

Applying the Varieties of Capitalism Approach to Higher Education: comparing the internationalisation of German and British universities

LUKAS GRAF

Introduction

In the last two decades, the international dimension has become one of the key paradigms in higher education development worldwide (Lanzendorf & Teichler, 2003, p. 220). The same period is also characterised by a rapid growth of the global market for higher education, which, in turn, puts strong pressure on universities to implement similar internationalisation strategies.¹ However, despite such isomorphic pressure, the internationalisation processes of German and British universities show distinct national patterns.² In the UK, they are strongly linked to the commodification and export of higher education services on a commercial basis. In contrast, the internationalisation of German universities focuses on not-for-profit projects and largely builds on collaboration with specific partners, both at home and abroad. Furthermore, while British universities can be considered as *first movers*, the systematic positioning of German universities in the global market for higher education is a recent phenomenon, gaining momentum since 1999 when the Bologna Declaration was signed.

To examine the institutional foundations of these national patterns in internationalisation, this article outlines an analytical framework located within institutionalism and inspired by the literature on national models of capitalism. The Varieties of Capitalism (VOC) approach as elaborated by Hall and Soskice (2001) is adapted to the study of national higher education systems. Concepts elaborated in the VOC literature, such as *institutional complementarity* and *comparative institutional advantage*, are applied to analyse how the internationalisation strategies of German and British universities have been shaped by national variations in the institutional configurations of their higher education systems.

In this research, the incentives that the global market for higher education provides for the internationalisation of universities are conceptualised as independent variables.³ They are referred to as *structural incentives* and assumed to apply to both German and British universities. They 'motivate' the internationalisation of universities, which, in turn, constitutes the dependent variable. However, the structural incentives are transmitted in particular ways depending on the institutional configuration of the national higher education system. In this context, the *mode of coordination* in the higher education system is an intermediate variable that serves to reinforce differences in the internationalisation strategies chosen by universities. That is, while the input (the structural incentives in the global market for higher education) is roughly similar in the cases of Germany

and the UK, it can be hypothesised that the respective output (in terms of the internationalisation strategies of universities) is not, given the specific mode of coordination in the respective higher education systems. To put it differently, the embeddedness of universities in a specific national institutional environment has a significant impact on the reaction to similar challenges in the global market for higher education.

Given this research design, reference to the VOC theory is particularly appealing, as one of its concerns is whether national institutional settings (or major parts of them) remain stable and the related modes of coordination stay intact over time (Hall & Soskice, 2001). Moreover, for the VOC approach, skill specificity is a crucial factor in the divergent institutional outcomes of modern political economies (Culpepper, 2007, p. 630). Yet, VOC analyses of skill formation have given relatively little attention to higher education systems. Rather, their focal point has been the study of vocational education and training (Crouch *et al.*, 2004). This can be problematic, especially as the knowledge that workers acquire in higher education is gradually becoming more important in the overall productive capacities of firms (Barrow *et al.*, 2003; Coulby, 2005). Research in higher education has not addressed the institutional configuration of higher education systems with respect to national models of capitalism and the internationalisation of universities. In doing so, this article aims to facilitate the understanding of current changes in higher education systems in light of national models of capitalism.

An Analytical Framework

Higher Education Systems and Comparative Institutional Advantage

Universities can be designated as the central *units of analysis*, on the assumption that they are the key agents of adjustment in international competition in the global market for higher education. That is, their activities aggregate into the overall performance of a higher education system. However, other actors and organisations, such as governments, students, professional associations, and firms are also part of the system. Here, it is assumed that the coordination between all these actors is determined by highly interdependent institutional spheres which are particularly important because of the support they provide to universities to solve the coordination problems that arise from the interactions with the other actors in the system.

From such a perspective, the institutional environment of universities is characterised by a set of institutional spheres whose character they cannot define. Hence, universities gravitate towards strategies that best take advantage of the given institutional conditions. However, while they cannot fully determine the characteristics of their institutional environment, the institutional context still gives them enough leeway to choose — within certain limits — their own ‘paths’. Thus, the assumption is that institutional structures condition university-chosen strategies, even if they do not determine them.

