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Institutional and learning effects in a newly opening economy: an analysis of foreign entry mode choices as Canadian universities and colleges go to China

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INSTITUTIONAL AND LEARNING EFFECTS IN A NEWLY OPENING ECONOMY:
AN ANALYSIS OF FOREIGN ENTRY MODE CHOICES AS CANADIAN UNIVERSITIES AND COLLEGES GO TO CHINA

By
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Faculty of Management
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Abstract

The study applies institutional theory and organizational learning theory to the study of foreign market entry in newly opening economies. It is proposed that as these markets open they experience three main stages: Stage (I) Prescriptive, Stage (II) Partly Open / High Uncertainty and, Stage (III) Fully Open / Low Uncertainty. In stage one, foreign organizations are expected to have little choice but to conform to indigenous regulations regarding entry mode which are often very limiting. At this stage, entry mode choice will depend heavily on the coercive isomorphism of the state. Later, in stage two, regulations ease and more entry modes are made available, but little is yet known about the country and the extreme uncertainty of the environment is expected to greatly influence the entry mode decision. At this stage, entry mode choice will depend heavily on mimetic isomorphism as new entrants imitate each other for mutual support but without any real insight into the nature of successful strategies. Finally, in stage three, as potential entrants develop a degree of comfort with the new market, foreign entry choice will depend on two potentially competing influences: success stories from previous entries by other organizations into the country (vicarious learning) and success stories from their own organization’s entry into other countries (experiential learning).

By looking at the internationalization process of Canadian post-secondary institutions in mainland China, the paper reconceptualizes standard entry mode choices for the education services sector while presenting a comprehensive picture of the internationalization of higher education of Canadian schools using survey data.

Research findings indicate the following: In Stage (I), the hypothesis that coercive adaptation would drive entry mode choice could not be tested with the limited data available from that period. In Stage (II), results were dispersed across the various means of access without a clear indication that external mimicry was the dominant influence. In Stage (III), while the study could only say conclusively that learning effects were stronger than coercive or mimetic influences, vicarious learning appeared to be the strongest influence on the entry mode decisions made by Canadian colleges, while universities favoured experiential learning.

[Key Words: entry mode decision, institution, regulation, organization learning, experiential learning, vicarious learning, external mimicry, coercive, internationalization, higher education, post-secondary institution, Canada, China]
DEDICATION

This paper is dedicated to my beloved family.
ACKNOWLEDGEMENTS

I would like to thank all the individuals that have contributed to the completion of this thesis and my master project.

First and foremost are my family, of which I can not fully express my gratitude. All of them, my parents, my brother, my parents-in-law and brother-in-law, have been giving me the courage and endless support to come to Canada and study in a higher level program. This made my dream come true of pursuing a Canadian master degree in my second language, after eight years from undergraduate school in China. Especially my wife, Fei, has been sharing my life with love and support. It is with this thesis that I honor them.

In developing and completing this program, I was greatly aided by my teachers, my classmates and many other staff members of the University of Lethbridge. Without their help and support, I would never accomplish my work and achieve my study goal smoothly. It is necessary to express my best regards to them:

Special thanks to Dr. John M. Usher, my advisor and supervisor, I owe my greatest debt to him for his unwavering encouragement and endeavour to my study. During the entire program, from management course to major seminars, and then to the master project, he has kept providing insightful instruction, superb guidance and generous time to me. I feel lucky enough to be studying under his supervision. I enjoy communicating with him, sharing the inspired ideas of strategy study. His distinguished research style and high standards deeply influence me. I am indebted to my second reader, Dr. Lori Kopp, for her constructive criticism and precious advice on methodology, which substantially boosts the academic quality of my study. I thank Dr. Julie Rowney too, my external reader, for spending the time and effort on examining my thesis with her expertise in the organizational field and helpful comments.

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sets up a milestone in my life. I hate to leave the school though I have to. No matter how hard I will meet with in the future, the knowledge and experience I obtain here would benefit me to gain my achievement, and the unforgettable student life in U of L would always make me proud and smile.
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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACCC</td>
<td>Association of Canadian Community Colleges</td>
</tr>
<tr>
<td>AUCC</td>
<td>Association of Universities and Colleges of Canada</td>
</tr>
<tr>
<td>BOT</td>
<td>build-operate-and-transfer</td>
</tr>
<tr>
<td>BTO</td>
<td>build-transfer-and-operate</td>
</tr>
<tr>
<td>CBIE</td>
<td>Canadian Bureau of International Education</td>
</tr>
<tr>
<td>CCHEP</td>
<td>Canada-China Higher Education Program</td>
</tr>
<tr>
<td>CCUIPP</td>
<td>Canada-China University-Industry Partnership Program</td>
</tr>
<tr>
<td>CDN</td>
<td>Canadian dollar</td>
</tr>
<tr>
<td>CEC</td>
<td>the Canadian Education Centre</td>
</tr>
<tr>
<td>CIC</td>
<td>Citizenship and Immigration Canada</td>
</tr>
<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
</tr>
<tr>
<td>CJV</td>
<td>Contractual Joint Venture</td>
</tr>
<tr>
<td>CQAIE</td>
<td>Center for Quality Assurance in International Education</td>
</tr>
<tr>
<td>EJV</td>
<td>Equity Joint Venture</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GATT</td>
<td>the General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GDP</td>
<td>the gross domestic product</td>
</tr>
<tr>
<td>ITCan</td>
<td>International Trade Canada</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Merger and Acquisition</td>
</tr>
<tr>
<td>MNE</td>
<td>Multinational Enterprise</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>MOFCOM</td>
<td>Ministry of Commerce</td>
</tr>
<tr>
<td>MOFTEC</td>
<td>Ministry of Foreign Trade and Economic Cooperation</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MSVU</td>
<td>Mount Saint Vincent University</td>
</tr>
<tr>
<td>NDRC</td>
<td>National Development and Reform Commission</td>
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<tr>
<td>NICTE</td>
<td>National Committee on International Trade in Education</td>
</tr>
<tr>
<td>NPC</td>
<td>The National People’s Congress of P. R. China</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SAFEA</td>
<td>State Administration of Foreign Experts Affairs</td>
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<tr>
<td>SDPC</td>
<td>State Development Planning Commission</td>
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<tr>
<td>SETC</td>
<td>State Trade and Economy Commission</td>
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<tr>
<td>TCA</td>
<td>Transaction Costs Analysis</td>
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<tr>
<td>WIR</td>
<td>World Investment Report</td>
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<tr>
<td>WOE</td>
<td>Wholly Owned Enterprise</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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1. INTRODUCTION

1.1 Entry mode studies overview

The foreign market entry mode choice is a critical decision in international strategy and marketing that has been the subject of numerous studies in the last couple of decades. Theoretical insights have come from several sources including transaction costs analysis (TCA) (Anderson and Gatignon, 1986; Erramilli and Rao, 1993; Taylor, Zou and Osland, 1998; Makino and Neupert, 2000), gradual incremental involvement theory (Luo and O’Connor, 1998), and the eclectic theory of location-specific factors or contingency theory (Dunning, 1977, 1980, 1988, 1995, 1998, and 2000).

Apart from such research efforts from an economic perspective, organizational theories have also been well applied to foreign market entry studies, as Brouthers (2002) notes that, “mode selection appears to be driven by a combination of general transaction cost characteristics, institutional context (legal restrictions), and cultural context (investment risk) variables”. Some researchers extend the TCA model with the institutional perspective thereby increasing the usefulness of the model in the international business context (Delios and Beamish, 1999). Recently, it has been argued that institutional theory has particularly salient explanatory power in entry mode studies (Davis, Desai and Francis, 2000; Lu, 2002; Yiu and Makino, 2002).

However, compared to the fruitful main stream of foreign entry mode studies based in economics, the application of organizational theory still needs more empirical
evidence and theoretical extensions. In particular, to the author’s best knowledge, a
correlation of the influences of two kinds of organizational learning - experiential and
vicarious learning - has not yet been well explored in entry mode studies and should be of
interest to international strategy researchers. Previous entry studies and developed mode
typologies have also tended to focus on products, not services. Similarly, the use of
Canadian organizations is under-represented in entry mode studies and the investigation
of developing countries as host country in organizational studies is under-researched.
This study attempts to address these many gaps by examining the influence of
experiential and vicarious organizational learning on foreign entry mode decisions by
Canadian organizations in a service industry—higher education - in the institutional
environment of a newly opening economy - China. In addition to theoretical insights, it
hopes to take the empirical findings from practice and provide managerial implications
for Chinese policy makers and Canadian international strategists.

1.2 Host country used in this paper

In foreign market entry mode studies, the environment in which organizations live
includes home country and host country. According to institutional theory (DiMaggio &
Powell, 1983), foreign entrants that face regulative pressures will tend to adopt similar
structures and practices (coercive isomorphism) as they conform to local environment.
Therefore, host country regulative regimes play an important role on influencing the
foreign entrants’ decision making. It is clear that the import environments of different
host countries vary a great deal and would yield different influences on entry mode results. Although there may be some homogeneity in the same cluster of countries, for example, developed or developing ones, focusing on one individual country – China - can still lead to meaningful or interesting results, particularly given its emerging economic influence.

However, developing countries have been seldom used as host countries in prior entry mode studies from the organizational perspective. Unlike developed countries that have already had their ‘rough edges’ worn off by the accommodations of international trade, developing countries still largely have their own idiosyncratic national cultures, institutions and regulations. When these come up against the development pressures generated where such places become hot places for investment, the possibility for significant insights is large. The Peoples Republic of China (China, thereafter, in this study which refers to mainland China excluding Hong Kong, Macau and Taiwan) has been the world’s largest Foreign Direct Investment (FDI) recipient among developing countries since 1993 (World Investment Report (WIR), 2004, p6). By the end of May 2005, contractual FDI in China had reached US$ 1,161.580 billion with a realized FDI of US$ 584.467 billion (Bulletin of Ministry of Commerce of the People’s Republic of China (MOFCOM)). Due to its unique political goals, China has also had a peculiar institutional evolutionary history which contributes to this research. This will be introduced in more detail later in this paper.
1.3 Motivation and Research Goal

There are two research goals examined in this study. First, this paper is dedicated to expand our understanding of the ways in which organizations choose to enter foreign markets by looking at the post-secondary education sector, specifically, Canadian colleges and universities that are responding to the rapidly expanding market for post-secondary education in China.

Second, the paper applies institutional and learning theories to this data gathered, first, as a test of coercive and mimetic isomorphism and second, as a critical test for the related influence of two kinds of learning - experiential and vicarious learning – thereby answering the research question: which one is the dominant influence on foreign market entry mode decision?

1.4 Importance of the study

First, as most existing knowledge in the area of foreign entry mode is based on manufacturing firms, the author hopes to make a contribution by looking at a service industry: the post-secondary education sector, specifically, Canadian colleges and universities that are responding to the rapidly expanding market for post-secondary education in China.

Also, in prior entry mode studies, samples of Canadian organizations have rarely been used. Although it is often assumed that Canadian and U.S. organizations are
essentially interchangeable with respect to strategy and process, there are cultural differences discussed later in the paper that bear consideration. The paper will address these differences by adopting Canadian post-secondary institutions as the population in the study and hope to provide managerial implications for both Canadian international strategists and Chinese policy makers within the educational services industry. The results should provide up-to-date information on hand and an exploratory description about Canadian post-secondary institutions’ internationalization processes and strategies.

Third, few applications of organizational theories to entry modes are found in antecedent studies dominated by economic analyses. This paper will test the application of institutional and learning theories to an entry mode context.

Fourth, most studies of entry mode choices have focused on developed rather than developing countries as the host country. As mentioned above, China was chosen as the host country for this study because of its atypical institutional environment; however, the findings may also have some broader generalization to developing countries.

Finally, almost no attention has been paid to the comparison of two types of organizational learning - experiential and vicarious learning - on entry mode decisions. A critical test for their influences may be interesting. This paper attempts to fill these many gaps to gain a better understanding of decision making on foreign entry modes.

1.5 Section Structure

The remainder of this paper is structured as follows. First, a literature review of
existing organizational theories is conducted and relevant hypotheses are developed on this base. Second, the research setting of Canadian colleges and universities and the Chinese education market are described. Third, the method is discussed, including the specific sample selected and the data collection instrument developed and administered. Fourth, descriptive results of the survey are presented along with an analysis of those results with respect to the hypotheses. Fifth, conclusions and implications for theory and practice are drawn from the study and finally, possible limitations and future research directions are discussed.
2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Organization Theory Background

A number of leading organizational theorists have studied closely the environment in which organizations live. Ecological theory (Hannan & Freeman, 1977) emphasizes the importance of environmental selection. However, it does not include national boundaries in its concept of the environment and cross-national environmental differences. Resource dependence theory views organizations as engaged in exchanges with environment for better performance, however, it hardly considers national boundaries’ influences (Rosenzweig & Singh, 1991). Institutional theory, however, asserts that organizations are subject to environmental isomorphism arising from coercive, mimetic, or normative pressures (DiMaggio & Powell, 1983) that include legal and cultural factors. Organizational learning theory claims that organization’s capabilities in launching and implementing cross-border transactions are built via experiential learning or vicarious learning (Zollo and Winter, 2002).

Yiu and Makino (2002: p.668) argue that institutional theory can make important contributions to the study of the determinants of foreign entry-mode choice decisions by providing “a new conceptual foundation” and “a new perspective of ownership strategy for foreign expansion”. In this line of reasoning, they advance three general propositions regarding regulative and normative pressures, mimetic entry and historical norms that are
used in the development of this study’s hypotheses below. Institutional theory is thus employed for studying the interaction between organizations and relevant environment. This suggests that the environment of organizations should not be seen only in economic or strategic perspectives, but also in terms of socially-prescribed and accepted ways of behaving (Scott and Meyer, 1991). This entails a re-conceptualization of the environment of organizations to incorporate a focus on the social and cultural features of the environment (Bada, Aniebonam and Owei, 2004).

This paper will apply institutional theory and organizational learning theories to the Chinese context and use empirical evidence from Canadian universities and colleges.

