

**Table 24. Faculty – IUP - Fiscal Roles and Responsibilities**

Roles and Responsibilities	Detail
Faculty Union	Responsible for negotiation of a contract that provides fair compensation to faculty for participation in programs such as IUP-PES.
Dean	Responsible for communication with all parties in exploring fiscal implications for the college and faculty, and for ensuring the fiscal solvency of the program.
Chairpersons	Responsible for management of human resources and maintenance of unofficial rotation schedules and related earnings by faculty member.
DA/Program Coordinator and Assistant Dean for Administration	Responsible for developing and monitoring budget for program. Responsible for processing of payments and reimbursement of expenses.
International Faculty	Responsible for building linkages and support contracting process.
Teaching Faculty	Responsible for creating program curriculum, delivering coursework and identifying operational concerns, communicating issues, and working toward program resolutions.
University Curriculum Committees	Review program proposal to assure academic and pedagogical integrity.

**4.6.11.1 IUP President** Faculty recognized the ultimate authority of the university president in providing leadership in internationalization efforts. Without presidential support, programming will likely be limited to basic study abroad and exchange relationships. Often, presidents from international institutions are involved in international partnership ventures and they, in turn, expect correspondence and communication from the president at the U.S. institution. While involvement may, at times, be only a formality, the involvement is viewed as evidence of commitment from the university leadership. This is vital to the relationship.

**4.6.11.2 Provost and Vice President for Academic Affairs** Faculty participants noted the importance of the support of the university provost in driving and supporting international partnerships, particularly as it relates to partnerships that involve academic programming initiatives. Without the support of the provost of internationalization efforts, programming would likely be limited to basic study abroad and exchange relationships.

**4.6.11.3 Assistant Vice President (AVP) for International Education and Global Engagement** Faculty recognized the role of the AVP in providing guidance to faculty and deans

who are interested in exploring and creating international partnership programs. The AVP is seen as an individual who can provide assistance in cultivating partners, support international student processing, provide guidance for faculty traveling abroad, and serve as an advocate when dealing with senior-level management. The individual in this position can also contribute to the analysis of the viability of proposed partnership initiatives.

**4.6.11.4 Dean** Faculty indicated that it was critical to have the dean's vision and leadership in providing direction and support for an international partnership initiative. They noted that it was the dean's responsibility to engage faculty in conversation regarding partnership options, to explore implications for college resources, and to communicate with the provost and senior administration regarding program goals, delivery mechanisms, and fiscal implications. They believed that it was the dean's responsibility to communicate with the faculty regarding program expectations and his responsibility to provide opportunities for communication regarding program viability and feasibility. The dean, they added, should communicate with potential partners to explore programming needs and to determine the appropriate match between institutions. The program coordinator, they added, could be the designee for the dean in many instances.

**4.6.11.5 Program Coordinator** Faculty interviewed indicated that the program coordinator makes decisions on an ongoing basis to address student, faculty, logistical, staff, and support needs. The program coordinator must have the ability to make decisions regarding operations of the program and utilization of resources and must have access to the individual/s that need to make higher level decisions. The IUP-PES program coordinator has a very close relationship with both the IUP dean and the Chief Executive Officer of PES. This relationship is key in ensuring that problems are elevated and addressed quickly. One faculty interviewed indicated that open communication with the program coordinator is critical. After experiencing challenges on his first visit to India, he was able to openly share his concerns with the coordinator. Had someone not been in the position to make recommended changes, he probably would not have gone back the second time to teach.

**4.6.11.6 Chairpersons** Those faculty interviewed recognized the role of departmental chairs for recommending faculty schedules and courses for each term and in executing course delivery. One faculty member noted that initiatives, such as this partnership are revenue generating, and should be encouraged during these tough economic times. However, they do interfere with the smooth and “normal” functioning of the department and require careful review, planning and implementation.

**4.6.11.7 Faculty members and faculty union** Those faculty interviewed indicated that the success of an international partnership is contingent on the willingness of faculty members to support and participate in this initiative, and on the work of the faculty union for providing a mechanism to facilitate faculty participation and for ensuring fair compensation.

Table 25 provides a summary of those individuals that faculty members interviewed identified as having decision-making roles in the establishment and maintenance of an international partnership.

**Table 25. Faculty – IUP - Key Decision Makers**

Category	Detail
University President	Provides overall leadership and sets tone for level of internationalization efforts.
Provost and Vice President for Academic Affairs	Provides academic leadership and sets tone for level of internationalization efforts.
Assistant Vice President for International Education and Global Engagement	Provides support in partner cultivation and in analysis related to partnership viability.
Dean	Communicates with potential partners, analyzes program needs and match between institutions. Communicates with chairs/faculty to determine delivery options and feasibility. Negotiates contract within guidelines approved by senior administration. Ensures that partnership is not adversely affecting delivery of local programs.
Program Coordinator (Dean’s Associate)	Supports negotiation process. Makes daily decisions regarding program logistics and delivery. Involved in all facets of program.
Chairpersons	Execute course delivery and communication of concerns regarding program delivery.
Faculty and Faculty Union	Faculty support and participate in partnership initiative. Faculty union provides mechanism for faculty participation and compensation.

#### 4.6.12 Non-monetary rewards

One of the non-monetary rewards addressed by most faculty interviewed is that the IUP-PES partnership provides faculty with the opportunity to become fully integrated into the Indian culture and into an academic international setting. Participation in this program is not like attending a four or five day international conference; rather it is intensive academic immersion in India. Faculty are living among students and faculty in a non-resort area. Faculty interviewed, both Indian and non-Indian, believe that this enables them to become more effective teachers with a broadened global perspective. They also appreciated the opportunity to explore research collaboration opportunities with both Indian colleagues from PES and with their own colleagues from IUP.

Several faculty interviewed noted that, because of the breadth of the MBA program, the IUP-PES partnership involves numerous faculty from across the college. This has resulted in increased communication and collaboration across disciplines as faculty have a common experience as instructors in the IUP MBA Program in India.

Faculty interviewed noted that there is also value to this program in that it provides opportunity for Indian faculty to visit family, friends and professional colleagues from their home country.

Table 26 provides an overview of the non-monetary rewards associated with an international partnership initiative as identified by faculty members interviewed.

**Table 26. Faculty – IUP - Non-Monetary Rewards**

Non-Monetary Rewards	Detail
Immersion into the Culture	Full immersion into an international academic setting as opposed to conference presentation or attendance.
Research Opportunities	Partnership provides research topics and prospective co-authors.
Return to Home Country	Partnership provides opportunity for Indian faculty to return home to visit and to make a contribution to the Indian education system.
Widespread Involvement	Program involves faculty from across the college. Contributes to enhanced communication and collaboration.

#### **4.6.13 Critical ingredients**

Faculty listed the following critical ingredients for this type of partnership program: 1) high quality instruction; 2) financial incentives to motivate faculty; 3) competitive pricing of the program; 4) sufficient revenue to cover costs; 5) appealing and safe location; 6) dedicated program coordinator; 7) dean's leadership; 8) adequate facilities; 9) career placement opportunities for student participants; 10) administrative support on both the IUP campus and abroad; 11) maintenance of AACSB Accreditation (and the university's Middle States accreditation) in order to be of value to any partner; 12) faculty training regarding the academic culture so that they are better able to deal with the behavioral and cultural differences in students; 13) suitable housing and transportation; and 14) suitable facilities and technology.

One faculty member added that increased flexibility of program delivery is critical for the long-term success and viability of the program. Alternative forms of delivery, including hybrid teaching (online and in-class) should be explored. In addition, the faculty member felt that there may be occasions when the dean would need to exercise his authority to hand pick faculty to teach in order to assure ongoing quality (both in terms of content currency and cultural sensitivity).