In analysing the ways in which universities solve coordination problems, two modes inspired by the two modes described by Hall and Soskice (2001) are compared: one relying on strategic coordination, the other on competitive market relations. Higher education systems can be clustered into categories depending on the reliance on one mode or the other. At the two extremes of the spectrum stand higher education systems based on coordination through strategic interactions and

those based more on coordination through competitive markets. Henceforth, the former is referred to as the ‘CME higher education system’ and the latter as the ‘LME higher education system’.⁴ In the *ideal cases*, the respective mode is expected to stretch across the different institutional spheres in a higher education system. The empirical findings (presented later) show that the German higher education system comes relatively close to a CME higher education system and that of the UK to a LME higher education system.

In LME higher education systems, we would expect universities to coordinate with other actors through reactions to demand and supply conditions in competitive markets. In this case, actors adjust their willingness to demand and supply higher education services on the basis of market signals and the marginal calculations stressed by neoclassical economics. Competitive markets, characterised by arm’s-length relations and formal contracts, play a dominant role in the institutional spheres of LME higher education systems. This implies also that *standards* are often set by market mechanisms.

In CME higher education systems, one finds greater reliance on institutional support for non-market forms of coordination. Examples for such institutions are legal or regulatory systems that facilitate information-sharing and collaboration. Such institutions imply that universities largely coordinate with other actors through strategic interaction. Uncertainty about actors’ behaviour is reduced and the formation of credible commitments, deliberation, effective information sharing, and monitoring of behaviour is supported.

Institutional complementarities provide the foundation for the distinction between the modes of coordination in CME and LME higher education systems. According to Hall and Soskice (2001, p. 17), two institutions are complementary ‘. . . if the presence (or efficiency) of one increases the returns (or efficiency of) the other’. Hence, strategic coordination (market coordination) in one sphere is assumed to be complementary with strategic coordination (market coordination) in other spheres.⁵ Following Hall and Soskice (2001) and Gingerich and Hall (2004), it can be assumed that such complementarities generate general efficiencies. Hence, it should be advantageous if, within a higher education system, similar forms of coordination were developed across its institutional spheres.

The concept of institutional complementarity is also crucial to analyse the *comparative institutional advantage* of a national higher education system. Here, the argument is that due to the particular institutional support provided by a higher education system, universities in one country perform certain activities better than those in others. More precisely, they make use of the institutional support to derive competitive advantages, which may cumulate into comparative institutional advantages at the national level. In the presence of trade in the global market for higher education, these advantages give rise to cross-national patterns of specialisation. Support for such arguments can be found in comparative studies of path dependence (e.g. Pierson, 2004).⁶ For Ramirez (2006, p. 123), the historical institutional legacies of the national educational system (referring to the macro level) shape university decisions and strategies (referring to the meso and micro levels). These decisions and strategies, in turn, add up to path dependences that can help to explain persisting differences in higher education across national contexts. In other words, the institutional configuration of the higher education system provides incentives and constraints which influence organisational (university) behaviour, and, thus, can lead to path dependence.

Institutional Spheres in a Higher Education System

It is increasingly common to regard the university as an organisational actor. Organisational actorhood (Krücken & Meier, 2006) refers to an integrated, goal-oriented entity that makes various significant decisions in its own right.⁷ Following neo-institutional research in organisational analysis (DiMaggio & Powell, 1991), these actors can be seen as embedded in their broader institutional environment. Therefore, organisational decision-making can only be understood in relation to the organisation's interactions with its institutional environment. Based on this notion and inspired by VOC, this article examines the *relational* capabilities of the university in the sense that its core competences greatly depend on the type and quality of the relationships which university leadership and staff are able to establish with other actors. However, one must note that this *relational view* does not presuppose that higher education systems operate like markets, nor does it equate universities with (for-profit) firms. The approach outlined here does not necessitate an entrepreneurial conceptualisation of the university or prescribe an understanding of education that is limited to economic utilisation. In this application of the conceptual tools of the VOC approach, the institutional embedding of the object is more relevant than its organisational character. Trends such as the introduction of market elements or the granting of more managerial autonomy can be seen as *additional* points that speak in favour of the relational view of the university applied here.