2.2 Institutional Theory

2.2.1 External and Internal Institutional Pressures

Given the nature of the organizational environment faced by a multinational organization, there are conflicting pressures for conformity between the adaptation to national environments and an imperative for consistency within its organization (Rosenzweig & Singh, 1991). Davis, Desai and Francis (2000) also claim that each business unit confronts two distinct sets of isomorphic pressures - external and internal - and have to conform to the pressures of each during decision-making. In entry mode studies, the external pressures on a business unit are the regulations of the host country institutional environment, while the internal pressures are the established methods and procedures of the internal institutional environment of the parent organization. These two
kinds of institutional pressures exist simultaneously as Teichler (1999: p.21) notes:

“National policies continue to prevail; uncomfortable international experiences tend to reinforce nationalism and chauvinism” (Figure 1).

![Figure 1 Conflicting Pressures on a Subsidiary of a Multinational Enterprise (MNE)](image_url)

Source: Rosenzweig and Singh (1991)

According to institutional theory, the market entry mode choice, as well as other strategic decisions, can be deemed as a sort of conformity to both external and internal environmental pressures. Several organizational theorists have studied these dual pressures on foreign subsidiaries (Lu, 2002; Guillen, 2003). Subsidiaries are pulled to achieve isomorphism with the local institutional environment and to also maintain consistency within the organization (Rosenzweig & Singh, 1991). Foreign organizations have to conform to the local environment in their host country from their initial entry, because inevitably they face the discriminative pressures that arise from the indigenous government. Such conformity is often necessary to gain the legitimacy to do business in
the host country. This perspective is distinct from and usually ignored by other entry mode theories like TCA which focuses on the ‘efficiency’ of an international market expansion.

Internal institutions lie inside organizations where strategic actions are often affected by inertia or conventional culture. Viewed from the perspective of organizational routines and theorists of managerial cognition, Amburgey & Miner (1992: p.335) argue that environmental and managerial incentive explanations for international expansion “ignore the organizational context of strategic decision making”. They posit that three types of strategic momentum occur in organizations’ strategic actions: 1) repetitive momentum (occurs when organizations repeat previous strategic actions), 2) positional momentum (occurs when organizations take actions that sustain or extend strategic positions), and 3) contextual or trait-based momentum (occurs when general organizational traits, such as size or structure, shape strategic action in a consistent fashion). Such examples of momentum can be seen as internal institutions that influence an organization’s activity and decision making.

On the other hand, external institutions include regulatory structures, agencies, laws, courts, professions, interest groups and public opinion (Oliver, 1991). This study proposes three stages of market opening in a host developing country: In Stage (I), the Prescriptive stage, the earliest stage of an opening market, the local government lacks experience in attracting foreign direct investment (FDI) and, accordingly, the relevant regulations and laws are gradually developed for exploration with very few entry mode
choices are available for foreign entrants to choose from. Organizations are provided with strong regulatory guidance but have limited understanding of the competitive environment so uncertainty is mixed. In Stage (II), the Partly Open / High uncertainty stage, major regulations are more complete than during the prescriptive stage and remain relatively stable for a period of time. However, the newly open environment remains largely uncertain for most prospective new entrants. In particular, little is known about the relative success of competitors’ strategies. In Stage (III), the Fully Open / Low uncertainty stage, the regulations of the host country are nearly or fully open giving foreign organizations a full range of entry mode choices. Also, the time required for the economy to reach this stage and the number of existing entrants means that the absorptive capacity of the industry has now reached a level where new entrants have some degree of comfort regarding the receptiveness of the host with respect to the available entry options and with the market success of competitor’s strategies (Figure 2).
These changes over time are expected to evolve in a more or less incremental fashion, although, from country to country, the defining characteristics and evolution of the stages may differ. Three principles were considered as relevant for the propositions in this paper: First, the boundaries of the stages should be customized to the specific context of the country under study. Second, the division of stages should come with some milestone events or important promulgation of laws. Third, each stage should have a sufficient time span for observation and data analysis.

### 2.2.2 Coercive Adaptation

Coercive pressures are defined as formal or informal pressures exerted on organizations by other organizations upon which they are dependent (DiMaggio & Powell, 1983). At the Prescriptive stage of a host country with a newly opening economy,
in the context of an entry mode decision, the major coercive pressures for a subsidiary stem from indigenous regulations and environments rather than from parent corporations. Usually, organizations do not have many entry mode choices to choose from in the Prescriptive stage of a newly opening market. For their own strategic goal or motivation, probably to become an early mover, organizations will enter a host country, though it is full of uncertainty. Coercive adaptation might be the best strategy for them to acquire legitimacy in doing business in this country. Institutional theory recognizes coercive forces on organizational action (DiMaggio & Powell, 1983) and one of its changes is the coercive influence through the regulatory demands of government agencies (Bada, Aniebonam and Owei, 2004). Accordingly, we introduce the first hypothesis:

**Hypothesis 1:** In the Prescriptive stage of newly opening markets, coercive adaptation will be the dominant force influencing entry decisions for foreign organizations.

### 2.2.3 Mimetic Adaptation

Imitation is an important behaviour when considering an organization’s strategic activity and structural change. They will imitate others under conditions of uncertainty (Teece, 1981; DiMaggio & Powell, 1983; Winter, 1991).

Entering an emerging market like China is full of opportunities; however, it is full of risk and uncertainty as well. Organizations have to seek guidance and past experience
patterns for their legitimacy (Yiu and Makino, 2002). This is especially true for inexperienced entrants and those with little knowledge about Chinese context, culture and background. One way to self-reinforce and gain a more cognitive legitimacy is to adopt a mimetic entry of other peer antecedents. Following this logic, organizations tend to follow the prevalent entry mode within the industry to enter a new host country. It is important to note that this behaviour does not take into account the actual success of other organization’s entry strategies (which is characterised as vicarious learning below), but simply the dominant mode.

Although regulations of the host country have been gradually developed in the Partly Open stage, many aspects remain uncertain, such as market potential, government regulations, environment changes, etc. Under these circumstances and absent any meaningful feedback on the success of others’ strategies, it is argued that organizations will tend to imitate the dominant entry mode decision in effect to gain the legitimacy and reduce the uncertainty. Hypothesis 2 is thus derived.

**Hypothesis 2:** In Partly Open / High Uncertainty stage of the newly opening market, mimetic adaptation will be the dominant force influencing entry decisions for foreign organizations.

### 2.3 Organizational Learning Theory

According to organizational learning theory, experiential and vicarious learning
are the two main learning mechanisms linking to the accumulation of organizational knowledge (Levitt and March, 1988).

During a strategic decision process, historical factors or experience will often come into play and shape the institutions, limiting the range of options open to organization’s decision makers (North, 1990). Similarly, organizations have been characterized as routine-based, experiential learning systems that adapt incrementally to past experience (Korn and Baum, 1999). Viewed from experiential learning, “organizations search for alternatives and information about specific courses of action,” (Baum, Li, & Usher, 2000: p.768). Therefore, in an entry mode decision, organizations will look back into their own experiences and access the past performance and outcomes, matching circumstances to the nature of current external environments, in order to find out guidance or instruction for their next move. Organizations will tend to repeat the same types of prior strategic moves that they have made before (Amburgey & Miner, 1992). Of interest also, is that with the experiential learning logic, organizational behaviours are often limited by conservative routines (Baum, Li, & Usher, 2000), so this may also constrain the entry mode choice.

Vicarious learning, i.e. observing and copying the successful behaviours of other firms, will complement an organization’s experiential knowledge base. Notice that this is different from the imitation of mimetic adaptation (noted above) that only increases the propensity for taking certain strategic action under uncertainty.

Many theorists, however, tend to explore institutional and organizational learning
jointly in various contexts. For example, in expanding in new markets, it has been found that organizations will often follow similar/large/successful organizations (Haveman, 1993). By examining frequency-based (the dominant behaviour in terms of frequency), trait-based (small firms follow other small firms, for example) and outcome-based (successful behaviours) imitation and isomorphic behaviour in entry mode decision, Lu (2002) contends that “institutional influences exert important effects on the formulation and implementation of international strategy”, and institutional model has explanatory power over the TCA approach. Similarly, Haunschild and Miner (1997) investigate these three distinct modes of selective interorganizational imitation and find that they can operate independently among organizations and are affected by outcome salience and uncertainty.

In the fully open stage of a target market, the dominant entry decision between vicarious learning and experiential learning remains unknown, and thus attracts the author’s research interest. On one hand, “information spill-over from previous entrants’ experiences can be an important information source for many firms” (Shaver, Mitchell & Yeung, 1997: p.811), but it is no longer a salient factor of influencing organization’s next strategic action. Instead, source capacity at the interorganization-level is argued to play an important role. On the other hand, the argument that “prior related knowledge confers an ability to recognize the value of new information” (Cohen and Levinthal, 1990: p128), also called absorptive capacity, requires organizations to identify useful and germane information available before learning, thus to optimize the decision making, although the
uncertainty has been greatly reduced.

Yiu and Makino (2002) adopt the terminology of external mimicry (mimetic entry) and internal mimicry (historical norm) to make a similar argument. They suggest that within an organization, each strategy decision made in the past becomes an achievement of legitimacy by conforming to some norms and conditions and thereafter is reinforced gradually except as it is proved to be a failure. An MNC thus “constitutes a microinstitutional environment in which organizational information and practices are transferred between the parent and subsidiaries and among the subsidiaries themselves” (Yiu and Makino, 2002: p.672). Although this is a good argument for the distinction between experiential and vicarious learning, for our purposes we will restrict the use of ‘mimicry’ to situations in which imitation is not predicated on information regarding the success of options (H2 above).

Organizations therefore face dual pressures from experiential and vicarious learning when making an entry decision such that the possibility of a conflicting propensity exists (Figure 3). Particularly, on one hand, there are available entry modes adopted by antecedent competitors that entered China, probably some of them which proved to be successful. This is a useful guidance for vicarious learning. On the other hand, some organizations have historical practices and associated learning built up by entering other countries rather than China. They are good at entering a new market with their own resources, experience and managerial patterns. Moreover, employing the arguments of momentum and inertia, the organizational structure might have been well
shaped by previous international expansion or activities, such that organizational members might have gotten used to working with this mode (joint venture, for example) and might resist a change when making the next move.

Figure 3  Conflicting Propensities for Entry Decision of a Foreign Entrant

Given the competing forces at play, it may be possible to conduct a critical test in order to get a better understanding of the influences of these two kinds of learning assuming a free range of options under the fully open stage. Therefore, competing hypotheses are presented as follows:

Hypothesis 3a: In the Fully Open / Low Uncertainty stage of a newly opening market, vicarious learning will be the dominant influence on entry decisions by foreign organizations.

Hypothesis 3b: In the Fully Open / Low Uncertainty stage of a newly opening market, experiential learning will be the dominant influence on entry decisions by foreign organizations.
3. RESEARCH SETTING

This study locates the home country in Canada, a developed nation which has rarely been used in previous research but which should have good comparability to numerous U.S. studies, albeit with some cultural caveats. The host country is China. Though this attractive developing country has been widely adopted in entry mode studies from an economic perspective, few organizational studies have used it. The use of a service sector industry, post-secondary education, addresses an emerging trend in today’s global marketplace. The author hopes to make a contribution in these empirically by adopting them in the same thesis simultaneously. This is also consistent with the fact that the majority of international students come from ‘developing’ countries and go to ‘developed’ countries (Teichler, 1999).

3.1 Industry—Education

As a service sector industry, post-secondary education has particular characteristics that differ from the manufacturing sectors upon which entry studies have been done extensively. Therefore, in the study of internationalization strategy, it may be appropriate that different perspectives be applied. This is examined below.
3.1.1 Internationalization of Service Sector

Prior entry mode studies have mainly concentrated on the manufacturing sector. As globalization has accelerated since the last two decades in the 20th century, service industry growth in the international market has been significant. According to World Investment Report (WIR) 2004, FDI shifts have been increasingly towards services such that the growth of services is reshaping FDI patterns (WIR2004, p.127).

The service industry sector is gradually receiving academic attention. According to Erramilli and Rao (1993), it differs from manufacturing in many aspects with some peculiar characteristics such as low capital intensity, high intelligence intensity and intangible product, that make it very worthy of investigation. Moreover, research results obtained for manufacturing industries may not be generalizable to service industries (Sharma and Johanson, 1987), requiring entry mode researchers to look at service industries from a different standpoint, especially when applying existing theories that underlie the studies.

In services, non-equity forms of investment such as franchising, turnkey, build-operate-and-transfer (BOT) and build-transfer-and-operate (BTO) projects are commonly used as entry modes (WIR2004, p.134). A major reason underpinning the more common adoption of non-equity forms in service vs. manufacturing firms is the appropriability of intellectual assets. First of all, the “competitive advantages of service firms consists of knowledge-based, intangible assets (soft technologies), rather than tangible ones (hard technologies) that are more important for manufacturing firms. Intangible assets, such as
organizational and managerial expertise, can be separated from tangible and capital-intensive ones.” As a result, the critical knowledge transferred and the capabilities of local firm can be equally well protected and enhanced in non-equity-based arrangements as in equity-based operations (WIR2004, p.135).

3.1.2 Internationalization of Education Services

Internationalization is a dynamic process and not a set of isolated activities, integration or infusion (Qiang, 2003). There are 12 categories of services on the basis of the World Trade Organization (WTO) classification. They are: (i) business services, (ii) communication services, (iii) construction and related engineering services, (iv) distribution services, (v) education services, (vi) environmental services, (vii) financial services, (viii) health-related and social services, (ix) tourism and travel-related services, (x) recreational, cultural and sporting services, (xi) transport services, and (xii) other services not included elsewhere (United Nations, 2004).