#### **4.6.14 Changes over the course of the partnership**

Those interviewed indicated that there have been a number of positive changes made over the course of the partnership and they have all been identified in prior sections including: 1) use of the team teaching model; 2) improvement in facilities; 3) improvement in technology; 4) addition of a contracted vehicle and dedicated driver; and 5) recent stability in support staff.

While improvements in facilities and technology have been noted, faculty believe further improvements continue to need to be made. Faculty expressed concern with the travel time from the room accommodations to the new classroom facilities. (Since the time of these interviews, new facilities have been built and housing option has been provided directly at the new site).

As noted in the DA/program coordinator's interview section, PES instruction has varied from two to four sections. Faculty interviewed noted that when more sections are taught by PES,

fewer are available to IUP faculty. While faculty recognize that there are savings to IUP as more courses are taught by PES, this change results in fewer teaching opportunities/compensation opportunities for IUP faculty.

Faculty indicated that there has been a growing comfort level for faculty who have traveled to and from India multiple times. The more that faculty have gone through the process and experienced the culture, the more they are prepared and are able to handle situations more effectively.

#### **4.6.15 Perceptions of colleagues**

Faculty interviewed believe that the perceptions around the IUP campus of the IUP-PES partnership is generally good. The existence of the program is widely known and colleagues recognize that there is a long-term relationship with PES. Many faculty across campus would like to get involved in similar partnership activities/added earnings opportunities. The program has been reviewed by the members of the University-Wide Graduate Curriculum Committee who reviewed and approved the IUP MBA Program for delivery in India.

Within Eberly, those interviewed felt that colleagues were primarily supportive of the program, with occasional exceptions. Some faculty, who don't support it, simply may not know about it or may not understand it. Some may not be able to participate because they aren't eligible to teach at the graduate level or because their specific coursework is not being taught by IUP in the program.

Within each department, faculty indicated that there is generally a positive attitude about the program. There are some occasional difficulties associated with personalities and travel issues, but faculty who participate appreciate the opportunity for additional compensation. Occasionally there has been discussion related to the quality of the students who participated in the program. However, faculty note that the profile is not significantly different than that of our U.S. students. Some students are very good and some are not. Some faculty interviewed indicated that there are a few faculty who know that the partnership exists, but don't participate or get involved.

Many faculty have appreciated the change in the classroom composition on the IUP Campus, while some may have been less enthusiastic about having a large contingent of Indian students in their classes. Faculty who have taught in the program enjoy the opportunity to see the students

who they originally taught core MBA courses in India, and who now have the opportunity to come to the United States and to reconnect with the faculty during their MBA concentration.

All faculty interviewed believe that they have benefited by the program in some way. They appreciated the added compensation, but also note the opportunities associated with international teaching and international classroom composition. However, all faculty interviewed question the viability of the program if alternative programs require teaching resources to be spread too thin or to be diverted to more convenient options.

#### **4.6.16 Future of the partnership**

Faculty interviewed addressed the addition of other international partnerships, aging faculty, and balancing multiple demands as factors that may impact the ability of the IUP-PES partnership program to continue.

**4.6.16.1 Addition of other international partnership** While faculty are supportive of expanding international partnership programming, faculty expressed concern about engaging in too many international partnership activities. They feel that we may stretch limited resources too far and, if given a choice, faculty may opt to participate in a partnership that provides a new experience over one that they have already participated in for many years. They stressed the importance of careful evaluation, planning, and dialog with chairpersons and individual instructors. This can't be something that just moves forward because one faculty member has a connection in another country. Careful discussions and deliberation must take place, and other commitments must be considered.

**4.6.16.2 Aging faculty** Another factor that may influence that ability of this and other similar partnerships to continue is the fact that many faculty are aging and don't want to travel as much as they once did. Given the economic crisis, many faculty have opted not to retire but to stay on to teach for a longer period. The profile of the faculty population is aging, and fewer faculty may be interested in participating in international programming initiatives.

**4.6.16.3 Balancing multiple demands** Faculty indicated that there are many demands on their time including demands for teaching, service, advising, and scholarship. In addition to this, faculty are being asked to teach at multiple sites, currently requiring them to travel to four different regional locations for off-campus undergraduate and graduate instruction. There are also added demands associated with participation in online delivery methods. These multiple demands could negatively impact the willingness of faculty to continue to travel abroad for international teaching. With budget cutbacks, faculty vacancies that occur may not be refilled. This places an even heavier burden on remaining faculty and there may not be enough faculty to meet all commitments.

Table 27 highlights factors identified by faculty members that may impact the ability of the IUP-PES partnership to continue.

**Table 27. Faculty – IUP - Factors that may Impact the International Partnership**

Factors	Detail
Additional Partnerships	Additional international partnership initiatives could place strain on limited resources or entice faculty to a new location for a different experience.
Aging Faculty	Older faculty may be less interested in traveling.
Multiple Demands	Faculty are working to balance multiple demands, at multiple locations, associated with instruction, service, advising, and scholarship.

**4.6.17 Other issues**

Faculty interviewed pointed to a few other relevant issues associated with international partnerships. One faculty interviewed noted that there are unintended consequences of new programs such as size and composition of the classroom. For instance, another partnership that the Eberly College has is with a Chinese institution wherein over 70 students come from China to finish their undergraduate degree. While this population has raised the standards in the classroom in quantitatively-oriented courses such as finance and accounting, it has been a challenge in some of the qualitatively-oriented programs such as marketing and management. At

times, faculty and students struggle with gaps in communication, and while international programs infuse diversity in the classroom, some faculty may not appreciate the challenge.

A faculty member noted that the existence of international partnerships is a good thing for IUP. They are good for our reputation, revenue streams, and cross-cultural understanding. Often international students are high caliber, have strong entrance scores, and high academic goals.

Another faculty indicated that he was particularly pleased that our partnership is with India, especially since the Indian economy is large and has the second largest population in the world. The partnership between IUP and PES provides a mechanism for faculty to be exposed to and learn more about this rapidly-changing region of the world.

## **5.0 SUMMARY AND DISCUSSION**

This chapter provides a summary of the findings regarding the fiscal considerations of an international partnership in higher education using of the case of an existing partnership between Indiana University of Pennsylvania and the Peoples Education Society of Bangalore, India, for delivery of an IUP MBA program on-site in Bangalore. In addition, both implications for the practice and implications for future research are addressed.

### **5.1 SUMMARY OF FINDINGS**

The purpose of this study was to explore and document the fiscal considerations of an international partnership in higher education. A case study was conducted to determine the fiscal considerations of an international partnership in higher education in order to gain an understanding of the fiscal considerations (both external and internal), financial models (revenues, expenditures, incentives, and risks), and roles and responsibilities associated with an international partnership venture drawing upon the experiences of the existing international partnership between Indiana University of Pennsylvania (IUP) and the Peoples Education Society (PES) of Bangalore, India. Over 400 students have graduated from this program since its inception in 2005-2006, and over half (30) of the faculty in the Eberly College of Business and Information Technology at IUP have taught in the program, on-site in India. In addition, approximately 50 IUP students (both undergraduate and graduate) have traveled to the PES campus in Bangalore to participate in international competitions, symposiums and coursework. There have also been visiting faculty programs to IUP and faculty collaboration in research.

Thirteen individuals were interviewed in an attempt to gain an understanding of the fiscal considerations of a successful, existing international partnership in higher education. The individuals selected to participate have either been involved at some level with the partnership

between IUP and PES from its inception and/or have an understanding of fiscal policies and procedures related to the program. Those selected were judged to be able to provide different and informed perspectives on fiscal considerations including the PES Chief Executive Officer (CEO), the dean of student affairs at PES, the associate vice chancellor for administration and finance from the Pennsylvania State System of Higher Education (State System), the vice president for administration and finance at IUP, the dean of the Eberly College of Business and Information Technology at IUP, the dean's associate/IUP-PES program coordinator at IUP, the assistant director of financial operations at IUP, the assistant vice president for international education and global engagement at IUP, and five faculty members who have participated in the IUP-PES partnership at/near its inception and continue to participate at the time of this study.