In this context, two levels of analysis must be distinguished (as Ramirez, 2006, did). At the macro level, the concern is mainly with the national higher education system as a complementary subsystem within the national model of capitalism. Yet, at the meso or organisational level, and when depicting the respective modes of coordination, higher education systems can also be seen as markets. This allows for an analysis at the meso level that is similar to that in which other markets have been examined using the VOC approach (Lehrer, 2001).

With this background, the institutional spheres that define the interaction of a university with other actors in the higher education system can be sketched. This represents an attempt to differentiate between institutional 'components' of university governance⁸ inspired by the way in which Hall and Soskice (2001) differentiate between four institutional spheres, namely corporate governance, industrial relations, inter-firm relations, and vocational education and training. These spheres are adapted and transferred to conceptualise the institutional relationships around the university and within the higher education system. However, one must keep in mind that Hall and Soskice (*ibid*) used the concept of institutional spheres to distinguish institutional configurations of national political economies, while higher education systems are (merely) specific subsystems therein. This means a limitation with regard to an application of the VOC theory to higher education, considering the different level of analysis (higher education systems instead of national political economies) and the different key unit of analysis (universities instead of firms); nevertheless, the conceptual tools of the VOC theory facilitate the comparative institutional analysis undertaken here. To adopt the concept of institutional spheres as a heuristic device in the context of higher education, some of the boundaries of the Hall and Soskice scheme need modification. This is done in the following description of six institutional spheres which are relevant in the context of higher education and the internationalisation of universities.

Firstly, control and supervision of educational systems are usually partly governmental (Archer, 1989, p. 242). Hence, as the State is the actor with the greatest power to shape the university governance system (Kehm & Lanzendorf, 2006b, p. 15), *university-state relations* demand consideration. In turn, this sphere is closely linked to that of *universities' corporate governance*. In the Hall and Soskice (2001) scheme, major challenges of coordination in the sphere of corporate governance refer to how firms gain access to finance and investors ensure the returns on their investment. Broadly speaking, corporate governance in the case of higher education refers to the financial and funding systems of universities. If one adopts a broad definition of what is an investor, then examples in the case of universities are the State, research funding bodies, firms, and fee-paying students (rather than shareholders, as in the case of Hall and Soskice (2001)). As most German and British universities are public and rely heavily on public funds, the State is the central stakeholder in the sphere of corporate governance.

The central coordination problem in the sphere of *industrial relations* is the bargaining of wages and work conditions between the relevant actors in the higher education system (*ibid*), i.e. academics and the universities' administrative and operative staff. Successful coordination, from the perspective of university management, depends on the capability to secure the cooperation of faculty members, staff groups, and trade unions in order to regulate working conditions and wages. However, when thinking about industrial relations in the context of higher education, certain particularities need to be considered (O'Brien, 1990) since the university resembles a professionalised organisation (Ferlie *et al.*, 2009, p. 2) which hires trained specialists and then grants them considerable autonomy over their work (Mintzberg, 1979, p. 349; see Rhoades & Slaughter, 1997, pp. 17–21 on 'managed professionals'). Moreover, the mode of coordination to manage the academic profession depends largely on the terms defined by the State.