Education services consist of academic or technical instruction through elementary and secondary schools, colleges and universities, libraries, vocational schools, and other schools. Although the measurement of exports for this category generally refers to estimated expenditures for tuition and living expenses by foreign residents enrolled in native colleges and universities (Evans, 1995), there is some evidence that this measurement may soon have to expand to reflect current trends. In most countries, education has traditionally been mandated as universally available to all citizens with the
related service being consumed domestically (Brookes, 2003). Recently, however, education is rapidly becoming a service with worldwide demand aspects due to increasing global economic integration. While the leading exporter of education services is the United States, other major exporters include the United Kingdom, France and Germany who maintain advantages by close historical relationships to former possessions or through lower tuition prices. The largest export market for U.S. higher education services is Asia, particularly China, Japan, Taiwan, India, and Korea (Evans, 1995).

Based on Erramilli and Rao’s (1993) classification of service industry, in a global marketplace, education is ‘soft’ service, in terms of the provider’s capacity for separating the production and consumption of their service. As the students become consumers, academics and education have to learn to become businesslike. There requires a shifting from education to education and business (Brookes, 2003). The so-called ‘learning business’ normally refers to international trade in education service, including offering “educational services to students from abroad at unsubsidised rates”, “education institutions operating abroad, and education services being supplied across borders through e-learning” (Larsen and Vincent-Lancrin, 2002: p.26).

An important issue for education and training providers delivering their products across national borders are the barriers of education. The Center for Quality Assurance in International Education (CQAIE) identifies these barriers as follows in Table 1:
| National Legislation & Policy | 1. Prevents foreign education & training providers from obtaining national licenses  
2. Needs Tests  
3. Recognize higher education as a product of the state and not proprietary | Exs: Greece, Spain, Singapore & Indonesia, Israel, Turkey  
Ex: Japan (Temple Document) |
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<tr>
<td>Qualifications Authorities</td>
<td>Students have difficulties in translating degrees from foreign universities into national equivalents</td>
<td>Ex: Japan (Temple Document)</td>
</tr>
<tr>
<td>Customs Regulations</td>
<td>Limits the movement of educational materials across borders</td>
<td>Ex: Medical &amp; health related materials showing naked human body; Russia &amp; Hungary (videos)</td>
</tr>
<tr>
<td>Telecom Laws</td>
<td>Restricting the use of national satellites and receiving dishes</td>
<td>Ex: Mexico</td>
</tr>
<tr>
<td>Movement of Persons</td>
<td>Difficulty in obtaining visas (teachers, students, administrative staff)</td>
<td>Exs: Greece, Denmark, Singapore</td>
</tr>
</tbody>
</table>
| Foreign Currency Controls     | 1. Measures limiting foreign direct investment  
2. Minimum requirements for capital investment by wholly owned foreign firms  
3. Additional taxes on revenues | Ex: Ghana $200,000/$10,000  
Ex: Korea 25% if not incorporated under Korean law |
| Limitations on ownership      | Limits ability of foreign providers to control off-shore activities             | Exs: Mexico & Thailand (49%) |
| Disregard for Agreements      | Concerning intellectual property rights (educational materials)                 | Exs: Southeast Asian nations |

Source: The National Committee for International Trade in Education (NCITE) website,  
http://www.tradeineducation.org/general_info/frames.html

From the viewpoint of institutional theory, these barriers are external pressures that foreign education service providers need to conform with when internationalizing to a country or region.
3.1.3 Internationalization of Higher Education Services

This paper focuses on post-secondary education as defined by Evans (1995: p.29):

“The provision of formal instructional programs with a curriculum designed primarily for students who have completed the requirements for a high school diploma or equivalent. This includes college and university education, vocational training, and continuing professional education, but excludes vocational and adult basic education programs.”

With respect to the Chinese education system, education levels in China are classified into primary school, junior high school, senior high school, professional school, technical school, college, and university. The last two belong to higher education. The international exchange of college and university students represents 90% or more of international trade in education services (Evans, 1995). The unit of analysis in this paper is Canadian post-secondary colleges and universities.

Internationalisation of higher education can be viewed as both an irresistible trend and a challenge (Teichler, 1999). Two trends can be observed in this realm, one is the growth of specific, visibly international, border-crossing operations, such as student mobility, staff mobility, foreign language teaching and learning, cooperative research activities, or area studies. The other is the trend towards universalisation, globalisation, internationalisation or ‘regionalisation’ of the functions of higher education (Van der Wende, 1997).

Similarly, Mazzarol, Soutar, and Seng, (2003: p.90) describe three waves of internationalisation in higher education: “The first involved students travelling to a host
nation to study at a chosen institution.”  “The second involved institutions moving forward into the export channel—usually through an alliance or coalition—and establishing a presence in international markets through “twinning programs’.”  And the new third one involves “the creation of branch campuses in foreign markets and the development of ‘on-line’ delivery of courses through information and communications technologies.”

The main reasons why internationalization of higher education is growing at such an incredible rate in the global marketplace lie in improved access, readiness for a more diverse range of providers and in the globalization of the professions (Lenn, 2001). As noted by Phillips and Stahl (2000), internationalization of higher education services has both negative and positive effects. On one hand, as colleges and universities become more businesslike and become ‘entrepreneurs’, a cost may come in a deterioration in the quality of higher education more generally and a reduction in the number of courses and programs that are not ‘money-makers.’  On the other hand, new courses, programs and curricula are being created and modified, and alternative methods of delivery are being fostered as post-secondary institutions compete with one another. It is in fact this quasi business-like posture that institutions are being drawn to adopt that adds such interest to the investigation of how these players enter foreign markets.
3.2 Mode of Market Entry

3.2.1 Standard International Entry Modes

Different scholars have developed numerous taxonomies of mode of entry. Hitt, Ireland and Hoskisson (1995) classify the choice of international entry modes as Exporting, Licensing, Strategic Alliances, Acquisitions and New, Wholly Owned Subsidiary. Pan and Tse (2000) propose a hierarchical model and treat the entry mode types as non-equity- and equity-based. The former includes Export (Direct export, Indirect export, Others) and Contractual Agreements (Licensing, R&D contracts, Alliances, Others). The latter includes Equity Joint Ventures (Minority EJV, 50% share EJV, Majority EJV) and Wholly Owned Subsidiary (Greenfield, Acquisition, Others). Harzing (2002) also states that non-equity entry modes include exporting through agents and licensing, while equity-based ones are either partially or wholly owned. Hill, Hwang, and Kim (1990) have a similar classification and put sales office into nonequity investment. Brouthers (1995) refers to equity and nonequity as integrated and independent entry modes respectively.

For service enterprises, Cowell (1984) identified six foreign market entry strategies as direct export, licensing, franchising, joint ventures, acquisition and, management contracting.

3.2.2 Chinese Taxonomy of Entry Modes

The Chinese Ministry of Foreign Trade and Economic Cooperation (MOFTEC)
provides an official taxonomy of FDI. This includes: (1) Sino-foreign joint ventures (EJV); (2) Cooperative business (CJV); (3) Exclusively foreign-owned enterprises (WOE); (4) Joint exploitation projects; (5) Foreign-funded share-holding companies; (6) New types of foreign investment, such as BOT, investment company and so on. In addition, Chinese government is now researching and enacting related policies to facilitate investment by foreigners in China by means of merger and acquisition (M&A) (MOFCOM bulletin).

New types also keep coming forth to the Chinese market. Luo and O’Connor (1998) investigate some in their study: (1) Processing and Assembling Agreements; (2) Compensation Trade Agreements; (3) International Leasing Agreements. Other classification includes Foreign Investment stock Company and Incorporative purchase (www.chinagate.com.cn).

3.3 Internationalization Forms of Higher Education

In the area of strategic marketing, a number of previous studies have investigated the internationalization of or, international trade in, higher education.

Lenn (2001: p.3,4) lists the forms of higher education exporting from the National Committee on International Trade in Education (NICTE) as noted in Table 2.
Table 2 Higher Education Forms

The Change to Transnational Education Providers

As reported to the Office of the U.S. Trade Representative by the National Committee on International Trade in Education (NCITE), [administered by the Center for Quality Assurance in International Education] higher education and training take on numerous forms when exported:

- **Branch Campuses**: campuses set up by an institution in a country to provide its educational programs to foreign students.
- **Franchises**: an institution (A) approves an institution (B) in another country to provide one or more of A’s programs to students in B’s country.
- **Articulation**: the systematic recognition by an institution (A) of specified study at an institution (B) in another country as partial credit towards a program at institution (A).
- **Twinning**: agreements between institutions in different countries to offer joint programs.
- **Corporate Programs**: many large corporations offer programs (some for academic credit from institutions) which cross national borders.
- **Companies**: which sell curriculum and training services.
- **Distance Education Programs**: those distance education programs that are delivered – through satellites, computers, correspondence, or other technological means – across national boundaries.
- **Study Abroad**: Students from country (A) go to country (B) to live and study at an institution in country (B).

Source: Lenn (2001, p.3)

Mazzarol, Soutar, and Seng (2003) describe three waves of internationalisation in education: travelling students, exporting through “twinning programs”, and branch campus and on-line delivery. Similarly, Kameoka (1996) mentions the internationalisation progress of higher-education. The first period is of individual student mobility (‘free moves’). The second phase is of mobility and exchange based on institutional agreements. The third is “an internationalisation of academic content and
process—where education is sometimes provided by foreign academic—is taking place”.

Trim (2003: p.60) points out that partnership arrangement takes into account internal (“department to department and faculty to faculty”) and external (“educational authorities and bodies, educational institutions, commerce and industry, professional organizations, and government bilateral and multi-lateral arrangements”) linkages. Among the three kinds of market reach strategies: regional/tactical/operational, national/strategic, and international/global, the last one targets educational fairs and institutions overseas, including attracting students for instruction, research students, research funding and implementing international staff and student exchange programmes.

Altbach (2004) defines ‘Multinationalisation’ as academic programs or institutions from one country offered in other countries. Usually the programs are sponsored in collaboration. ‘Joint-degree’ offerings among institutions in two or more countries, often called ‘twinning’. Setting up offshore institutions constitutes a variation of this trend. These may be carried out through franchising or by opening a branch institution. The Internet may also be used to deliver programs to an international market.

Beerkens (2002: p.312) proposes a typology of International Inter-organisational Arrangements in Higher Education and shows multi levels of partnerships and networks, helping understand the variety of international education cooperation.

According to UNESCO (2003: p.6), entry options “include extension campuses of various forms (ranging from ‘true’ campuses of foreign universities to franchising of their courses through local education providers), traditional distance education, and the so-
called virtual higher education or universities.”

3.4 Adapting Entry Modes to Post-Secondary Education

It is necessary to adapt the entry modes of standard manufacturing industry studies for post-secondary education due to a number of reasons: (1) Based on the existing definition of ‘export’ in this sector, foreign education entrants may not necessary even ‘enter’ a host nation; instead, they can access the foreign markets by recruiting international students via various channels. (2) As education is a ‘soft’ service (Erramilli and Rao, 1993), some types from the traditional taxonomy of entry modes are not quite suitable for the education sector, such as merger and acquisition. (3) Instead a typical means of entry is the Memorandum of Understanding (MOU) between institutions involving student exchange. (4) Overall, for a research setting, reconceptualization of entry modes for a specific industry will more accurately reflect the nature of that industry and thus has higher internal validity.

Turning to the specific example in this study then, from the standpoint of universities and colleges, the author proposes that there is a continuum of levels of participation regarding the engagement of a particular foreign student market which often involves an evolving penetration of the market. In this line of reasoning, the reconceptualization of entry modes is regarded as a typical organization’s gradually increasing involvement in internationalization. Although there are currently no universal classifications for the internationalization of higher education services, the author has
developed the following entry types using the literature reviewed above and the advice of the manager of the International Centre for Students of a Canadian university:

1) **Passive Recruitment.** The initial level of participation in a particular foreign student market might be seen as the passive recruitment of students from that country into the domestic academic programs of the host institution as visa students or distance education students without the school having a specific recruiting strategy with respect to the target market. Such students simply come across information about the school (perhaps from the school’s website) and apply like any other international student.

Notice that despite its categorization by Mazzarol, Soutar, and Seng (2003) as ‘third wave,’ the author has chosen to designate ‘E-learning’ or ‘Online programs’ on par with ‘passive admissions’ since the students are essentially coming to existing ‘classes’ of a Canadian university without any expenditure or effort on the part of the Canadian schools to recruit or customize delivery materials.

Another relatively passive means of access is institutional involvement in education fairs. Some institutions, as well as some non-school educational organizations, attend international education fairs with the purpose of recruiting local students. However, considering that the education fairs are usually aperiodic and multi-purpose with multi-agent involvement (such as government, education association or ministry department), this study classifies this approach as passive.

2) **Agent Recruitment.** Institutions that wish to more proactively engage the target market for post-secondary education will often contract with an agent located in
that country or sometimes in their own homeland who will handle the recruitment and pre-screening of applicants. There is generally an explicit trade-off here between agent fees and the higher tuition that institutions are able to charge to international students.

3) **MOU (Also MOA)**. Institutions that wish to engage the foreign market more intimately than an agency arrangement can provide may opt at this stage to enter into a Memorandum of Understanding or Agreement (MOU or MOA) with a local post-secondary institution in the host country. Such MOUs usually cover the general guidelines for student and faculty exchanges. Most student exchanges are for a single semester based on reciprocal tuition arrangements with credits earned at the home institution and thus no ‘exposure’ of the host institution’s degree.

4) ‘**Licensing Agreement**’. Beyond a purely exchange relationship with a partner in host country, a college or university may enter into what might be called a ‘licensing agreement’ with a post-secondary institution in the host country whereby the home country partner provides course materials and some training but the majority of delivery takes place in the host country using local instructors. Where the objective of host country students is to earn a foreign bachelors degree from the providers in the home country, it is common practice for students to attend classes at the degree granting institution in the home country during their third and/or fourth year.

5) ‘**Exporting**’. When the home country partner is more actively involved in course delivery at the institution in host country, providing, for example, not just curriculum but also instructors and text materials, the practice is closer to the ‘export’
option category of standard international modes of entry. Here quality control and protection of the brand (degree) is accorded primary importance.