All participants provided a brief description of their unit, their involvement in international partnership initiatives, and their involvement in the IUP-PES partnership. All participants were asked the same questions regarding fiscal considerations of an international partnership including identifying: 1) the external factors (such as goals, regulations, policies, and priorities) that influence the creation, structure and operation of an international partnership from a fiscal perspective; 2) the internal factors (such as those at the institutional-level, college-level, and departmental-level) that influence the creation, structure and operation of an international partnership from a fiscal perspective; 3) the financial goals associated with such a partnership; 4) the initial financial investment required for such a partnership; 5) the types of revenues and expenditures involved and the challenges and/or strategies associated with each of them; 6) the indirect costs; 7) the need for contingency funds; 8) the types and sufficiency of financial incentives; 9) the financial risks and related strategies; 10) and the identification of fiscal roles and responsibilities.

Participants were also asked to identify non-monetary rewards, key decision makers, the critical ingredients for a successful partnership, and issues that may impact the ability of the partnership to continue. A summary of interview responses is as follows:

*External factors* The participants of this study identified a wide range of external factors that influence the creation, operation, and maintenance of an international partnership in higher education from a fiscal perspective. Governing board policies, changing demographics, market saturation in the United States, governmental regulations, market assessment in India, exchange

rate concerns, accreditation standards, employment contracts, transfer taxes, experience of other institutions, competitiveness, legislative and stakeholder priorities, accounting standards, bond ratings and workforce competition were among those factors addressed by research participants. All of these factors are addressed in detail in the research findings and each of them has had a direct or indirect impact on the partnership between IUP and PES.

Although, all of these factors were considered important to the success of the partnership, those that were considered particularly significant include: 1) State System Board Policy (1983-18-A) that permits State System universities to waive any fees (including tuition) for students whose direct instructional costs (faculty salaries and benefits) are funded by a grant or contract (the existence of this policy allowed IUP to move outside of the traditional tuition and fee structure and create a price structure for delivery of the IUP MBA program in India that not only covered the direct cost of instruction, but covered all direct program costs and allowed for the partner to establish a competitive price in the region served); 2) the Agreement between Association of Pennsylvania State College and University Faculties (APSCUF) that determines the maximum compensation that a faculty member can earn from teaching in an international partnership program and provides for what most of those who were interviewed considered a lucrative level of compensation for program participation; 3) the restrictions on the number of MBA students that PES was allowed to accept into their own MBA programs as mandated by the All Indian Council for Technical Education (the CEO indicated that a key motivation for him wanting to partner was the fact that PES was limited by the All Indian Council for Technical Education on the number of students that it could accept into its own MBA program); 4) changing demographics applicable to both institutions (IUP is dealing with the declining high school population and market saturation at the graduate level, whereas, India has a severe shortage of seats in graduate programs); 5) declining public support for higher education in the U. S. which is forcing institutions to pursue alternative revenue sources including those that can be earned from international enrollments; and 6) the continuing need to respond to the priorities of stakeholders, legislators, communities, councils, regulating bodies, and governmental agencies.

The primary goal of public institutions, such as the Pennsylvania State System of Higher Education (State System), is to serve the citizens of its respective state. As such, state appropriations can't be used for the education of nonresident students, including those from other

states and other countries. As the proportion of state appropriation support declines as a percentage of the overall State System budget (from 63% in 1983-84 to 27% in 2011-2012), it is essential for new revenue streams to be pursued, international markets included.

*Internal factors* The participants of this study also identified a wide range of internal factors that influence the creation, operation, and maintenance of an international partnership in higher education from a fiscal perspective. Curriculum processes, institutional leadership and support, university and college mission, student recruitment and enrollment goals, the teaching model, local agreements, campus budgetary conditions, distribution of compensation opportunities, faculty support and participation, and facility capacity at partner institution, were among those factors addressed by research participants. All of these factors are addressed in detail in the research findings.

Although, all of those internal factors identified were considered important to the success of the partnership, those that were considered particularly significant include: 1) university leadership that has provided support for the IUP-PES partnership initiative by permitting use of the State System Board Policy regarding contracting, and has been supportive of the international initiatives between the two institutions; 2) the team-teaching model that has been utilized in the partnership program that has reduced the travel burden on individual faculty members; 3) the ability of the partner institution to provide on-site housing to IUP faculty at no expense to IUP; 4) the creation of “unofficial” rotation policies within each department that have served to determine how to distribute the opportunity for added compensation among eligible faculty; and 5) the excess capacity at the graduate-level in the Eberly College for those students opting to come to IUP for an MBA concentration.

*Financial goals* Early on in partnership discussions, it was evident that this partnership initiative had to generate sufficient revenues to cover the direct costs of instruction (as mandated by State System Board Policy), and enough to cover all direct costs of program delivery (as mandated by university leadership). Except for during the start-up year, when all non-mandatory fees were waived, the contract revenues have also had to be sufficient to pay for the applicable university fees of all participating students. No additional revenues would be allocated to the Eberly College to operate the partnership from either the Division of Academic Affairs or the

university central budget. As a public institution, it has been essential that there is no financial risk to either the Eberly College or to the university because of this partnership. Both entities hoped to and have benefited from the added enrollments and associated revenues.

From an operational standpoint, those interviewed stressed the importance of fiscal managers and fiscal support personnel having a clear understanding of the financial goals and the agreed upon model. It is essential to ensure: 1) fiscal responsibility and accountability by the budget holder; 2) appropriate and timely posting of revenue and expenditures; 3) availability of reports that assist the budget holder and other individuals in having a clear understanding of the transactions and status of the account; and 4) fiscal solvency of the program.

*Initial investment* Because of the excess capacity in its facilities, PES was able to provide both teaching and housing accommodations for the program. PES assumed all costs associated with promotion and recruitment of the program. Both partners invested funds associated with travel during partnership exploration and negotiations.

*Revenues* The only source of revenue to IUP for the partnership program is the contract revenue from its partner institution. In establishing the partnership, it was essential to ensure that all revenues covered both direct instructional and direct programming cost. In order to minimize risk, the annual payment from PES was established in dollars and must be transferred to IUP before any major program costs are incurred by IUP. The annual payment is a fixed amount and does not fluctuate with changes in enrollment. IUP does not incur any risk associated with fluctuations in the exchange rate, and faculty contracts and flight arrangements are not processed until payment is received from PES.

*Expenditures* IUP faculty salaries account for nearly 70% of the program budget expenditures and are paid in accordance with both the collective bargaining agreement between the faculty and the State System and local agreements that exist at IUP. There is no latitude in the amount that can be paid to IUP faculty as the calculation is based solely on the number of students enrolled, the faculty base pay amount, the current tuition rate, the number of credits being taught, and the maximum allowed by the collective bargaining agreement. In order for this initiative to be successful, it is critical that faculty compensation be sufficient to incentivize faculty

participation on both an initial and recurring basis. With over half of the faculty in the college participating, it is evident that compensation levels are viewed as sufficient.

PES funds all program promotions, provides housing on-site, has both renovated and constructed facilities, funds support staff, and funds faculty expenses associated with foundations/transfer courses.

Many of those interviewed discussed the importance of ensuring that sufficient funding is available for staffing associated with an international partnership initiative. As it pertains to this particular partnership between IUP and PES, adequate funding for program coordination on both sides is deemed to be imperative.