Beyond the institutional sphere of vocational education and training, Hall and Soskice's (2001) approach to inter-firm relations can be applied to higher education in the sense of *inter-university relations* as well as *university-firm relations*. In the sphere of inter-university relations, the university deals with other institutes of post-secondary education. Hence, the quality of coordination between universities has a crucial impact on technology transfer and the quality of collaborative research. In the sphere of university-firm relations, a major coordination problem for universities is to deal with firms' demands for qualified workers and state-of-the-art technologies. Thus, these relations are also related to the institutional configuration of the labour market for highly-educated workers. Finally, given that students are crucial participants in higher education, the sphere of *university-student relations* is also considered relevant. The greatest coordination problem here is to secure sufficient numbers of (talented) students.

The description above shows that university-state relations are especially important, given that the regulations promulgated by governments have a significant influence on all the other spheres in the higher education system. This influence is both direct and indirect. An example of direct (and rather causal) influence is the State's impact on universities' corporate governance, given the kind of financial support it grants to them. An example of indirect (and rather complementary) influence is the State's impact on university-student relations via the previously mentioned impact on universities' corporate governance.⁹

Applying the Analytical Framework to German and British Universities

The framework above will be applied to analyse the mode of coordination and institutional complementarities in the internationalisation of German and British universities. The empirical case study material is drawn from a research project that was carried out at the University of Kassel (Germany) and the University of East Anglia (UK). The study draws, for instance, on universities' mission statements on internationalisation or action scheme papers by the British Council and the German Academic Exchange Service (DAAD), as well as interviews in both countries with senior university administrators in charge of internationalisation.¹⁰ Some major findings are summarised below (for details on the empirical analysis and the sample, see Graf, 2008, pp. 26–41).¹¹

In the context of the internationalisation of universities in both countries, some good examples of institutional complementarities across the identified institutional spheres were found. As expected, the mode of coordination in the German case is based on strategic interaction, whereas the British case relies on market coordination. To elaborate, stylised indications for institutional complementarities across institutional spheres in the context of internationalisation are presented below.

University-State Relations: In Germany, the State has relatively strong control over universities and also has the responsibility to finance them (Kehm, 2006, p. 730). This relatively secure funding has led to the perception of higher education as a *public good*. In the traditional Humboldtian model, institutional autonomy exists only in regard to teaching and research, which restricts entrepreneurial activity (Coate *et al.*, 2005, p. 233). At the same time, the influence of the State is sanctioned by intermediary actors, whereby these cooperative and coordinating bodies (next to universities) are the most active actors of internationalisation (Hahn, 2004a, p. 82). They include the Standing Conference of the Ministers of Education and Cultural Affairs of the *Länder* (KMK), the Joint Science Conference of the Federal and *Länder* governments (GWK), the German Rectors' Conference (HRK), or the German Academic Exchange Service (DAAD). In the UK, the State has been described as providing a regulative framework that is complementary to the historically higher degree of institutional autonomy of its universities (Evans & Williams, 2005; Clark, 1983, p. 128). Today, the British State is increasingly steering higher education, but *from a distance*, e.g. through performance indicators and performance-related incentive schemes (Leišytė *et al.*, 2006). Thus, a *customer-producer* relationship is promoted and universities are not regarded as being fully part of the public sector (Shattock, 2006, p. 1026). Beyond that, stringency in state funding has led to the perception of higher education as a *private good* (Luijten-Lub *et al.*, 2005, p. 235). At the same time, indications of a *recentralisation* of the UK system should be emphasised: as institutional leaders (university management) became more powerful, their space for action is now more strongly framed (Bleiklie, 2006, p. 58). While British universities formally still have a significant degree of institutional, managerial, and organisational autonomy, they have increasingly become subjects of the so-called 'audit culture' (Deem *et al.*, 2007, p. 2). As Kogan and Marton (2006, p. 73) put it, 'In the U.K., power seems to have shifted from the level of the working academic to that of the institution, the national authorities, and the market'.