6) ‘Joint Venture’. In their most complex form, the partnership or collaboration between a home country post-secondary institution and a host country post-secondary institution may be categorized as a ‘joint venture’ where each partner contributes to the successful operation of a campus which is physically independent of either of their existing campuses (although usually located in the host country).

7) ‘Branch Campus’. This international mode of entry (normally referred to as a ‘wholly owned subsidiary’) would involve a home country post-secondary institution setting up a branch campus in the host country independent of any local post-secondary partner.

As the above is tentative and may not cover all the means of access currently used in the marketplace, an additional goal of this study is to search for updated information on entry modes from survey respondents who are professional practitioners. According, the author has included a category for Other entry types in the survey instrument.

3.5 Home Country—Canada

3.5.1 Canadian Post-secondary Education (Colleges & Universities)

Canadian provincial and territorial governments provide most of the funding for their public post-secondary institutions at the university and college levels. Additional funding comes from the federal government, research grants, and student tuition fees. In
general, “universities are degree-granting institutions — offering undergraduate degrees (bachelor's and honours) and graduate degrees (master's degrees and doctorates). Colleges offer vocationally-oriented programs of study leading to certificates and diplomas, although a few applied arts degrees are granted that are equivalent to the university level” (education@canada, 2005).

In 2000, Canada’s education service industries (including the public education system) were valued at $41 billion, representing 5.2% of GDP. Meanwhile, worldwide education expenditures were estimated at US $2 trillion (Industry Canada, 2001). In 2002, worldwide higher education accounted for 17.8% of distribution of GDP on research and development by source of funds (UNESCO Institute for Statistics).

There are four general categories of education and services industry providers in Canada: private firms specialising in education and training programs, management consultants with education supplement products, private schools, and public educational institutions (Mallea, 1998).

While they are by far the strongest of the four sets of providers, Canada’s publicly funded colleges and universities are not without their critics. “For fifty years, the quality of education offered by Canadian universities and colleges has steadily improved along with access to these institutions. Now these gains are in danger. As tuition fees increase, as colleges and universities make new and often secret arrangements with the private sector, and as courses and research go up ‘for sale’, Canada’s universities and colleges are losing sight of the public interest” (International Association of Universities, 2003: p.5).
In addition to domestic mandate education, Canadian governments have been urged to strengthen their public roles by providing more access to international students to meet social demand, human resources and skills needed in a global marketplace.

### 3.5.2 Internationalization of Canadian Education Services

More than 130,000 foreign students come to Canada every year (Citizenship and Immigration Canada (CIC), [http://www.cic.gc.ca/english/study/](http://www.cic.gc.ca/english/study/)). Canadian government policy makers, educational institutions and other key stakeholders have long recognised the important contribution that foreign students make to the country’s economic and social well being. In 1998, an International Education Marketing Unit was created within the Department of Foreign Affairs and International Trade. In May 2004, the Education Marketing Unit became part of the new International Trade Canada (ITCan) ([ITCan website](http://www.cic.gc.ca/english/study/)). Its mandate continues to be to promote Canadian education and training products, services, and expertise. The principal countries and areas concentrated on are the East Asian region, including South Korea, China, Japan and Hong Kong (CIC, 2003). Three factors contribute to the increased internationalization trend: trade agreements, technological change and priorities of multilateral development (Mallea, 1998). The second of these is considered to be the most significant as it is one of the reasons why computer-based distance educations, or virtual schools, have been growing so dramatically.

Canadian governments are looking to strengthen their expertise in marketing the
export of ‘Made in Canada’ education and training services due to its declining share of
the international student market (Mallea, 1998). The industry has been well positioned to
compete in the international marketplace. Among the diverse players, the number of
higher education institutions is:

- 1000 private career colleges
- 204 community colleges and cégeps (French Canadian colleges)
- 92 universities

There are a variety of delivery modes such as classroom, textbooks, video,
multimedia, teleconferencing, and internet, etc (Industry Canada, 2001).

3.5.3 Canadian Provision of Education Services to China

International trade agreements play an important role in promoting the education
collaboration. Since the establishment of diplomatic relations between Canada and China
on October 13, 1970, the relationship between the two countries has placed a
considerable emphasis on educational cooperation. Canada also has a strong trade
relationship with China. Team Canada led by the Prime Minister successfully made three
Canada Trade Missions to China in 1994, 2001 and 2005. Education was one of the major
industries that proactively engaged in the 2001 and 2005 trade missions (Table 3, 4),
however direct comparability is hampered by the inclusion of education with cultural
industries in 2001 and the overall decline in participation from 2001 to 2005.
Table 3  Canadian Delegates of 2001 Trade Mission to China by industry

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<th>Industry</th>
<th>Number</th>
<th>Percentage</th>
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<tr>
<td>Other</td>
<td>52</td>
<td>12.6%</td>
</tr>
<tr>
<td>Transportation</td>
<td>27</td>
<td>6.6%</td>
</tr>
<tr>
<td>Information &amp; Communication Technologies</td>
<td>60</td>
<td>14.6%</td>
</tr>
<tr>
<td><strong>Educational Technologies &amp; Cultural Industries</strong></td>
<td><strong>80</strong></td>
<td><strong>19.4%</strong></td>
</tr>
<tr>
<td>Agriculture and Agri-Food</td>
<td>35</td>
<td>8.5%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>36</td>
<td>8.7%</td>
</tr>
<tr>
<td>Energy</td>
<td>25</td>
<td>6.1%</td>
</tr>
<tr>
<td>Forest, Construction and Building Materials</td>
<td>39</td>
<td>9.5%</td>
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<tr>
<td>Environment Technologies</td>
<td>30</td>
<td>7.3%</td>
</tr>
<tr>
<td>Mining and Minerals</td>
<td>13</td>
<td>3.2%</td>
</tr>
<tr>
<td>Medical and Health Products and Services</td>
<td>13</td>
<td>3.2%</td>
</tr>
<tr>
<td>None</td>
<td>2</td>
<td>0.5%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>412</strong></td>
<td><strong>100%</strong></td>
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Table 4  Canadian Delegates of 2005 Trade Mission to China by industry

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<tbody>
<tr>
<td>Other</td>
<td>43</td>
<td>17.2%</td>
</tr>
<tr>
<td>Transportation</td>
<td>14</td>
<td>5.6%</td>
</tr>
<tr>
<td>Information &amp; Communication Technologies</td>
<td>35</td>
<td>14.0%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td><strong>26</strong></td>
<td><strong>10.4%</strong></td>
</tr>
<tr>
<td>Agri-food</td>
<td>36</td>
<td>14.4%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>30</td>
<td>12.0%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>28</td>
<td>11.2%</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>14</td>
<td>5.6%</td>
</tr>
<tr>
<td>Tourism</td>
<td>11</td>
<td>4.4%</td>
</tr>
<tr>
<td>Aerospace</td>
<td>6</td>
<td>2.4%</td>
</tr>
<tr>
<td>None</td>
<td>7</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>250</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: http://www.tcm-mec.gc.ca*

Recently, many cooperative projects between Canadian and Chinese higher education institutions have taken place, for example:

(1) Canada-China Higher Education Program (CCHEP) (www.cchep.ca).

Duration: 1996~2003
Goal: to advance the cooperation of important areas of higher education.


Partners: (Appendix 1)

2) Canada-China University-Industry Partnership Program (CCUIPP).

Duration: 1997~2003

Goal: To improve the level of educational management of Chinese institutions, enhance the cooperation of university and industry.

Project Outlay: CDN 4.2 million.

Partners: (Appendix 1)

Source: Bulletin of Division of America and Oceania Affairs Department of International Cooperation and Exchanges MOE, http://www.moe-daoa.edu.cn/English/index_english.htm

In addition to these, some Canadian universities and colleges have been proactively accessing the Chinese higher education market. With regulations now permitting the awarding of ‘western’ degrees by foreign institutions, some schools have developed Sino-Canada Joint programs (Canadian Degrees) in China (See Appendix 1).

3.5.4 Canadian Organizations’ Characteristics and Strategies

It is obvious that Canada has a lower level of involvement than the United States counterparts, the leader of education exporter, in doing business with China. According to Johnes (2004: p.14), “education is a substantial contributor to trade for the United States’
with the gross exports of $11.5 billion and net exports amounting to $9.1 billion in 2001”.

In 2003, United States’ receipts for education increased 6 percent to $13.4 billion. Nearly one quarter of all foreign students came from two countries—India and China—and the number of students from China increased 2.4 percent to nearly 65,000 (Borga, M. and Mann, M., 2004).

Comparable Canadian organizations have been somewhat less aggressive in these markets, with some authors pointing to specific national tendencies by way of explanation. Generally, Canadians are considered more conservative and risk-averse (Hardin, 1974), and to have a more cautious attitude. Canadians are more accustomed to government control (Hardin, 1974). In addition, Canadian organizations have smaller size and activities, less international experience, thus are more likely to need home-government support when entering a new market (Punnett and Yu 1990). However, the lower involvement should not lead to less academic attention. On the contrary, an investigation of Canadian organizations in this regard should enhance their learning behaviour and adaptability in the international institutional environment.

Canadian education institutions do have their own strengths in distance education and technology-based learning, public sector management training, second language acquisition, and the flexibility of its companies. On the other hand, their limitations include the lack of a national accreditation process, insufficient international marketing skills, the lack of good data and solid research, and a general lack of international experience and know-how (Mallea, 1998). By choosing Canada as the home country, the
author is interested in how these specific organizations, i.e. Canadian colleges and universities are responding to the rapidly expanding market of post-secondary education in China and how the decisions about their internationalization activities are being made.

3.6. Host Country—China

3.6.1 Chinese Higher Education Status Quo

China has been a major importer of higher education as shown by worldwide FDI (Table 5). The number of students going abroad (all countries) for qualification study has been increasing dramatically for the most part since the ‘Open Door Policy’ in late 1970s as shown in Figure 4, however a drop in the number in 1998, comparing to years before, is obvious. Information from China Research and Education Networks (www.edu.cn) does not provide further information currently relevant to the number of student studying abroad, however, this drop might be explained as follows: First of all, with the substantial development of Chinese higher education industry, the number of Chinese post-secondary institutions and full-time teachers has increased rapidly (Appendix 2). Such a growth in domestic capacity leads to fewer students needing to leave the country. Second, since the mid 1990s, emigration to foreign countries has become feasible for Chinese citizens. The major nations accepting Chinese immigrants are also major international education trade providers like Australia, New Zealand and Canada. If immigrants choose to pursue study in their new country, this would also lead to a decline in the number of students studying abroad. Finally, as documented in this study, it is a fact that many
foreign post-secondary institutions have taken the initiative to access the Chinese market and increasingly provide various programs and curricula for Chinese learners in China, providing students more options to choose from in addition to domestic providers and going abroad.

**Table 5  Statistics of FDI from All Countries on Chinese Education Services in 2003**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of Project</th>
<th>Contractual FDI Value (US$ Million)</th>
<th>Realized FDI Value (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>This Year</td>
<td>Change from Previous Year%</td>
<td>This Year</td>
</tr>
<tr>
<td>Education Services</td>
<td>42</td>
<td>55.56</td>
<td>193.69</td>
</tr>
</tbody>
</table>

**Figure 4  Number of Chinese Students Studying Abroad (1952~1998)**

*Source: http://www.edu.cn/*

Other descriptive indicators of the Chinese higher education industry are shown in Appendix 2 of the study.
3.6.2 Chinese Institutional Changes in Foreign Direct Investment

China is a case that is characterized as particularly distinctive in terms of its institutions and form of capitalism (Boisot and Child, 1996). It has come a long way in the evolution of its foreign investment regulations. Since its opening to the world in late 1970s, China has gradually grown under the Economic Reform. China has adjusted its investment guidelines several times and kept on liberalizing the Foreign Direct Investment (FDI) regime and facilitating administrative procedures to foreign investors, thus the contextual environment and investment climate have been changing dramatically in China over time. Appendix 3 shows the promulgation of Chinese major laws on FDI (Bulletin of MOFCOM). Since these laws were issued, they have played a significant role in implementing the opening policy, attracting FDI, and enhancing economic cooperation and technology exchanges with foreign countries.

As China’s newly opening economy has continued to revise and update its FDI controls, it has become increasingly less restrictive to foreign investors who seek the legitimate rights to conduct foreign-funded business. Under such regulatory constraints, first of all, organizations have had to choose the legitimate entry modes defined by the Chinese government at the time they entered. As the relative laws have been developed and promulgated, foreign entrants are getting more space. In another word, the environment and institutions for investment in China are getting more favourable for foreign investors.

A milestone on China’s institutional environment evolution is its accession in the
World Trade Organization (WTO) in Dec. 2001. At the time of launching Economic
Reform and opening the door to the world in 1978, China had no FDI and very little
trade. Because China saw the General Agreement on Tariffs and Trade (GATT), the
predecessor of WTO, as a way to continue the Economic Reform process, in 1986, China
applied for a seat in GATT and then started the 15 years of negotiation striving for
membership.

The institutional environment has changed significantly in Post WTO China. With
the awarding of WTO membership formally in Dec. 2001, China has further accelerated
its openness to foreign investors. Two types of barrier will be gradually eliminated due to
the country’s commitment. First, investment barriers, China restricts some investment in
order to: protect domestic industries, such as the services sectors; guard national and
domestic security; limit imports of luxury products; or avoid redundancy or excess
capacity. Second, service barriers, the most heavily regulated and protected parts of the
national economic. China promises to provide meaningful access of foreign businesses to
the full range of service sectors according to a time schedule. Many specific regulations
for FDI are being promulgated due to the far-reaching changes in China market. For
example, as noted earlier, the Chinese government is now researching and enacting
related policies to facilitate the foreigners to invest in China by means of merger and
acquisition (M&A) (Bulletin of MOFCOM).

In sum, the restrictions on many industries or sectors are easing step by step.

According to National Information Centre, the following changes are generally
predictable in Post WTO China: (1) Functional transformation of government, administration efficiency improvement, and more transparency in policy; (2) Further social infrastructure; (3) Regulation of market economic system orders; (4) Acceleration of adjustment of economic structure; (5) Further open; (6) Fair market environment improvement. This progression in terms of the post-secondary education industry can be noted in the next section’s discussion and, in particular, in Table 6.