*Indirect costs* From a fiscal standpoint, the term “indirect costs” or “overhead” are those costs that are not readily identified with a particular grant or project. State System Board Policy permits institutions to contract for delivery of a program as long as the direct costs of instruction are covered. The contract revenue earned from the IUP-PES partnership is sufficient to cover not only the direct instructional costs (faculty salaries and benefits), but also covers all applicable university fees and all direct administrative costs of program delivery. In order to keep the program price competitive, academic leadership has not required an overhead charge to be applied to this partnership program, recognizing that the fee revenues support a number of offices across campus including the operation of the registrar’s office, campus transportation services, the graduate school, the international affairs office, the health center, and the student activities area.

The dean of the Eberly College maintained that it is critical for any institution to apply the marginal cost concept when considering the implementation of new initiatives including those involving international partnerships. New initiatives involve additional costs, but much of an institution’s overhead is unchanged. As a consequence, decisions involving the addition of one more student or taking on a whole new venture (program) should involve a comparison of the marginal increase in revenue versus the marginal increase in costs. If the marginal revenue equals or exceeds the marginal cost then the additional students or implementation of the new venture should proceed. In fact, if the marginal revenue exceeds the marginal costs, there will be some net revenue or surplus to contribute to the overhead of the institution. The application of

the marginal cost concept is particularly important at a time when budgets are tight and there is excess capacity in the classroom.

There are, of course, some costs that do increase with large groups of added international enrollments, particularly those related to recruitment, instruction, direct services, and travel.

There is often pressure on units to generate enough to cover the full average cost of program delivery, which includes overhead. But this overlooks the fact that any amount of marginal revenue over the marginal cost contributes to university overhead. If an institution insists that indirect costs be covered by the marginal revenue from a venture, it may make a particular initiative impossible from a financial standpoint.

From a non-financial standpoint, all the research participants did identify indirect costs associated with establishment, delivery, and maintenance of a large partnership initiative. With all of the benefits of internationalization, there is the time commitment associated with curriculum development, scheduling, logistics, and program support.

*Financial incentives* From a university standpoint, many of those interviewed believe that the existence of a strong international emphasis on a campus contributes to the recruitment and retention of high quality students. Without an internationally-diverse student population, high quality students (both international students and U. S. students) would be less interested in IUP. As such, international partnerships can serve to enhance the enrollments and related revenue streams of the institution. The same applies to the partner institution, whose CEO indicated that it utilizes the existence of a highly successful international partnership for the delivery of a U. S. accredited MBA program as a tool for recruiting students and for adding to the overall stature of the institution.

The issue of how to reward entrepreneurial activities, such as initiatives associated with international partnerships, was addressed by several individuals interviewed. The administration from the Eberly College indicated this was an entrepreneurial initiative that required significant commitment, energy and time. It was their initial hope that the program would generate added funds for college operations to offset budget cuts and to further support special initiatives, including those related to internationalization efforts. Over the course of the partnership, surplus funds have been available for other purposes. The vice president for administration and finance cautioned, however, that we need to avoid having the perspective that any program (including

the IUP-PES partnership) be considered a “cash cow” for any one area. All programs, he noted, should be seen as institutional programs as opposed to an individual college within the university doing its own thing irrespective of university needs and priorities. On the other hand, areas should be recognized and rewarded for their entrepreneurial initiatives at a sufficient enough level to encourage this type of activity.

From an operational standpoint, it is deemed critical to be able to compensate faculty at a level that provides adequate-to-lucrative compensation in order to incentivize faculty support and participation. The total faculty compensation for this program has incentivized faculty thus far and is higher than what faculty can earn for other alternative teaching opportunities. Faculty teaching on an overload basis during the academic year are paid at a rate of 10% of their 2010 base year salary (adjusted for any rank and step changes), and a faculty member teaching a summer course is paid at 7.5% of his/her 2005 base year salary (adjusted for any rank and step changes).

*Contingency funds* Given that the contract between the two institutions involved in the partnership calls for the annual calculation of the payment due based on the most current information (enrollments, tuition rates, base faculty compensation, benefit rates, and airfare), the annual budget can be established and the price set with a reasonable degree of accuracy. Regardless, it is essential that a contingency fund be established to cover unforeseen expenditures. A recent example of this were the costs associated with changing flight arrangements as one faculty member had to cancel his teaching assignment and another faculty member agreed to assume the instruction responsibilities.

*Fiscal roles and responsibilities* Interview results revealed that there are many individuals on a campus who have fiscal responsibilities associated with managing international partnership accounts. There is typically a vertical hierarchy associated with monitoring the activity of any account. It is the responsibility of the budget holder/financial manager (in the case of the IUP-PES partnership, the program coordinator and assistant dean for administration are the primary budget holders) to monitor the account on an ongoing basis with the assigned accountant, the dean of each college or his/her designee to monitor the activity of all accounts within his/her college, and the provost or his/her designee to monitor the activity of all accounts within his/her

Division. The vice president for administration and finance, university president, and council of trustees work to ensure the overall fiscal integrity of all accounts within the institution. Those at the lower levels typically monitor the specifics of the data, whereas those at higher levels review overall fiscal integrity and viability of a single and/or group of accounts.

Unlike the monitoring process which is vertical in nature, financial processing requires horizontal communication/processing between mid-level administrators including the budget holder/financial manager, assigned staff accountants, and various accountants from across the campus (such as those in accounts payable, travel, accounts receivable, payroll, and purchasing). Individuals in these areas should be communicating on a regular basis regarding the accurate posting of revenue and expenditures throughout the budget period. Tens of thousands of transactions are posted annually within the institution, and it is the combined effort of individuals in these areas that ensures accurate posting of revenues and expenditures. This is nothing unique to the IUP-PES program activity. University fiscal operations are extensive and complex and require a high level of coordination and communication between all parties. Individuals in the financial operations area work to ensure that there are open lines of communications throughout the university on budgeting and financial matters.

At the State System level, the associate vice chancellor believes that university presidents need to be making the best decisions for their institutions. They are all dealing with a different market and different demand functions, and solutions will differ among institutions. Changing demand and declining state appropriations both need to be taken into account. In regard to the Board of Governors, their goal is to provide the highest quality education at the lowest possible price to Pennsylvania resident students. When there are decreases in state appropriations, the Board tries to mitigate the cost to students and works by keeping tuition increases as low as possible and requiring institutions to lower expenditures to keep their budgets in balance. The Board, in dealing with officials across the State System, is working to become more flexible in tuition policies and is seeking ways to be more creative in generating enrollments. They are looking to winter, summer, graduate enrollments, and nonresident enrollments as ways to offset the decline in the core undergraduate resident population. Institutions need to consider how to generate both enrollments and revenue.

*Financial risks* Those interviewed identified a number of financial risks that could apply to the IUP-PES partnership. The contract between IUP and PES, however, was created in a manner that would eliminate any risk for IUP and eliminate/minimize the risk for PES. The contract requires that an annual payment from PES to IUP be determined that utilizes the most current information for expenditures (enrollments, tuition rates, faculty base compensation, benefit rates, airline rates), requires that the annual payment be made in advance of the issuance of faculty contracts and the booking of airfare, requires that the payment be made in a fixed amount regardless of enrollments (to ensure coverage of all fixed costs associated with delivery), and establishes the annual payment in “dollars” as opposed to in a foreign currency. The annual budget developed includes a contingency for unforeseen expenditures. As it pertains to the partner institution, fluctuations can occur in the exchange rates that can either benefit or hurt the partner depending on the time period between when the annual payment amount is established with IUP, payment is collected from participants, and payment is transferred to IUP.

Risks associated with financial management of a program account can be minimized and avoided with clear policies, trained personnel, checks and balances within the system, and accountability for individuals to carry out their respective fiscal roles in monitoring account activity. From an operational standpoint, fiscal managers must be trained properly in the utilization of accounting systems and the administration of their program budgets, accounting staff must be trained on the appropriate guidelines for accounting and reporting.