China’s FDI inflow has been greatest in manufacturing, growing from 63% in 2002 to 74% in 2003. It is “opening its service industries to FDI in accordance with its schedule of commitments to the liberalization of services under its WTO accession agreement…By 2008, service industries in China will be largely open to FDI. Aside from relaxing ownership control, China has also eased geographical restrictions and the scope of business operations” (WIR2004, p.86).

3.6.3 Institutional Change of Chinese Industry Catalogue

As an opening market, China has set up a Catalogue for the Guidance of Foreign Investment Industries in order to guide the direction of overseas investment to suit the plan for China's national economic and social development and to help protect legitimate rights and interests of overseas investors.

According to Article 4 of Interim Provisions on Guiding Foreign Investment Direction, proposed foreign investments are to be classified into four types, namely: Encouraged, Permitted, Restricted and Prohibited projects, with different examination
and approval procedures applying to these different categories. Industries not specifically listed are permitted for foreign investment. A chronology of these catalogues follows:

(1) 1995 Version

The Catalogue was firstly approved by the State Council on June 7, 1995, and promulgated by Decree No. 5 of the State Development Planning Commission (SDPC), the State Trade and Economy Commission (SETC) and the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) on June 20, 1995.

In this Catalogue, education was classified under Restricted Industries.

(2) 1997 Revision

This Revised Edition was approved by the State Council on December 29, 1997, and promulgated by SDPC, SETC, and MOFTEC on December 31, 1997.

In this Catalogue, ‘cooperation school-running (with the exception of elementary education)’ remained classified as a Service Industry in which WOEs (Wholly Owned Enterprises) are not allowed under the Restricted Industries Catalogue.

(3) 2002 Revision

As China became a member of the WTO in 2001, more restrictions in a broad range of service sectors were to be gradually eased by the influence of its accession and this was reflected in the Catalogue. The newly revised ‘Catalogue for the Guidance of Foreign Investment in Industries’ and the ‘Provisional Regulations for the Guidance of Foreign Investment’ both took effect on April 1, 2002, replacing earlier versions promulgated in 1997 and 1995, respectively. Like their predecessors, they provide
guidance to foreign investors and relevant approval authorities on foreign investment in
China in various industries.

In this 2002 Revision, some entry options in the higher education (post-
secondary) sector (only joint venture and cooperation) were classified into the Encourage
Industry Catalogue. Secondary education was still in the Restricted Catalogue.

(4) 2004 Revision

In November 30, 2004, the Catalogue (2004 Revision) was jointly released by the
National Development and Reform Commission (NDRC) and the Ministry of Commerce
(MOFCOM). It went into force on January 1, 2005. One of the major changes in this new
Catalogue was that the scope of foreign investment has been expanded to help expedite
the liberalization of the services sector.

Higher education is still in the Encourage Catalogue providing some level of
comfort that the Chinese institutional environment has become sustainably more
favorable for internationalization of post-secondary education.

These changes are summarized in Table 6 on the following page.
<table>
<thead>
<tr>
<th>Stage</th>
<th>Year</th>
<th>Date</th>
<th>Regulations</th>
<th>Promulgated by</th>
</tr>
</thead>
<tbody>
<tr>
<td>(III)</td>
<td>2004</td>
<td>Dec. 16</td>
<td>Interim Regulations on Numbering License for Chinese-Foreign Cooperation in Running Schools</td>
<td>Ministry of Education (MOE), [2004] #85</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nov. 30</td>
<td>2004 Revision of ‘Catalogue for the Guidance of Foreign Investment’</td>
<td>SDPC, SETC, MOFTEC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sep. 01</td>
<td>Circular Letter on ‘License for Chinese-Foreign Cooperation in Running Schools’ and ‘Approval for Chinese-Foreign Cooperation Projects’</td>
<td>MOE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jun. 02</td>
<td>Execution of Regulations of the People’s Republic of China on Chinese-Foreign Cooperation in Running Schools</td>
<td>MOE, Decree #20</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>Dec. 12</td>
<td>Circular Letter on Related Registration Issues of Institutions for Chinese-Foreign Cooperation in Running Schools</td>
<td>Ministry of Civil Affairs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mar. 01</td>
<td>Regulations of the People’s Republic of China on Chinese-Foreign Cooperation in Running Schools, and effective as of Sep. 01 2003</td>
<td>State Council, Decree #372</td>
</tr>
<tr>
<td></td>
<td>2002</td>
<td>Apr. 01</td>
<td>Revised ‘Catalogue for the Guidance of Foreign Investment’, ‘Provisional Regulations for the Guidance of Foreign Investment’</td>
<td>SDPC, SETC, MOFTEC</td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>Nov. 10</td>
<td>commitment to WTO</td>
<td>Ministry of Commerce (MOFCOM)</td>
</tr>
<tr>
<td>(II)</td>
<td>1999</td>
<td>Aug. 24</td>
<td>Detailed Execution of Administrative Regulations of Agent Service for Consumption Abroad Study</td>
<td>MOE, Decree #6</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>Aug. 24</td>
<td>Interim Administrative Regulations of Agent Service for Consumption Abroad Study</td>
<td>MOE, Decree #5</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>Dec. 29</td>
<td>Revised Edition of ‘Catalogue for the Guidance of Foreign Investment’</td>
<td>SDPC, SETC, MOFTEC</td>
</tr>
<tr>
<td></td>
<td>1995</td>
<td>Jun. 07</td>
<td>Catalogue for the Guidance of Foreign Investment</td>
<td>SDPC, SETC, MOFTEC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jan. 26</td>
<td>Interim Provisions for Chinese-Foreign Cooperation in Running Schools</td>
<td>MOE</td>
</tr>
<tr>
<td>(I)</td>
<td>1993</td>
<td>Jul. 10</td>
<td>Circular Letter on Related Issues of Consumption Abroad Study</td>
<td>State Education Committee</td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>Oct. 04</td>
<td>Regulations of hiring foreign culture and education expert and foreign teacher in Chinese university/college</td>
<td>State Education Committee, State Administration of Foreign Experts Affairs (SAFEA)</td>
</tr>
<tr>
<td></td>
<td>1989</td>
<td>Feb. 27</td>
<td>Interim regulations of awarding honor PHD degree to foreigner</td>
<td>Degree Committee of State Council</td>
</tr>
<tr>
<td></td>
<td>1984</td>
<td>Dec. 26</td>
<td>Interim Regulations of Consumption Abroad Study</td>
<td>State Council</td>
</tr>
</tbody>
</table>

### 3.7 Institutional Stages for Hypotheses testing

In accordance with the related regulations and the three theoretical categorizations
discussed above, the evolutionary stages of the regulations governing Chinese higher education have been set out as follows:

(I) Prescriptive stage--1984~1994

Prior to 1984, China had established collaborative relationships with many education organizations and individuals from United States, Japan, Germany, France, United Kingdom, Canada and Hong Kong, but these relationships tended to be ad hoc and somewhat guarded (China Education and Research Network, www.edu.cn). Since the initial regulations about studying abroad in December 1984, however, the Chinese government had been exploring the opening of education industry with more deliberation. But as it lacked experience, the government only slowly promulgated the restrictive regulations noted above. According to Hypothesis 1, under this market situation, Canadian colleges and universities would have been coercively restricted to the only means of access to the Chinese higher education market available at that time: recruiting Chinese students to come to Canada.

(II) Partly Open / High Uncertainty stage--1995~2000

In January 1995, the ‘Interim Provisions for Chinese-Foreign Cooperation in Running Schools’ was promulgated by MOE. This was a milestone of institutional change in the education industry, indicating that Sino-foreign collaboration in post-secondary education was officially allowed in China. During this period, Canadian schools started exploring means of access such as running schools in cooperation with Chinese institutions. However, the options were still limited with many conditions. For
instance, cooperative schools in higher education were under the Restricted Industry Catalogue. According to Hypothesis 2, due to conformance and propensity to reduce uncertainty, most of the schools would have felt mimetic adaptation pressures and made entry decisions by looking to the dominant example of their peers.

(III) Fully Open / Low Uncertainty stage--2001~present

With the commitment to WTO in Dec. 2001, China has adopted four major measures to advance educational reform and development: 1) Encourage more students to study abroad. Compared to less than 20,000 students in 1998, more recently nearly 110,000 students have been going abroad to study every year. The Chinese government has also signed bilateral agreements with over 20 countries acknowledging higher education degrees; 2) Introduce advanced international curricula and methods to Chinese schools; 3) Strengthen international cooperation and communication on academic and research; 4) Encourage cooperation in running schools, joint programs / degrees. These four measures can be regarded from an institutional perspective as signally market uncertainty reductions concerning international student recruitment, MOUs, licensing, exporting, and joint ventures.

In April 2002, the revised ‘Catalogue for the Guidance of Foreign Investment’ and ‘Provisional Regulations for the Guidance of Foreign Investment’ reclassified the running of cooperative schools from ‘Restricted’ into the ‘Encouraged’ catalogue. The removal of this obstacle no doubt allowed foreign entrants to feel more comfortable in doing business in the area. In fact, by the end of September 2003, there were 712 Sino-foreign
collaboration institutions and projects covering 28 provinces, autonomous regions and municipalities. This compared with only 71 in 1995.

In Sep. 2003, another milestone—‘Regulations of the People’s Republic of China on Chinese-Foreign Cooperation in Running Schools’ was promulgated. It made the educational regulations much clearer and more transparent. More information was available for foreigners. Canadian schools had more options to choose from and the subsequent reinforcement of the Encourage designation in the 2004 regulations gave comfort that the regulations were stable. By vicarious learning from other competitors or experiential learning from themselves, international schools could now customize their internationalization strategies based on the market situations and then make their own entry decisions. It is from these decisions that Hypothesis 3a and 3b are derived which present a critical test for these two different learning philosophies.
4. METHOD

4.1 Study Population

The study population consisted of all Canadian post-secondary colleges and universities identified through the online membership records of three associations: (1) The Association of Universities and Colleges of Canada (AUCC) (www.aucc.ca/can_uni/our_universities/index_e.html); (2) The Association of Canadian Community Colleges (ACCC) (www.accc.ca/english/colleges/membership_list.cfm); and the Canadian University Index from Mount Saint Vincent University (MSVU) (www.msvu.ca/FacultyStaff/university-index.asp).

The lists were checked for overlap with the result that a total of 216 Canadian schools were separately identified. The numbers of schools in each of the provinces and territories across Canada are: 23 in Alberta, 28 in British Columbia, 8 in Manitoba, 56 in Ontario, 62 in Quebec, 6 in New Brunswick, 3 in Newfoundland and Labrador, 1 in the Northwest Territories, 11 in Nova Scotia, 1 in Nunavut, 3 in Prince Edward Island, 13 in Saskatchewan, and 1 in Yukon. Among the total of 216 institutions, 44 are French language schools and the 172 are English language schools.

4.2 Data Collection

A survey instrument (Appendix 6) was developed to collect primary data and posted for web access by the Centre for Curriculum Redevelopment of the University of Lethbridge.
Directors or managers of the international centers (or equivalent) of these institutions received an email cover letter message from the author (Appendix 4) which invited them to participate in an English language web-based questionnaire. Clicking on the link embedded in the email took the survey respondent to a consent form (Appendix 5) and the questionnaire itself. While the development of a French language translation of the questionnaire was considered, it was felt that individuals in the position in question would be more likely than average to be (at least) bilingual. All contact information was obtained from the schools’ websites. In scanning and analyzing the websites, the author found that some schools do not clearly assign a person to take care of the international activities. To these schools (about one third of the total), the email introducing the questionnaire was directed to an inquiry coordinator, Dean or President asking for a forwarding of the survey request to the appropriate person.

The survey was conducted in July and August, 2005. Two weeks after the initial requested response date, a follow-up email was sent to the respondents who had not yet replied. One and a half weeks later, a second follow-up email was sent out.

Some secondary data was obtained from the database of MOFCOM and China Research and Education Networks.

4.3 Description of Survey Instrument

4.3.1 Questionnaire Design

The survey is titled ‘Internationalization of Post-Secondary Institutions’
(Appendix 6). In the body of the questionnaire, there are 16 questions in total. Most of them are multiple choice, with some open questions for follow up information. Each type of input generates a corresponding datum in the database and is collected in a worksheet table. Generally, it was possible to access the data on a daily basis to monitor response rates.

The survey directed the respondent through the foreign entry options reconceptualized in the paper one at a time explaining each and asking if they had used that option (or plan to use it) and when. By this means, the survey hoped to refresh the respondent’s perception of their organization’s entry practices before asking several summary questions. These summary questions then measured the respondent’s perception of industry level coercive influences operating at the time of entry, the dominant means of access perceived to be operating in the industry and the dominant means of access that their organization had used in prior entries. Having answered these questions, the respondent was then asked to choose a decision making alternative which was reflective of one of the preceding influences (coercive, mimetic, vicarious learning or ex periential learning). In addition, a question was asked about organization size (measured by student enrollment) as a possible control variable on entry choices.
4.3.2 Questionnaire Administration

It was determined that the questionnaire would be administered as an online survey based on the following considerations: First, all Canadian universities and colleges have web-sites and relatively complete contact information which is easy to identify and access. Second, data collection is greatly facilitated by a web-based database making storage and coding more efficient. Third, it is fast, convenient and economical to communicate with the study population through email. Using this method, the researcher was able to get instant messages of absent respondents, delivery failures and forwarding not available using standard methods. Fourth, the interactive design of the questionnaire form allowed branching (if answered (a), go to Q #4, etc.) to take place invisibly and without complicating or extending the length of the instrument as would have been the case with hard copy. Technicians in the Curriculum Re-Development Centre of the University took the responsibility for designing the layout of online questionnaire with these features. After sending out the questionnaire, online survey administration also provided the ability to follow the forwarded respondents and resend messages or reminders.