*Critical ingredients* Many of those interviewed stressed the fact that this was a “partnership.” As such, there should be mutual trust, commitment, cooperation, communication and understanding. Without this foundation, the partnership simply would not succeed. Both partners need to have clarity of expectations, must view the partnership as a win-win situation, and trust that neither partner is exploiting the other. In addition, the program needs to be financially viable for the two institutions, the reward for the faculty must be sufficient, teaching and housing facilities should be suitable, pricing needs to be competitive, and there should be certain unique aspects to the program so the students will see its value (such as instruction by IUP faculty, the delivery of an AACSB-accredited degree program, and the opportunity to study in the United States). Leadership in both organizations is critical. Leaders must not only have a vision to advance internationalization on the campus, but must also have the ability to oversee

the operational aspects of the program. The existence of a “champion” who also understands systems on both sides and who is willing to work with all constituents is essential.

During the interview, the dean indicated that execution of the program must be dynamic as both partners respond to challenges in their respective environments. The agreement must be flexible enough to allow appropriate responses to changing conditions and allow ongoing enhancements to the quality of the experiences of participants. The program would not have survived if partners were inflexible and unwilling to adapt as the program evolved. As it pertains to the partnership between IUP and PES, changes have been made in recruitment strategies, personnel, program delivery, program timing, facilities and technology, and support services.

The dean added that the creation of the IUP-PES partnership program is clearly consistent with the mission of the Eberly College. Projecting enough revenue to cover all of the program costs is a necessary, but not a sufficient condition for implementing such a program. The internal culture and the level of staff and faculty interest and support within the college must be considered. In Eberly’s case, the faculty responded by developing curricula, team teaching (as needed), and even rotating instructional responsibilities. The dean added that while having a vision for such an initiative can come from an administrator or another individual, the support, execution and delivery by a large majority of the faculty (including the program coordinator) is what makes or breaks the partnership.

From the institutional level, the vice president for administration and finance believes that IUP has the desire and the wherewithal to set itself apart from other campuses through international partnership initiatives. He qualifies this, however, by indicating that desire and wherewithal is not sufficient. It is critical that the campus have the proven ability to take care of business at home by successfully demonstrating that it is performing our core functions of teaching, research, and service on our own campus. When we do this, the vice president believes that we have matured as an institution and can move to another level including international partnerships. Even at that, he noted, everyone can’t do this. Each institution needs to “size itself up” in its ability to manage and support international activity. The vice president also cautioned that we can’t be all over the place with our models and that we can’t proceed with every initiative that comes along. We need a standard base financial model for international partnership, shouldn’t start from scratch each time, and shouldn’t have a different model for every partnership program. We need to drive a model, let the model mature, and leave room to

tweak it as we go along. While the base financial model should be a starting point, he recognizes that each partnership/situation is likely to have nuances that warrant adjustments to the base.

*Future of the partnership* The IUP dean, PES CEO, IUP dean's associate, IUP dean of student affairs, and assistant vice president for international education and global engagement have all had regular and direct contact with the IUP-PES partnership program. Interview results indicated that their overall experience has been positive and that many changes have been made over the life of the partnership to further enhance the experience for students, faculty and administration. A number of those interviewed indicated that the program has been structured in a way that both partners have been able to achieve their needs and meet expectations from an academic, fiscal, and operational perspective.

Despite this, all individuals interviewed identified factors that could jeopardize this program including: 1) that international partnership activity could be negatively impacted if State System and institutional leadership don't see the value of internationalization efforts and create policies that make the cost of partnership programs prohibitive; 2) that with increasing competition from U. S. institutions, from other English speaking countries, and from non-English speaking countries (such as Germany, Sweden, and Finland) who are offering programs in English, IUP will be unable to differentiate ourselves from the thousands of other schools (particularly if higher and higher tuition rates are charged); 3) there is a change in institutional policies that increases the charge for overhead or siphons a greater share of any surplus from the colleges that pursue these partnership activities, thereby removing the incentive for faculty and administrators to spend time and effort on these initiatives or forcing the program into a non-competitive rate; and 4) diminished interest by key players in administering the program. Political instability overseas, economic recession and inability of students to afford to study or travel abroad, and safety concerns were also identified as areas that could have an impact on this partnership and other such partnership initiatives.

Faculty members interviewed indicated that the partnership could be jeopardized if the Eberly College entered into more international and/or off-campus initiatives. There might not be enough faculty resources to meet all programming needs or faculty may be enticed to experience a new partnership opportunity in another region of the world. Faculty also expressed concerns regarding the ability to continue meeting on-campus demands associated with instruction,

service, research, and advising in relationship to their ability to continue with program participation.

For PES, two primary issues that could impact the future of the program would be the increase in the enrollment quota for in its own MBA program as mandated by the All Indian Council for Technical Education. At the time this partnership started, PES was capped on the number of MBA students that it could accept, therefore, sought to increase its “top line” by partnering with an institution that could help to address the demand. That quota has since been doubled, and PES needs to consider enrollments in its own program (which is less costly) in relationship to those in the IUP MBA program. In addition, government regulations are changing in India regarding the ability of India institutions to partner with institutions from other countries. A bill is pending in parliament that seeks to regulate the entry and operation of foreign educational institutions seeking to impart higher education, including requirements associated with maintaining a minimal level corpus fund in the country.

## **5.2 RELATIONSHIP TO THE LITERATURE**

Heffernan and Poole (2005) recognized that international partnerships may result in new revenue to an institution but there is evidence that partnerships can fail and negatively impact an institutions fiscal condition. Institutions, they noted, have lost hundreds of thousands of dollars, and in some cases millions as a result of inadequate administrative structures and deficient due diligence. As such, they suggested that new types of business-related competencies are essential in maneuvering through fiscal nuances of an international venture.

The partnership between IUP and PES was the first of its kind on both campuses. The partnership model was recognizably more complex than those used for basic study abroad and exchange agreements. Many financial iterations were run between both partners in order to ensure that the program would be financially solvent, affordable in the market, agreeable to faculty, and consistent with numerous policies and priorities. Individuals at various levels of IUP were involved in financial planning for the program, State System officials were consulted, and legal counsel approval was sought. Numerous offices across the campus have been involved to ensure accurate record-keeping and financial processing. Significant financial planning and

ongoing analysis are conducted by the dean's associate in collaboration with the assistant dean for administration in the Eberly College. As interest has heightened across the campus in engaging in larger scale international partnerships, the president and vice presidents have become more involved. In the interview with the vice president for administration and finance, the need for a standardized model was addressed as was the concern for having the perception of the existence of a "cash cow" on the campus.

As it pertains to the development of a standard model, Taylor (2010) indicated that universities should be fully aware of the costs upfront, including opportunity costs involved. Schemes may be required to distribute fee income, cover central costs such as student services, meet direct costs of teaching and research, and provide appropriate incentives to departments and staff. Taylor (2010) added that tensions may emerge in distribution decisions...to what extent is it legitimate to accept the existence of a "cash cow" as opposed to creating a more balanced academic and financial portfolio. Since the inception of the IUP-PES program, additional partnership opportunities have developed and the campus has responded with the development of a base standard off-shore model to be used in distributing fee income, covering central costs, and in meeting direct costs of teaching. Administrators have built in what they hoped to be appropriate incentives to encourage and reward faculty and staff participation.

As noted in Section 2. 1. 1, Taylor (2010) recognizes that engaging in large-scale partnership activities has the potential for huge rewards, but cautions that the investment and risk can be equally large. He adds that internationalization efforts may provide new sources of income from student fees, international research, and consulting services. Institutions may have pursued partnerships to supplement revenue streams and/or to off-set losses at home. On the other hand, over-dependence on international activities could be dangerous if the market position is weak and competition heats up within the home country, other countries, and for-profit providers. Both political changes and threats to quality make internationalization a risky business.

The model developed by IUP and PES responds to the concerns expressed by Taylor (2010) by minimizing risk and ensuring that neither institution is over-dependent on each other for financial solvency. Both partners have agreed that while there is a multi-year agreement for program delivery, the price for the program would be set on an annual basis to allow for incorporation of current salaries, benefit rates, university fees and airfare rates. Payment is received by the partner in advance of the issuance of faculty contracts and the purchase of airline

tickets. The pricing is established in U.S. dollars and the responsibility is on PES to collect and transfer funds before there is any negative impact that results for a significant drop in the exchange rate. While both partners enjoy the revenues generated by the program (including student fees), neither institution is over-dependent on these revenues as they represent a small portion of the overall institutional financial activity.

Qiang (2003) and Slaughter & Leslie (2001) are among the many authors that discussed the multiple rationales for internationalization on college campuses including academic, political, economic, and cultural/social. While the emphasis of this case study was on financial considerations, each of these rationales was discussed by the participants. From the academic perspective, Qiang (2003, p. 249) indicated that internationalization affords an institution the opportunity to integrate an international/intercultural dimension into the primary and universal functions of an institution (teaching, research and service). The IUP-PES partnership has provided the opportunity for more than one-half of the full-time faculty (30 of 54) of the Eberly College to teach in the IUP MBA program on-site in India. While most of the faculty have had extensive international experience, they all appreciated the opportunity that this program provided for them to be deeply embedded in the academic culture of the region. Participating faculty live and work among the students and faculty at the PES site in Bangalore. In addition, several faculty members from India have traveled to the U.S. to serve as visiting faculty members on the IUP campus, and collaborative research has been conducted between the faculty of the two institutions.

Beyond the financial goals of both institutions related to generation of tuition and fee revenues, study participants discussed the economic value to students from both campuses in terms of the benefit that global exposure and cross-cultural experience provides as they seek internships and permanent positions in the job market. The program not only benefits the students in the program who opt to travel to the U. S. for an MBA concentration, but it also benefits the students in the U. S. who become classmates of the students who visit the U. S. or who travel to our partner site.

Altbach and Knight (2006) explored the issue of “supply and demand” as an economic consideration associated with the formation of an international partnership. With the advent of globalization and mass higher education, they noted, the proportion of young people demanding higher education exceeds the capacity of a number of countries to respond, including India which

is only enrolling about 20% of the college-age population. This case study highlighted the issues of “supply and demand” in several areas. PES is working to address the shortage of higher education seats for Indian students, dealing with the quota restrictions on the number of MBA students it can accept, and estimating that nearly 1/3 of its facilities are vacant. IUP also has capacity in its graduate-level coursework and can accommodate students from the program who wished to travel to the U. S. to obtain an MBA concentration at minimal additional cost.

Several authors addressed the importance of an open and trusting relationship including David Ford, Associate Dean for research and graduate programs at the School of Liberal Arts at Indiana-Purdue who indicated that “oftentimes, before you do business, you have to be friends” (Hebel, 2007, p. 5). The relationships, he noted, serve as a foundation for trust and open communication. Trust, open communication, and clarity of expectations were common priorities expressed in the interviews for this case study, particularly as it relates to what the participants believed were critical ingredients for the establishment and maintenance of an international partnership. This relationship between IUP and PES started from a college friendship, but has grown into mutual respect and trust among many individuals in both organizations. The partners have negotiated what they believe is a fair contract that minimizes risk to both institutions. Faculty work to deliver a quality program to students. Both institutions work to engage their staff, administration, faculty, and students in participating in and cultivating the relationship through coursework, symposiums, competitions, and collaborative research. PES transfers hundreds of thousands of dollars to IUP each year with the confidence the program will be delivered to students as negotiated. IUP sends many faculty to PES each year with the confidence that the faculty will be provided with the support and accommodations necessary to live and to deliver quality instruction in an international setting. Indian families send their children overseas to participate in the MBA concentration with the confidence that they will receive quality education and support in an international setting. Several Indian faculty have served as visiting professors on-site at IUP, and there have been over a dozen joint research projects conducted between IUP and PES faculty members. The DA travels regularly to India to support the program, assess progress, and make recommendations for improvements. The dean and CEO are both assessable to the DA and the faculty, and visit with each other on an annual basis to discuss strategic issues related to the partnership.

The Promising Practices: Spotlighting Excellence in Comprehensive Internationalization project, which was organized and administered by the American Council on Education and funded by The Carnegie Corporation of New York, highlights eight U.S. colleges and universities internationalization efforts (ACE, 2002). In summary, common elements of internationalization efforts of these institutions included: 1) an intentional, integrative, and comprehensive approach to internationalization; 2) strong leadership at the top; 3) committed leadership throughout the institution; 4) widespread faculty engagement; 5) a commitment to meeting student needs; 6) being deliberate in creating a culture in which internationalization is lived and not merely spoken about; 7) providing supportive structures and resources from both internal and external sources; and 8) implementing a deeper assessment of institutional strategies and student learning outcomes.

Given turnover in university leadership, shifting priorities, reorganizations, and fiscal challenges, IUP has had difficulty in making internationalization a priority. As new partnerships have been explored, heightened attention has been given to the financial models, the fee structures, and the overhead support. The IUP Eberly College of Business and Information Technology has recognized the importance of global exposure for both its students and faculty. Internationalization is included in the college mission and is treated as a priority. With the approval of university leadership, the college has been able to move forward with partnership initiatives. Consistent with the common elements outlined by the Promising Practices (ACE, 2002) report, the IUP-PES partnership has succeeded with the support of committed leaders at both institutions, widespread faculty engagement, commitment to meeting student needs, the existence of support and resources on both sides, and the desire of both partners to move beyond a basic international exchange to a more comprehensive partnership.

From a fiscal perspective, the factors (elements) identified in this case study that contributed to the success of the partnership include: 1) obtaining approval (IUP) or having the ability (PES) to contract for program delivery; 2) conducting a thorough market assessment and competitive pricing; 3) gaining confidence of the market; 4) obtaining institutional approval to waive fees during the first year for program start-up; 5) generating sufficient enrollments to cover program costs and to incentivize faculty; 6) obtaining buy-in from the faculty for participation and team teaching; 7) obtaining curriculum approvals to transfer up to 12 credits toward a master's degree; 8) receiving approval from leadership to retain revenues to offset budget reductions and support

college operations (support of entrepreneurial initiatives); 9) having a partner that works in collaboration to minimize financial risk; and 10) investing in the program coordination efforts. Each factor was critical to the ongoing success of this partnership. Each factor has been critical to the ongoing success of this partnership. The absence of even a single factor could have kept the partnership from starting and/or from being maintained.

The future of the IUP-PES partnership is contingent on the continuation of the factors identified above. While several of these factors/issues have been resolved permanently (such as curriculum approvals and support for team teaching), others are an ongoing concern. Changes in legislation, policies, competition, leadership support, and faculty buy-in could easily impact the continuation of the partnership.

### **5.3 IMPLICATIONS FOR THE PRACTICE**

As institutions of higher education explore alternative strategies for achieving internationalization goals and seek to enter into and expand international agreements, a review of actual experiences and financial strategies of an existing partnership will give guidance to decision makers. There are numerous challenges associated with entering into an international partnership in higher education, including the significant financial risk involved. Whereas study abroad and basic exchange relationships are fairly risk-free, more comprehensive partnership models typically involve greater financial investment and, therefore, greater risk.

Extensive feedback obtained from those interviewed for this research study sheds light on the wide range of fiscal considerations associated with establishing, operating, and maintaining an international partnership in higher education. The details obtained regarding financial modeling, revenue and expenditures, tuition and fee policies, fiscal roles and responsibilities, compensation, indirect costs, financial risks, financial incentives, distribution of compensation opportunities, and external and internal policies and priorities, will provide valuable insight to institutions considering the start or expansion of an international partnership initiative.