4.3.3 Sorting and Coding for Analysis

For the sorting of the results, the first step was to eliminate those who selected ‘No’ for the Non-coercive disclaimer on the letter of consent. This was deemed to be a refusal to participate in the survey. The second step was to set aside from the primary
analysis those respondents that selected options 1 and 5 in Q #1, as these were schools with no plans to more actively access the Chinese market or no plans for Chinese students.

5. RESULTS AND ANALYSIS

5.1 Questionnaire Response Rate

During the first two weeks after the online survey as sent out, seventeen questionnaires were completed. Twenty more replies came in after the first follow up letter. Eleven days later, the second follow-up letter was sent out and resulted in another seven completed questionnaires. In total, 44 schools replied yielding an overall response rate of 20.4%. Setting aside the eight schools that have no plans to go to China, a total of 36 schools were included as valid data in the main analysis of entry influences. Of the 44 schools responding, 32 were colleges and 12 were universities with usable responses of 26 and 10, respectively. The possibility that universities and colleges might differ substantively with respect to their entry patterns is discussed in section 5.2.6 below.

5.2 Descriptive Statistics

5.2.1 Entry Mode

In the survey, Questions #2~7 asked respondents to categorize their Chinese entry mode by type as developed for this study. The 36 schools indicated a total of 82 entries (or intentions to enter) into China of various types. Each entry was treated independently since the theory incorporates both environmental influences and prior experience. This
allowed multiple entries to be brought into the data. A summary of these results divided by stage is shown in Table 7. Canadian schools’ entries to China are mainly concentrated in Stages (II) and (III) with Agent Recruitment and MOU being the most adopted means of access. It is interesting to note, however, that the range of entry types is nearly equivalent for Stages (II) and (III), an initial finding that supports the argument that the key distinction between these stages is perceived uncertainty, not the actual number of options available.

<table>
<thead>
<tr>
<th>Modes</th>
<th>Stage (I)</th>
<th>Stage (II)</th>
<th>Stage (III)</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent Recruitment</td>
<td>2</td>
<td>14</td>
<td>14</td>
<td>30</td>
</tr>
<tr>
<td>MOU</td>
<td>2</td>
<td>10</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Licensing</td>
<td>0</td>
<td>4</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Exporting</td>
<td>0</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Branch Campus</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>4</strong></td>
<td><strong>35</strong></td>
<td><strong>43</strong></td>
<td><strong>82</strong></td>
</tr>
</tbody>
</table>

### 5.2.2 Other Means of Entry

In addition to those entry modes specifically categorized for use in this study, there were several other means of access recognized by Canadian schools and identified in the survey responses. Among the various descriptions, several approaches used by these schools are identified in Table 8. While in some cases (visits, collaborative research), ‘other’ choices might reasonably have been included under existing options, it is clear that new possibilities will be developed as cooperation between practitioners from
Canada and China continues to be greatly encouraged by both governments.

| Table 8 Other Feasible Internationalization Means of Access |
|---|---|
| Means of Access | Number |
| Visits | 2 |
| Career Fairs | 2 |
| CEC / CBIE | 2 |
| Collaborative research | 1 |
| Fast Track Screening | 1 |
| Scholarship | 1 |
| **Total** | **9** |

5.2.3 Dominant Influence on Entry Mode Choice

In the survey, Q #11 asked respondents to choose the dominant influence on their decisions to access the Chinese market. Table 9 shows the influences reported by the 36 reporting schools divided into the stages in which these entries took place. Again, multiple entries by schools were examined yielding a total of 54 influence events. The reduction in events from the 82 entry events is due to the fact that some schools did not provide influence information for all entries. As this is the primary dependent variable in the study, we will return to this data during hypothesis testing.

| Table 9 Dominant Influence on Entry Mode Choice by Stage |
|---|---|---|---|
| Influences | Stages | Stage (I) | Stage (II) | Stage (III) |
| Coercive Adaptation | 0 | 3 | 2 |
| Mimetic Adaptation | 1 | 3 | 0 |
| Vicarious Learning | 1 | 7 | 17 |
| Experiential Learning | 1 | 9 | 10 |

57
5.2.4 Regional Distribution of Chinese Entries

Based on the available results, 36 schools have made / will make entries into 21 separate Chinese markets. Figure 5 shows the city locations and the number of entries to each place. This distribution reflects the fact that Canadian schools have gathered in major cities in mid and eastern China. Most of these locations are also the capital cities of provinces which have better infrastructure for education and culture development and larger populations. Generally speaking, these environments would be expected to be beneficial to foreign entrants by allowing rapid uncertainty reduction and relatively easy adaptation to indigenous regulations due to the proximity of local officials.
5.2.5 Geographic Distribution of Prior International Entries

Since prior international experience is critical to the experiential learning hypothesis, Canadian schools were requested to indicate where they had previously entered international student markets and the time when each entry took place (Table 10).

![Map showing distribution of Chinese markets where Canadian schools have entered]

**Figure 5 Distribution of Chinese Markets where Canadian Schools Have Entered**

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5.2.6 College vs. University Response Characteristics

To examine whether a difference existed between universities and colleges in terms of their questionnaire responses, two major variables were broken out by type of post-secondary institution. First, actual strategic moves in China, i.e. results from Q #2 to #7 (reported in Table 7) were broken out by stages in Table 11:
Table 11  Entry Mode Choice: College vs. University

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Second, the dominant influence on the entry mode decision (Table 9) was also broken out by stage for colleges vs. universities as shown in Table 12:

Table 12  Entry Influence: College vs. University

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<th>Comparison</th>
<th>Stage (I)</th>
<th>Stage (II)</th>
<th>Stage (III)</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coercive Adaptation</td>
<td>University</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>College</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Mimetic Adaptation</td>
<td>University</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>College</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Vicarious Learning</td>
<td>University</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>College</td>
<td>1</td>
<td>7</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>Experiential Learning</td>
<td>University</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>College</td>
<td>0</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
</tbody>
</table>

Using the data from Tables 11 and 12, Kolmogorov-Smirnov tests were conducted to assess the probability that proportional differences between colleges and universities were due to chance fluctuations. In each case, i.e. for each stage of each table (6 separate tests), the Kolmogorov-Smirnov test did not reject the null hypothesis meaning that,
despite the appearance of some patterns in the data, the existence of any significant difference between colleges and universities could not be supported. It is interesting to note, however, that the available statistical literature considers the Kolmogorov-Smirnov test to have a very high chance of type II error, i.e. of not finding a difference when one exists (SISA 2005). Accordingly, in the event of a type II error, but also mindful of the study’s small sample size, we offer the following interpretations of the observable gross patterns in the data:

1) With total entries of 66 for colleges vs. 16 for universities, even allowing for the smaller number of responding universities, it would appear that colleges have been much more aggressive overall in terms of international entry.

2) Colleges have also been much more broadly diversified in their mode choices in comparison with universities once the full range of options became available to them.

3) Universities have tended to adopt lower involvement means of access like Agent Recruitment, MOU and Licensing. One university intends to set up a Branch Campus in 2006, but this might be seen as an outlier.

4) Universities may have a slight edge in moving to the market early but this is not at all conclusive given the small numbers involved.

5) In terms of dominant influences on decision making, the clustering of universities and colleges is troubling: colleges appear to be particularly susceptible to coercive influence and vicarious learning, while universities are more prone to respond to mimetic pressures and experiential learning.
Overall then, colleges appear less conservative than their university counterparts in terms of the actual entry options that they choose and may show a more aggressive attitude to internationalize to China. Also, the response patterns for Q #11 on the dominant influences on decision making seem to differentiate between colleges and universities.

5.3 Hypotheses Testing Results and Discussion

Based on the literature review of institutional and organizational learning theories, coercive isomorphism, mimetic isomorphism, vicarious learning and experiential learning have been argued to be major influences on the foreign market entry decision. Table 13 presents the survey results from Q #11 where the questions were intended to assess these influences directly. Table 13 also indicates (√) where responses were expected to be clustered during each stage of China’s regulatory regime according to the hypotheses. Given the failure to find a significant difference between colleges and universities, the data of all respondents are merged for this analysis.

<table>
<thead>
<tr>
<th></th>
<th>Stage (I)</th>
<th>Stage (II)</th>
<th>Stage (III)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coercive Adaptation</td>
<td>0</td>
<td>H1√</td>
<td>3</td>
</tr>
<tr>
<td>Mimetic Adaptation</td>
<td>1</td>
<td>3</td>
<td>H2√</td>
</tr>
<tr>
<td>Vicarious Learning</td>
<td>1</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Experiential Learning</td>
<td>1</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>22</td>
<td>29</td>
</tr>
</tbody>
</table>
5.3.1 Hypothesis 1 re: Stage (I)

For Hypothesis 1, in the Prescriptive stage of newly opening markets, i.e. the period from 1984 to 1994 in the China context, coercive adaptation was predicted to be the dominant force influencing entry decisions for Canadian institutions. While the limited data in this stage contained only three results, none of them indicated coercive as the dominant influence. As a result, we would likely conclude that Hypothesis 1 could not be tested. The low response rate aside, however, the fact that most entries overall are concentrated in Stage (II) and (III) demonstrates that Canadian schools have only recently entered the Chinese market in large numbers giving some support to the restrictive nature of Stage (I) from an entry standpoint.

5.3.2 Hypothesis 2 re: Stage (II)

For Hypothesis 2, in the Partly Open / High Uncertainty stage of the newly opening market, i.e. the period from 1995 to 2000, mimetic adaptation was predicted to be the dominant force influencing entry decisions for Canadian institutions. In contrast to vicarious learning in which there is some observation and evaluation of the performance outcomes of other firms, organizations using mimicry simply observe their competitors’ or peers’ choices and then make similar decisions, largely due to ignorance of the nature of the contemporary environment.

From Table 13, it can be seen that in Stage (II) both vicarious learning and experiential learning appear to show a greater emphasis than mimetic adaptation,
however a Chi-square analysis did not find the distribution of schools’ responses to be significantly different from a balanced response across all categories (Chi-square = 3.672 with 4 degrees of freedom.) Hypothesis 2 is therefore not supported. Also of interest, however, is that universities during this stage reported exclusively that they were using experiential learning, while colleges used vicarious learning over experiential learning by a factor of nearly two to one.

5.3.3 Hypotheses 3a & 3b of Stage (III)

For Hypothesis 3a and 3b, the Fully Open / Low Uncertainty stage of the newly opening market refers to the period after 2001 in China. A critical test was conducted for this stage with two potentially competing influences, vicarious learning and experiential learning, to find out which one tends to be the dominant influence on Canadian institutions’ entry decisions. For Stage (III), the results of question 11 (Table 13) indicate that schools were clearly more likely to use learning (and vicarious learning more so than experiential) than to be influenced by coercive or mimetic forces. In this case the results of a Chi Square were significant at p< 0.01 (Chi-square = 14.674 with 4 degrees of freedom.) Interestingly, colleges once again appeared much more likely to use vicarious learning (15 vs. 6), while universities were twice as likely to use experiential learning. These potential differences are explored in more detail in Section 6 below.

In this stage, the Chinese market becomes fully open for the most part, except for permission for a foreign post-secondary institution to operate a wholly own subsidiary.
The uncertainty level for Canadian schools also gets much lower during this period due to: 1) China’s commitment to WTO that it will gradually provide meaningful access to service markets; 2) The education sector being put into the ‘Encourage’ industry Catalogue; and 3) More related laws and rules being promulgated for the education industry further defining conduct in the marketplace.

Canadian schools at this stage have an extensive realization of the importance of the Chinese market and the institutional climate of government regulations. In another words, the absorptive capacities of many individual schools and the industry itself have been greatly increased facilitating greater comfort in the ability of individual schools to make entry decisions based upon learning effects.

5.4 Analysis of Influences: Dependent Variable Check

Given the importance of the data comprising the self-report of how a school’s foreign market entry decision into China was made (Q #11 in the survey), it was felt important to independently assess each school’s perceived industry level coercive influences, industry level dominant means of access and organization level dominant means of access. To verify the accuracy of the information provided by the respondents to Q #11, attention was also paid to the school’s actual practices, including the regional distribution of their Chinese entries and the geographic distribution of their prior international entries. Note that school ID’s extend from S1 to S44 as they were assigned numbers based on response, not usability of data.
5.4.1 Analysis of Coercive Adaptation Influence

For those schools that chose “only option available” in Q #11, in another words, those who felt that their entry decision was influenced by coercive adaptation, their actual choice from the distribution of Chinese entry choices should match what they said in their perceived industry level coercive influence. From Table 14, the related information is perfectly matched, telling the researcher that all Q #11 data were consistent.

<table>
<thead>
<tr>
<th>School #</th>
<th>Actual Chinese Entry</th>
<th>Perceived Industry Level Coercive Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agent</td>
<td>MOU</td>
</tr>
<tr>
<td>S17</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S21</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>S23</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>S36</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

5.4.2 Analysis of Mimetic Adaptation Influence

For those that chose “we followed the lead of other schools” in Q #11, what they actually did in China should match the perceived industry dominant mode. From Table 15, the three schools using mimetic adaptation believed that Agent Recruitment or MOU was the dominant mode at the time and they themselves did use these modes. This result also lends support to the accuracy of Q #11’s measurement of the dependent variable.
Table 15 Results Comparison for Mimetic Adaptation Influence

<table>
<thead>
<tr>
<th>School #</th>
<th>Actual Chinese Entry</th>
<th>Perceived Industry Level Dominant Means Of Access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agent</td>
<td>MOU</td>
</tr>
<tr>
<td>S4</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>S26</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>S28</td>
<td>√</td>
<td></td>
</tr>
</tbody>
</table>

5.4.3 Analysis of Vicarious Learning Influence

If in replying to Q #11, a school said that they had learned from other schools, this would indicate vicarious learning. They would not necessarily be following the dominant mode but rather one(s) that they felt were more successful. For these schools, a check on their perception of organization level dominant means of access (experiential learning) could be conducted in order to see if it were different, but it could be the same where their past experience also fit with what they saw successful others doing. From Table 16, among the total 13 schools, eight schools made choices based on alleged vicarious influences that were also consistent with experiential influences. Four other schools went against their history supporting their vicarious influence choice. One was missing data.
five schools (S1, S3, S8, S11, and S16) between the perceived organization level dominant means of access and the mode adopted for China entry supporting the contention that they really were using experiential learning in their practice. Three schools (S5, S14, and S43), however, cited other means as their previous dominant mode in their cognition question than what they actually did in China.

Unfortunately, there was no further information at hand to assess this discrepancy. The
other four schools (S6, S7, S22, and S31) did not provide sufficient information.

Table 17 Results Comparison for Experiential Learning Influence

<table>
<thead>
<tr>
<th>School #</th>
<th>Actual</th>
<th>Chinese</th>
<th>Entry</th>
<th>Perceived Organization Level Dominant Means Of Access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agent</td>
<td>MOU</td>
<td>Licensing</td>
<td>Exporting</td>
</tr>
<tr>
<td>S1</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S3</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S5</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S6</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S7</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S8</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S11</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S14</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S16</td>
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<td>S22</td>
<td>✓</td>
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<td>✓</td>
</tr>
<tr>
<td>S31</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>S43</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

5.4.5 Summary of Dependent Variable Assessment

The analysis above has attempted to present a comprehensive assessment of the nature and extent of any discrepancies in the Q #11 data based on the information available from the other questions in the survey. The majority of responses were consistent and reliable, accordingly useful for the study; however, a few suggested troubling inconsistencies, particular the fact that it was only possible to reliably corroborate five of the twelve schools indicating experiential learning as their primary decision making influence and indicating a direct conflict in three of the cases. Overall, however, there was substantial agreement providing a good level of comfort that the Q #11 data were accurate.
6. CONCLUSION AND DISCUSSION

Foreign market entry mode selection is a complicated issue for an organization, involving various variables such as existing organization resources and managerial factors. But apart from the rational decision making factors brought forward by mainstream theories from the economic perspective, organization theory can also contribute useful exploratory power to this field. This paper has applied institutional theory and organizational learning theory to the issue of entry mode choice by looking at Canadian post-secondary institutions entering the Chinese higher education market.

Through a survey, the author investigated Canadian post-secondary institutions’ internationalization processes and activities, not only to the study’s targeted host country—China, but also to other international student markets in the past. Research findings indicate that Canadian schools have extensively internationalized to many nations and regions worldwide; they also have a long history in accessing these markets. In fact, their previous experience can be traced back 65 years in some cases.

With regard to the host country, China, Canadian schools’ initial entries are concentrated in the last 10 years which shows that most of them are relatively new entrants to China. Unfortunately, the recency of most of the population’s Chinese experience also led to a relatively short observation time for these organizations and provided less data to the study than was hoped.

For a newly opening economy like China’s, it was proposed that three major
stages take place in progression: (I) Prescriptive, (II) Partly Open / High Uncertainty and, (III) Fully Open / Low Uncertainty. For the first two stages, separate institutional influences were hypothesized to drive entry decisions among the organizations, while two organizational learning influences compete for dominance in the third stage. According to institutional theory, coercive isomorphism and mimetic isomorphism were expected to be dominant influences in Stages (I) and (II) respectively, while according to organizational learning theory, vicarious learning and experiential learning were expected to be competing learning effects with respect to entry mode selection in Stage (III).

Due to data limitations, the first hypothesis regarding entry decision influences was not able to be tested in the study; however the observed data on actual entries suggests that choices were highly constrained during this period. In terms of reliability of data, this stage was also most likely to suffer from recall problems due to the employee turnover and memory loss.

Hypothesis two was not supported. Only a minority of schools cited mimetic adaptation as their dominant mode during Stage (II) and there was no significant difference in the pattern of responses in comparison to a uniform distribution across all options. However, in light of the small numbers involved and the resultant precariousness of the statistics employed, we note that experiential learning and vicarious learning appear to be stronger influences on Canadian schools’ entry decision during this predicted high uncertainty period of Stage (II) and offer a number of possible interpretations of this finding.
First, the national character of Canadian organizations may help explain why fewer schools used mimicry. Canadian organizations are deemed to be conservative when entering a new market (Hardin, 1974) and therefore they may tend to hesitate to imitate others but instead rely on own past experience – experiential learning. This finding is consistent with that of Yiu and Makino (2002).

Also relevant to our understanding of the Partly Open / High Uncertainty Stage, is that organizations have their own ways to reduce uncertainty when entering new markets because of their distinctive understanding of ‘uncertainty’. The definition of ‘high uncertainty’ in this study may not be the same as that at the level of individual Canadian school’s cognitions.

Thirdly, mimicry may not be prevalent as a response on the part of Canadian schools as every school believes in the potency of its own marketing strategy and organization resources.

In Stage (III), learning was found to be a significantly more likely influence than coercive or mimetic forces. Also, vicarious learning (Hypothesis 3a) appeared to be the dominant influence on entry mode selection for colleges (also the case in Stage II) possibly demonstrating that Canadian colleges pay a great deal of attention to peer schools strategic moves. By doing this before making a decision, schools can identify different Chinese marketplaces, and learn from other’s success stories, thereby avoid concentrating too much on the same niche as competitors and also avoid stepping into those cities whose local environment might not be favourable for them. It is, however,
important to note that it takes time to observe the behavior of others outcomes and identify whether the outcomes are successful or not. Unlike the manufacturing industry, service sector outcomes can not easily be judged by their economic paybacks or financial returns. However, even though Stage (III) has only been in place since 2001, learning will have been taking place for a substantially longer period in the case of many individual schools and the industry itself.

In contrast, universities appeared more prone to experiential learning (Hypothesis 3b) as their dominant influence on entry mode selection (also the case in Stage II). A number of possibilities present themselves with respect to this finding. First, it might be attributed to a greater degree of collaboration among colleges with universities being more likely to ‘go it alone.’ Perhaps the mandate of universities to create unique knowledge makes it more socially desirable for them to indicate that they make its own decisions based on experience rather than looking at what is done by others. Also, the closer contact of colleges with applied learning might provide a degree of comfort with vicarious learning legitimated as ‘benchmarking’ that is foreign to universities. There are also clear intuitional differences between the mandates of colleges (teaching) and universities (research and teaching) that may make colleges better able to efficiently ‘package their product’ and less constrained by accreditation issues than universities.

The reader may have their own speculation on what is behind this difference, but it does appear, based on the limited data available to this study, to be a distinction that could be pursued in subsequent studies.
The author also makes a contribution to extend our understanding of foreign entry mode choices from a reliance on manufacturing industries to a look into a service industry, specifically, the rapid-growing international trade of higher education services.

In addition, the paper innovatively presents a critical test for two competing learning theories: vicarious learning and experiential learning by comparing their effects on foreign entry mode choices.

Another contribution of this paper is the reconceptualization of standard entry choices for use as entry modes in the higher education service sector. Such a reconceptualization has several merits: 1) It deductively customizes entry mode choices to a specific industry; 2) It makes sense of the real internationalization situation and activity; 3) For data collection methods like surveys, it lets the respondents who are the practitioners in the industry feel more comfortable with the questions and reply in a professional manner; and 4) It provides the opportunity that unique means of access may possibly be discovered which may supplement the standard types. For instance, the MOU was identified as a primary mechanism in the education context. It accounted for a second main approach to international student markets. Without this form, the options for survey respondents would have been less accurate and meaningful.

Also, primary data collection has been a significant advantage for this study. Using a survey instrument, the author received first-hand information about Canadian post-secondary schools’ internationalization status quo and future plans, helping to improve the understanding of this important pursuit among both academics and
practitioners. Another merit of using primary data was to avoid the extreme generality of available secondary data. For example, the database of MOFCOM (Ministry of Commerce) has its own classification of industries. However, the education sector is combined with entertainment, broadcast, film and TV industries so that the data only show the general trends of foreign entry modes of these industries in total but do not represent the education services sector itself (Figure 6).

Figure 6  Number of Foreign Entrants of Education, Entertainment, Broadcast, Film & TV Industry
7. LIMITATIONS AND FUTURE RESEARCH

This study suffers from a number of limitations. They are pointed out as follows to put the findings in context and to highlight gaps for future researchers to mend.

-- Sample size. As a one-year project, the survey was conducted during the summer time when many of the university staff the survey was directed toward were away from their offices doing the international liaison work and student recruitment required of their positions. Moreover, some emails may have been forwarded on to another person; receivers that might be less likely to complete the questionnaire. A greater period of time and / or different calendar timing might have resulted in a higher response rate and a larger data set with which to test the study’s hypotheses.

-- Response accuracy. Because the survey deals with longitudinal data, some respondents may not have been in the international centers or institutions for a long enough time to have complete information about the internationalization history of their schools. This could lead to mistakes in recalling the timing of their school’s previous international entries years ago.

-- External validity. Derived from the education industry, the generalization of the findings to other services sector may not be very strong, as the means of access were specifically reconceptualized for the education sector.

-- Definition of stages. The institutional stages proposed in this study are
somewhat arbitrary and driven by particular events, making the data analysis less
accurate and productive than a more insightful regulatory analysis might have achieved.

-- Exploratory study. This paper looked at the education industry and obtained
fresh information via a survey but did not attempt to generate a predictive analysis of
entry mode choices using extensive organization level characteristics.

-- Mixed sample. As subsequent analysis has indicated, colleges and universities
may approach foreign entry in quite different ways in terms of their activity levels and
breadth of actual mode choices as well as with respect to their perceived decision making
influences.

-- Single industry. Finally, the author chose to study a single industry in order to
control for industry influence. Focusing on one industry can generate more accurate
results idiosyncratically but trades off this richness against generalizability.

With respect to future research, in addition to replications in the education sector,
future studies might look at other service industries to test the application of the
organization theories tested here. Furthermore, the host country, China, has very peculiar
characteristics and a potentially unique evolution of institutional changes. But because
each industry in China has its own institutional evolutionary process, many industries are
worthy of study from an organizational perspective. Other developing countries might
have different situations which are suitable for institutional theory testing. Also, as
mentioned above, looking at a number of home country samples may yield more
comprehensive results. Future research can also focus more on organizational variables
influencing the entry mode decisions.

Despite the lack of significance of the study’s findings with respect to the distinction between colleges and universities, the patterning of the data suggests an important difference that further studies can wish to follow up on.

Finally, there are other service sectors that might fruitfully be studied, for example, financial services, one of the heaviest protected sectors in Post WTO China. One concern is that the financial services industry may be too concentrated for entry mode options, as well as the building, construction service. Scholars interested in those industries may need to make a more qualitative investigation using very great ‘insider’ depth.

In conclusion, making an entry decision to a foreign market, especially to a newly opening economy, is a complex international strategic issue, involving many different factors simultaneously. The standard perspective has tended to take the decision maker into consideration primarily as a rational actor driven largely by economic considerations. This study has attempted to enrich that perspective by examining both institutional and organizational learning influences on those decisions.
8. REFERENCES


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Appendix 1 Cooperative Projects Between Canadian and Chinese Higher Education Institutions

### Partners of Canada-China Higher Education Program (CCHEP)

<table>
<thead>
<tr>
<th>Chinese institutions</th>
<th>Canadian institutions</th>
<th>Cooperative projects</th>
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<tbody>
<tr>
<td>Xi’an Jiaotong University</td>
<td>University of Alberta</td>
<td>Managerial Education</td>
</tr>
<tr>
<td>Zhe Jiang University</td>
<td>University of Guelph</td>
<td>Town country</td>
</tr>
<tr>
<td>Lanzhou University</td>
<td>University of Manitoba</td>
<td>Higher Education Strategy</td>
</tr>
<tr>
<td>Nankai University</td>
<td>McGill University</td>
<td>Application of Microwave Technology</td>
</tr>
<tr>
<td>University of Shanghai for Science and Technology</td>
<td>Université de Montréal</td>
<td>Transportation System for City and Area</td>
</tr>
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<td>Northeast Agricultural University</td>
<td>Olds College</td>
<td>Application of Agricultural Technology</td>
</tr>
<tr>
<td>Nankai University, Beijing University, &amp; Tsinghua University</td>
<td>University of British Columbia, McGill University &amp; Université de Montréal</td>
<td>Water Source Management &amp; Biology Technology</td>
</tr>
<tr>
<td>Nanjing University</td>
<td>University of Waterloo</td>
<td>Inspection &amp; Management of Coast Environment in Hainan Province</td>
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### Partners of Canada-China University-Industry Partnership Program (CCUIPP)

<table>
<thead>
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<th>Canadian institution</th>
<th>Cooperative areas</th>
</tr>
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<tr>
<td>Xiamen University, Huazhong University of Science and Technology &amp; Shanghai Jiao Tong University</td>
<td>Canadian Association of Graduate Management Schools, assigned by CIDA</td>
<td>Energy, Finance &amp; Communication</td>
</tr>
</tbody>
</table>