While some issues identified may be more complex than others or may have a greater impact than others, none of the concerns can be overlooked as they do represent the fiscal considerations identified by key stakeholder groups.

Some aspects of this study are unique to public institutions, however, the large majority of information obtained will be valuable to any institution seeking to expand international activity. Each type of institution has its own structure, stakeholders, and policies, and yet all institutions must work to ensure fiscal solvency and integrity.

Individuals exploring expanded partnership activity should benefit from this study as it demonstrates that while the vision for internationalization can come from an administrator or some other individual, the vision is essential, but not sufficient. Success will require the: 1) identification of a partner that shares common values associated with the priorities for the program and the importance of collaborative decision-making; 2) the existence of program champions on both sides of the partnership; 3) the creation of well thought-out financial agreements and models that minimize the financial risk for both parties; and 4) the support, execution and delivery by a large majority of the faculty.

#### **5.4 FURTHER RESEARCH**

As discussed in the literature, from an economic standpoint, internationalization of higher education contributes to the development of skilled human resources necessary for competing in the international arena. Graduates from other countries are viewed as critical to future trade relations (Qiang, 2003). A relatively recent economic motivation for international partnership activity is “higher education as a global business” (Van de Water, et al. , 2008). While most partnerships serve the traditional higher education purposes of teaching, research and service, the rise of entrepreneurial activities (which may generate new revenues for the campus) has increased over the past decade. Institutions are now competing for international students to come to the United States and are exploring programs abroad through partnerships and/or branch campuses that may serve as new revenue streams.

This study revealed polices and priorities that were key factors in the ability of the partnership between IUP and PES to begin and to be successfully maintained. In this regard, the following two areas are recommended for further research:

*Policies* As institutions across the United States are competing for international students, it would be valuable to learn about the fiscal policies of the other state systems of higher education that apply to internationalization initiatives. A review of those policies pertaining to tuition, fees, contracting, alternative pricing options, and performance funding would benefit institutions seeking to enter into or expand international partnership activity.

*Case study* It would be beneficial to conduct a case study involving the identification of several institutions that have set up delivery systems at international sites but have since closed the program. What factors contributed to their failure? This research study has identified fiscal considerations of an international partnership initiative in higher education. It would be valuable to know whether or not these institutions had considered and dealt with all of these factors.

## APPENDIX A

### INVITATION TO PARTICIPATE – PERSONAL INTERVIEW (UP TO 2 HOURS)

#### **Group #1**

IUP Dean, Eberly College

IUP Dean's Associate/ IUP-PES Program Coordinator, Eberly College

Dear FIRST NAME:

I am currently a doctoral candidate in the Higher Education Management program in the School of Education at the University of Pittsburgh.

My research focuses on financial considerations of international partnerships in higher education.

While U.S. colleges have worked with institutions around the world for decades, the pace of international partnership efforts has dramatically accelerated (Van de Water, et al., 2008). As the world economies have become more and more entwined with globalization, so have the efforts between educational institutions. Higher education has a key role to play in educating its students to deal with the myriad of global issues, to resolve conflicts peacefully, and to build bridges through international partnership programs. College graduates will need to be better prepared to live and work in a multicultural world by understanding world events and history, and by being exposed to other cultures and religions.

For all of the benefits associated with internationalization, institutions with internationalization goals all face the problem of assessing and later maintaining the fiscal viability of individual partnership initiatives. While institutional leaders provide vision and support for globalization efforts, new types of business-related competencies are essential as an institution maneuvers through the fiscal nuances of an international venture. Whereas study abroad and basic exchange relationships are fairly risk free, more comprehensive partnership models involve greater financial investment and, therefore, greater risk.

As more institutions explore alternative strategies for achieving internationalization goals and seek to enter into and expand international agreements, reviewing fiscal considerations associated with an existing partnership will give guidance to decision makers. Furthermore, this study will provide an increased understanding of fiscal considerations related specifically to partnering with an Indian institution.

The emphasis of my study will be on the existing partnership between Indiana University of Pennsylvania's (IUP) Eberly College of Business and Information Technology and the Peoples Education Society (PES) of Bangalore, India for the delivery of an MBA degree by IUP in India. Over 340 Indian students have graduated from this program, thirty IUP faculty have traveled to

teach in India, faculty from both institutions have collaborated on research and programming, IUP has hosted several Indian visiting faculty, both institutions have gained significant recognition in each other's service regions. I sincerely believe that the fiscal story of a specific partnership initiative will benefit decision-makers in higher education who are attempting to achieve internationalization goals.

I would like for you to participate in this research study by helping me to explore and document:

- 1) fiscal factors (both external and internal) that influence the creation, structure and operation of an international partnership;
- 2) financial modeling of an international partnership including revenue, expenditures, incentives, and risks; and
- 3) roles, responsibilities and financial processes associated with an international partnership.

I will ask you to connect your responses to the existing partnership between IUP and PES to the extent possible.

If you agree to participate, I will work with you to schedule a date, time, and location for a personal interview. I expect the interview to take up to 2 hours. I will send you the interview questions prior to our meeting, will record your responses during the interview, and will reschedule to talk with you if I need further clarification.

While names will not be used in the research results, titles will be used for administrators. Because your involvement, knowledge, and experience may differ from that of the other participants, it may be difficult to merge responses and avoid titles. Faculty responses will be merged under one category. Faculty names and departmental affiliations will not be used. You can certainly pass on those questions for which you either do not have sufficient information to answer or those to which you do not feel comfortable responding.

This study has been approved by the Institutional Review Board (IRB) for the Study of Human Subjects at the University of Pittsburgh. A site approval letter has been granted by Indiana University of Pennsylvania IRB. The results of this study will be used to fulfill my dissertation requirements and will be used to support future research regarding international partnerships.

I am excited about this research topic and hope that you will agree to participate in this research. I believe that your input will be valuable to this study.

I will contact you to confirm your participation and arrange a convenient interview time.

Sincerely,

Cyndy Strittmatter  
clstritt@iup.edu

## APPENDIX B

### INVITATION TO PARTICIPATE – PERSONAL INTERVIEW (UP TO 1 HOUR)

#### **Group #2**

IUP - Vice President for Finance and Administration

IUP - Assistant Vice President for International Education and Global Engagement

IUP - Assistant Director of Financial Operations

IUP - Faculty Members in the Eberly College of Business and Information Technology

Dear FIRST NAME:

I am currently a doctoral candidate in the Higher Education Management program in the School of Education at the University of Pittsburgh.

My research focuses on financial considerations of international partnerships in higher education.

While U.S. colleges have worked with institutions around the world for decades, the pace of international partnership efforts has dramatically accelerated (Van de Water, et al., 2008). As the world economies have become more and more entwined with globalization, so have the efforts between educational institutions. Higher education has a key role to play in educating its students to deal with the myriad of global issues, to resolve conflicts peacefully, and to build bridges through international partnership programs. College graduates will need to be better prepared to live and work in a multicultural world by understanding world events and history, and by being exposed to other cultures and religions.

For all of the benefits associated with internationalization, institutions with internationalization goals all face the problem of assessing and later maintaining the fiscal viability of individual partnership initiatives. While institutional leaders provide vision and support for globalization efforts, new types of business-related competencies are essential as an institution maneuvers through the fiscal nuances of an international venture. Whereas study abroad and basic exchange relationships are fairly risk free, more comprehensive partnership models involve greater financial investment and, therefore, greater risk.

As more institutions explore alternative strategies for achieving internationalization goals and seek to enter into and expand international agreements, reviewing fiscal considerations associated with an existing partnership will give guidance to decision makers. Furthermore, this study will provide an increased understanding of fiscal considerations related specifically to partnering with an Indian institution.

The emphasis of my study will be on the existing partnership between Indiana University of Pennsylvania's (IUP) Eberly College of Business and Information Technology and the Peoples Education Society (PES) of Bangalore, India for the delivery of an MBA degree by IUP in India.