A List of Recent Sino-Canada Joint Program (Canadian Degrees) in China
<table>
<thead>
<tr>
<th>Year</th>
<th>Canadian institutions</th>
<th>Chinese institutions</th>
<th>Joint programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Lambton College of Applied Arts and Technology, College of the North Atlantic, Memorial University of Newfoundland, Cape Breton University, University of Quebec at Montreal, University of New Brunswick, &amp; NWU (US)</td>
<td>Jilin University</td>
<td>Bachelor of Communication Engineering, Master of Computer Science (MCS)</td>
</tr>
<tr>
<td>2001</td>
<td>University of British Columbia</td>
<td>Shanghai Jiao Tong University</td>
<td>Master of International Business Administration</td>
</tr>
<tr>
<td>2002</td>
<td>Capliano College</td>
<td>Tianjin Polytechnic University</td>
<td>Business Administration Diploma / Degree Program</td>
</tr>
<tr>
<td>2002</td>
<td>University of Quebec at Chicoutimi</td>
<td>Tianjin University of Technology*</td>
<td>Master's Project Management (MPM)</td>
</tr>
<tr>
<td>2002</td>
<td>University of Quebec</td>
<td>Guizhou Institute of Technology</td>
<td>Master's Project Management (MPM)</td>
</tr>
<tr>
<td>2003</td>
<td>Alberta Institution of Technology</td>
<td>Beijing Institute of Technology</td>
<td>Bachelor of Information Technology, Bachelor of Business Accounting</td>
</tr>
<tr>
<td>2003</td>
<td>Carleton University</td>
<td>Donghua University</td>
<td>Master of International Business Administration (IMBA)</td>
</tr>
<tr>
<td>2003</td>
<td>Simon Fraser University</td>
<td>Shanxi University</td>
<td>Bachelor of Business Administration, etc</td>
</tr>
<tr>
<td>2003</td>
<td>University of Quebec at Montreal</td>
<td>China University of Mining and Technology</td>
<td>Master of Business Administration (MBA)</td>
</tr>
<tr>
<td>2003</td>
<td>Memorial University of Newfoundland, Lambton College of Applied Arts and Technology, College of the North Atlantic</td>
<td>Jiangxi Science &amp; Technology Normal University</td>
<td>Bachelor of Communication Engineering, etc</td>
</tr>
<tr>
<td>2003</td>
<td>University of Quebec at Chicoutimi</td>
<td>Hangzhou University of Commerce</td>
<td>Master's Project Management (MPM)</td>
</tr>
<tr>
<td>2004</td>
<td>Capliano College</td>
<td>Harbin University of Science and</td>
<td>Bachelor of Business Administration</td>
</tr>
<tr>
<td>Year</td>
<td>University A</td>
<td>University B</td>
<td>Degree Program</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>--------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>2004</td>
<td>Brock University</td>
<td>Shanghai University</td>
<td>Master of International Accountancy (IMACC)</td>
</tr>
<tr>
<td>2004</td>
<td>University of New Brunswick</td>
<td>East China Jiaotong University</td>
<td>Master of Electronic Engineering</td>
</tr>
</tbody>
</table>

Note: * Tianjin University of Technology also has a joint Bachelor of Business Administration program with University College of the Cariboo  
**Harbin University of Science and Technology also has cooperation with Ecole de Technology Superieure University of Quebec, Manitoba University, & Saint Mary’s University  
Source: [http://www.edu.cn/20040408/3103504.shtml](http://www.edu.cn/20040408/3103504.shtml)
Appendix 2  Major Chinese Higher Education Indicators

Number of Regular Institutions of Higher Education (1952~2003)

Number of New Student Enrolment—PHD/Graduate (1990~2003)
Number of New Student Enrolment—Undergraduate/College (1952~2003)

Number of Full-time Teacher in Chinese Institutions (1985~2003)

Source: China Education and Research Network, www.edu.cn
## Appendix 3 Promulgation of Chinese Major Laws On FDI

<table>
<thead>
<tr>
<th>Date</th>
<th>Law</th>
<th>Promulgated by</th>
<th>Applied to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul.01, 1979</td>
<td>Sino-Foreign Equity Joint Venture Law</td>
<td>The 5th NPC*</td>
<td>EJV**</td>
</tr>
<tr>
<td>Apr.04, 1990</td>
<td>Revision of the Sino-Foreign Equity Joint Venture Law</td>
<td>The 7th NPC</td>
<td>EJV</td>
</tr>
<tr>
<td>Mar.15, 2001</td>
<td>2nd Revision of the Sino-Foreign Equity Joint Venture Law</td>
<td>The 9th NPC</td>
<td>EJV</td>
</tr>
<tr>
<td>Apr.13, 1988</td>
<td>Law of the People's Republic of China on Sino-foreign Co-operative Enterprises</td>
<td>The 7th NPC</td>
<td>CJV***</td>
</tr>
<tr>
<td>Oct.31, 2000</td>
<td>Revision of the Sino-foreign Co-operative Enterprises Law</td>
<td>The 9th NPC</td>
<td>CJV</td>
</tr>
<tr>
<td>Apr.12, 1986</td>
<td>Wholly Foreign Owned Enterprise Law</td>
<td>The 6th NPC</td>
<td>WOE****</td>
</tr>
<tr>
<td>Oct.31, 2000</td>
<td>Revision of the Wholly Foreign Owned Enterprise Law</td>
<td>The 9th NPC</td>
<td>WOE</td>
</tr>
</tbody>
</table>

Note:

*The National People’s Congress of P. R. China

**EJV—Equity Joint Venture, also known as share-holding corporations, formed in China with joint capitals by foreign companies, enterprises, other economic organizations and individuals with Chinese companies, enterprises, other economic organizations and individuals.

***CJV—Contractual Joint Venture, also called contractual cooperation businesses, formed in China with joint capitals or terms of cooperation by foreign companies, enterprises, other economic organizations and individuals with Chinese companies, enterprises, other economic organizations and individuals.

****WOE—Wholly Owned Enterprise, totally invested by foreign party in China by foreign companies, enterprises, other economic organizations and individuals in accordance with laws of China.

Source: Ministry of Commerce of the People’s Republic of China (MOFCOM) Bulletin
Appendix 4  Cover Letter

Dear Sir or Madam,

I am a graduate student in the Masters of Science in Management Program in the Faculty of Management at the University of Lethbridge. For my research project, I am seeking to expand our understanding of the ways in which organizations choose to enter foreign markets. As nearly all of our existing knowledge in this area is based on manufacturing firms, I hope to make a contribution by looking at the post-secondary education sector. Specifically, I am interested in how Canadian colleges and universities are responding to the rapidly expanding market for post-secondary education in mainland China.

I have directed this request to you based on information on your institution’s website which indicates that you have a significant role in shaping your school’s internationalization strategy. If you feel that some other person in your organization would be better suited to speak to this issue, please forward this message to them. Otherwise, I would be very grateful if you would click on the following link and spend the 15 minutes that it should take to complete my questionnaire about your school’s existing and / or planned approach to the Chinese market:

http://fusion.uleth.ca/crdc/international/

Thank you very much for your time and participation. If at all possible, a reply before XXX would be highly appreciated!

Sincerely,

Weijian Lin

MSc. student
Faculty of Management
University of Lethbridge
Appendix 5  Letter of Consent

Internationalization of Post-Secondary Institutions

Letter of Consent

The on-line questionnaire that you are being asked to complete should take you about 10~15 minutes. Your individual responses will not be reported. All reports will include only group level responses of all participants in the study. All information will be kept confidential and only I and my thesis committee members will have access to the raw data.

If you feel that a summary of the results of the study would be of benefit or interest and you would like to receive them upon completion, please be sure to provide the contact information requested in Question 15 and 16.

You are free to refuse to answer any question and to discontinue the questionnaire at any time. If you choose to withdraw before submitting your responses, no information will be sent. However, as the information I hope to gather in this survey is a critical part of the data collection for my master’s thesis about the internationalization of post-secondary institutions, your participation will be greatly appreciated.

Non-coercive disclaimer

Checking ‘Yes’ below indicates that I understand participation in this survey is voluntary and confidential, and that refusal to participate will not result in any penalty or loss of benefit.

Yes  No

If you have any questions regarding this study, please contact:

Researcher: Lin, Weijian
Office address: University of Lethbridge
Faculty of Management
4401 University Dr W,
Lethbridge, AB, CANADA, T1K 3M4
Email: weijian.lin@uleth.ca

Questions of a more general nature may be addressed to my supervisor, Dr. John M. Usher (403-329-2759) or the Office of Research Services, University of Lethbridge (403-329-2747).

Thanks for your participation!

Continue  Cancel

If you experience technical problems in completing this survey, please contact the CRDC.
Appendix 6 Questionnaire

Internationalization of Post-Secondary Institutions

Thank you for participating in this survey. The objective of this research is to better understand the interest of Canadian colleges and universities in the market for post-secondary education in mainland China (Hong Kong, Macau and Taiwan are not included in this study) and, if they are interested, how they have accessed or plan to access that market. There are 16 questions.

1. The entry level of participation in the Chinese market might be seen as the passive recruitment of Chinese students into your academic programs as visa students or distance education students without the school having a specific recruiting strategy with respect to China. Such students simply come across information about your school (perhaps from your website) and apply like any other international students.

- This approach would apply to most (if not all) of our Chinese students and we have no plans to more actively access the Chinese market.
- In addition to passive recruitment, we more actively recruit Chinese students in other ways.
- This approach would apply to most (if not all) of our current Chinese students but we would like to more actively access the Chinese market.
- We have no Chinese students now but we would like to access that market in the future.
- We have no plans for Chinese students
Internationalization of Post-Secondary Institutions

2. Institutions that wish to more proactively engage the Chinese market for post-secondary education will often contract with an agent located in China or sometimes Canada who will handle the recruitment and pre-screening of Chinese applicants.

☐ We use / have used this approach to supplement our supply of Chinese students.

☐ We do not use agents but do employ other methods.

☐ We plan to use agents in the future.
2a. When did you first (do you intend to) engage the services of an agent?

Please specify the year:

2b. Where in China / Canada did (will) your agent(s) operate at that time? (If known)

Please specify the city/province:

If you experience technical problems in completing this survey, please contact the CRDC.
3. Institutions that wish to engage the Chinese market more intimately than an agency arrangement can provide may opt at this stage to enter into a Memorandum of Understanding (MOU) with a Chinese Post-Secondary Institution. Such first stage MOUs usually cover the general guidelines for student and faculty exchanges. Most student exchanges are for a single semester based on reciprocal tuition arrangements with credits earned at the home institution and thus no 'exposure' of the host institution's degree.

- We have entered into exchange MOUs with Chinese institutions.
- We do not have an exchange MOU but do employ other methods.
- We plan to approach a Chinese institution to set up an MOU.
3a. When did you first (do you plan to) enter into an exchange MOU with a Chinese institution?

Please specify the year:

3b. Which institution?

Please specify the name:

If you experience technical problems in completing this survey, please contact the CRDC.
4. Beyond a purely exchange relationship with a Chinese partner, a Canadian college or university may enter into what might be called a 'licensing agreement' with a Chinese post-secondary institution whereby the Canadian partner provides course materials and some training but the majority of delivery takes place in China using local instructors. Where the objective of Chinese students is to earn a Canadian bachelors degree, it is common practice for students to attend classes at the degree granting institution during their third and/or fourth year.

- We have a 'licensing agreement' with a Chinese institution.
- We do not have a 'licensing agreement' but do employ other methods.
- We plan to approach a Chinese institution to arrange a 'licensing agreement'.
4a. When did you first (do you plan to) enter into a 'licensing agreement' with a Chinese institution?

Please specify the year:

4b. Which institution?

Please specify the name:

Continue

If you experience technical problems in completing this survey, please contact the CRDC.
When the Canadian partner is more actively involved in course delivery at the Chinese institution, providing, for example, not just curriculum but also instructors and text materials, the practice is closer to the 'export' option category of standard international modes of entry. Here quality control and protection of the brand (degree) is accorded primary importance.

- We have an 'export arrangement' with a Chinese institution.
- We do not have an 'export arrangement' but do employ other methods.
- We plan to approach a Chinese institution to undertake an 'export agreement.'
5a. When did you first (do you plan to) enter into an 'export arrangement' with a Chinese institution?
   Please specify the year:
   
   5b. Which institution?
   Please specify the name:
   
   If you experience technical problems in completing this survey, please contact the CRDC.
6. At their most complex, the partnership or collaboration between a Canadian post-secondary institution and a Chinese post-secondary institution may be categorized as a 'joint venture' where each partner contributes to the successful operation of a campus which is physically independent of either of them (although usually located in China).

- We have a 'joint venture' with a Chinese institution.
- We do not have a 'joint venture' but do employ other methods.
- We plan to enter into a 'joint venture' with a Chinese institution.
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>6a. When did you first (do you plan to) enter into a 'joint venture' with a Chinese institution?</td>
<td></td>
</tr>
<tr>
<td>Enter the year:</td>
<td></td>
</tr>
<tr>
<td>6b. Which institution?</td>
<td></td>
</tr>
<tr>
<td>Enter the name:</td>
<td></td>
</tr>
<tr>
<td>6c. Where is the joint venture (will it be) located?</td>
<td></td>
</tr>
<tr>
<td>Enter the city/province:</td>
<td></td>
</tr>
</tbody>
</table>

**Continue**

If you experience technical problems in completing this survey, please contact the CRDC.
Internationalization of Post-Secondary Institutions

7. Finally, the international mode of entry normally referred to as a 'wholly owned subsidiary' would involve a Canadian post-secondary institution setting up a branch campus in China independent of any Chinese post-secondary partner.

☐ Our Chinese operations include a 'wholly-owned subsidiary'.

☐ We do not operate a 'wholly-owned subsidiary' but do employ other methods.

☐ We plan to operate a 'wholly owned subsidiary' in China.

If you experience technical problems in completing this survey, please contact the CRDC.
7a. When did you (do you plan to) first establish your branch campus? Please specify the year:

7b. Where is it (will it be) located? Please specify the city/province:

Continue

If you experience technical problems in completing this survey, please contact the CBDC.
8. If you have not categorized your means of (plan for) accessing the Chinese market through any of the options above, please describe it now using the space below:

9. China has only gradually opened up its various sectors to foreign investment. To the best of your knowledge, which of the active means of access to Chinese students described above were (will be) available to Canadian post-secondary institutions to choose from at the time when your school initially entered (plans to enter) the market? Select all that you believe were (will be) available.

- Recruiting International Students via Agents
- Agreement or Memorandum of Understanding on Reciprocal Exchange of Students
- Licensing of curriculum to be taught by Chinese post-secondary institution
- Exporting of instructors, curriculum and texts to a Chinese post-secondary institution
- A physically separate joint venture with a Chinese post-secondary institution
- Branch campus or subsidiary school
- Other: (Please specify)

10. Using the categories from Q #9 and still thinking about when your school first entered (plans to enter) the Chinese market, which of these means of access do you believe was (will be) used by most post-secondary institutions (Canadian or otherwise) as they enter China? Choose one only.

- Recruiting International Students via Agents