Over 340 Indian students have graduated from this program, thirty IUP faculty have traveled to teach in India, faculty from both institutions have collaborated on research and programming, IUP has hosted several Indian visiting faculty, both institutions have gained significant recognition in each other's service regions. I sincerely believe that the fiscal story of a specific partnership initiative will benefit decision-makers in higher education who are attempting to achieve internationalization goals.

I would like for you to participate in this research study by helping me to explore and document:

- 1) fiscal factors (both external and internal) that influence the creation, structure and operation of an international partnership;
- 2) financial modeling of an international partnership including revenue, expenditures, incentives, and risks; and
- 3) roles, responsibilities and financial processes associated with an international partnership.

I will ask you to connect your responses to the existing partnership between IUP and PES to the extent possible.

If you agree to participate, I will work with you to schedule a date, time, and location for a personal interview. I expect the interview to take up to 1 hour. I will send you the interview questions prior to our meeting, will record your responses during the interview, and will reschedule to talk with you if I need further clarification.

While names will not be used in the research results, titles will be used for administrators. Because your involvement, knowledge, and experience may differ from that of the other participants, it may be difficult to merge responses and avoid titles. Faculty responses will be merged under one category. Faculty names and departmental affiliations will not be used. You can certainly pass on those questions for which you either do not have sufficient information to answer or those to which you do not feel comfortable responding.

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I am excited about this research topic and hope that you will agree to participate in this research. I believe that your input will be valuable to this study.

I will contact you to confirm your participation and arrange a convenient interview time.

Sincerely,

Cyndy Strittmatter  
clstritt@iup.edu

## APPENDIX C

### INVITATION TO PARTICIPATE – TELEPHONE INTERVIEW (UP TO 1 HOUR)

#### **Group #3**

State System – Associate Vice Chancellor for Administration and Finance

PES – Chief Executive Officer

PES – Dean and Coordinator of PES/IUP Partnership

Dear FIRST NAME:

I am currently a doctoral candidate in the Higher Education Management program in the School of Education at the University of Pittsburgh.

My research focuses on financial considerations of international partnerships in higher education.

While U.S. colleges have worked with institutions around the world for decades, the pace of international partnership efforts has dramatically accelerated (Van de Water, et al., 2008). As the world economies have become more and more entwined with globalization, so have the efforts between educational institutions. Higher education has a key role to play in educating its students to deal with the myriad of global issues, to resolve conflicts peacefully, and to build bridges through international partnership programs. College graduates will need to be better prepared to live and work in a multicultural world by understanding world events and history, and by being exposed to other cultures and religions.

For all of the benefits associated with internationalization, institutions with internationalization goals all face the problem of assessing and later maintaining the fiscal viability of individual partnership initiatives. While institutional leaders provide vision and support for globalization efforts, new types of business-related competencies are essential as an institution maneuvers through the fiscal nuances of an international venture. Whereas study abroad and basic exchange relationships are fairly risk free, more comprehensive partnership models involve greater financial investment and, therefore, greater risk.

As more institutions explore alternative strategies for achieving internationalization goals and seek to enter into and expand international agreements, reviewing fiscal considerations associated with an existing partnership will give guidance to decision makers. Furthermore, this study will provide an increased understanding of fiscal considerations related specifically to partnering with an Indian institution.

The emphasis of my study will be on the existing partnership between Indiana University of Pennsylvania's (IUP) Eberly College of Business and Information Technology and the Peoples Education Society (PES) of Bangalore, India for the delivery of an MBA degree by IUP in India.

Over 340 Indian students have graduated from this program, thirty IUP faculty have traveled to teach in India, faculty from both institutions have collaborated on research and programming, IUP has hosted several Indian visiting faculty, both institutions have gained significant recognition in each other's service regions. I sincerely believe that the fiscal story of a specific partnership initiative will benefit decision-makers in higher education who are attempting to achieve internationalization goals.

I would like for you to participate in this research study by helping me to explore and document:

- 1) fiscal factors (both external and internal) that influence the creation, structure and operation of an international partnership;
- 2) financial modeling of an international partnership including revenue, expenditures, incentives, and risks; and
- 3) roles, responsibilities and financial processes associated with an international partnership.

I will ask you to connect your responses to the existing partnership between IUP and PES to the extent possible.

If you agree to participate, I will work with you to schedule a date and time for a telephone interview. I expect the interview up to 1 hour. I will send you the interview questions prior to our meeting, will record your responses, and will reschedule to talk with you if I need clarification.

While names will not be used in the research results, titles will be used for administrators. Because your involvement, knowledge, and experience may differ from that of the other participants, it may be difficult to merge responses and avoid titles. Faculty responses will be merged under one category. Faculty names and departmental affiliations will not be used. You can certainly pass on those questions for which you either do not have sufficient information to answer or those to which you do not feel comfortable responding.

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I am excited about this research topic and hope that you will agree to participate in this research. I believe that your input will be valuable to this study.

I will contact you to confirm your participation and arrange a convenient interview time.

Sincerely,

Cyndy Strittmatter  
clstritt@iup.edu

## APPENDIX D – INTERVIEW QUESTIONS

The following questions have been devised to gain relevant information regarding the fiscal considerations of an international partnership in higher education, with an emphasis on the existing partnership between IUP and PES. A single questionnaire has been devised for all participants, recognizing that that all participants may not be in a position to provide an answer for each individual subcategory. Providing a comprehensive set of questions, permits the participant to see how their responses fit into the overall framework of the study.

- Background Information
  - a. General description of your unit and your position within that unit.
  - b. How are you or your unit involved in international partnership initiatives?
  - c. How are you or your unit involved in the international partnership initiative between IUP and PES?
- Using the framework below, what factors (such as goals, regulations, policies, and priorities) influence the creation, structure and operation of an international partnership from a fiscal perspective? In other words, what needs to be or has been taken into account?

External Factors within these categories:

- a. International
- b. National
- c. State
- d. System
- e. Accrediting Bodies
- f. Other

Internal Factors within these categories:

- a. Institutional-Level
- b. Division-Level
- c. College-Level
- d. Departmental Level
- e. Other

- What are the components associated with a financial model for an international partnership in higher education and of this specific IUP-PES partnership? For example:
  - a. Financial Goals
  - b. Components of a Financial Agreement
  - c. Explanation of Financial Model and How it Works
    - Initial Investment
    - Types of Revenue and Related Challenges/Strategies

- Types of Expenditures and Related Challenges/Strategies
    - Planned versus Unplanned Revenues and Expenditures
    - Indirect Costs
    - Distribution of Funds
    - Contingency Funds
  - d. Types and Sufficiency of Financial Incentives/Rewards
  - e. Types and Levels of Financial Risk/Strategies
- What are the fiscal roles, processes, and responsibilities surrounding the fiscal management of an international partnership?
    - a. What is your role as it pertains to fiscal management of international partnerships? As it pertains to this specific partnership between IUP-PES? Has your role changed over time?
    - b. Who are the key decision makers regarding the establishment and maintenance of an international partnerships? What is their role?
    - c. Who monitors the financial activities/transactions of international partnerships?
    - d. Which units are involved in financial processing for international partnerships?
  - Other Considerations and Conclusions
    - a. What have been the non-monetary rewards/value and costs associated with this international partnership for you and/or your unit? Are the rewards sufficient?
    - b. What do you see as the most critical ingredients required for success of this type of partnership?
    - c. What changes have been made over the course of the partnership? Positive or Negative.
    - d. What do you think is the perception of your colleagues regarding the value and viability of this program?
    - e. What fiscal issues may impact the ability of you, your unit, or your institution to continue with international partnerships? With this specific international partnership?
    - f. What other issues may impact the ability of you, your unit, or your institution to continue with international partnerships? With this specific international partnership?
    - g. Other Relevant Issues?

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