Corporate Governance: In Germany, the collaboration of universities with firms on the basis of sponsorship for international activities is common practice (Head

of the Department for Internationalisation, Kassel University, Kassel, 24.01.2008; Schreiterer & Witte, 2001, p. 27). Nonetheless, universities' offshore projects are largely paid for with public funds. This fosters long-term relations with the partners abroad, but restricts entrepreneurial activity. For UK universities, it is a financial necessity to approach internationalisation as an income stream (Evans & Williams, 2005, p. 90), whereby it is financially incentivised also within the university. Hence, profit-oriented joint ventures are very common. Not surprisingly, offshore projects of British universities have to regenerate investments quickly (Pro-Vice Chancellor of UEA, Norwich, 15.11.2007).

University-Student Relations: In Germany, competition of students for places at universities and competition between universities for students are far less pronounced than in the UK (Nullmeier, 2000, p. 216). International students are attracted through networks and scholarships (Coate *et al.*, 2005, p. 213). In the UK, university management perceives students much more as customers. International student recruitment is mostly outsourced to private agents operating abroad (Head of Admissions UEA, Norwich, 16.11.2007). Here, the key objective is the sale of higher education services (Evans & Williams, 2005, pp. 76–79).

University-Firm Relations (Labour Market Nexus): In the case of Germany, the exported study programmes often reflect industry-specific training (see Hillmert, 2008 on vocational specificity in the German vs. the British skill formation system). The contents of the programmes that are exported are linked to the specific strength of the economy, e.g. engineering and natural sciences (Loreck, 2005). In the UK, the exported study programmes lead to general skills and are mostly in management, finance, service, and computing. These fields of study, in turn, reflect some of the high-skill services in which the British economy is specialised (Kemp, 2004). Furthermore, British offshore programmes usually focus on undergraduate studies in 'book sciences', which offer the highest immediate returns on investment (Pro-Vice Chancellor of UEA, Norwich, 15.11.2007).

Industrial Relations: In Germany, one observes a relative inflexibility with regard to the adjustment of contracts to incentivise internationalisation. Therefore, universities are hampered in their offshore activities by the inflexibility to change personnel and adjust human resource policies to the requirements of internationalisation projects (Hahn, 2005a, p. 35). Inflexible payment scales also limit the competitiveness of German universities in the international market for research personnel (Spiewak, 2008). In the UK, staff are hired by the university, they are not public servants, and university management can terminate their employment more easily. Likewise, only minimal legal requirements in regard to employment law, pension arrangements, and holidays apply (Leišytė *et al.*, 2006, p. 23; King, 2004, p. 19). Crucially, this more flexible framework offers greater leeway to compensate for international employment (Davies, 1995, p. 9).

Inter-University Relations: The interaction between German universities tends to be collaborative, largely due to the coordination and conflict solving function of national intermediary actors (Kehm & Lanzendorf, 2006a, p. 142).¹² Indeed, the number of intermediary actors indicates that internationalisation reinforces the intra-institutional culture of cooperation (Hahn, 2004a, p. 34). In the British case, inter-university relations are rather competitive, as evidenced by the prevalence of league tables and auditing agencies. Hence, internationalisation is more a matter of *individual* universities (Pro-Vice Chancellor of UEA, Norwich, 15.11.2007; Luijten-Lub *et al.*, 2005; Universities UK, 2000, p. 18).

A key result of the comparison so far is the significant role of the State in facilitating differentiation. In Germany, the State *pushes* universities to catch up with regard to internationalisation, whereas the internationalisation of British universities is driven by the market. However, these findings do not imply that one approach is superior to the other. Rather, the implication is that universities in Germany and the UK have quite different capacities for innovation with regard to the export of higher education services. How can we understand these differing comparative institutional advantages?

Firstly, the typical strategy of German universities towards internationalisation is characterised by their use of cooperation-type strategies, which are often more academically- and culturally-driven and shaped by long-standing links and mutual trust (Coate *et al.*, 2005, p. 221; Luijten-Lub *et al.*, 2005, p. 238). Part of this strategy is to foster participation in international collaborations, strategic alliances, and networks (Kontigiannopoulou-Polydorides *et al.*, 2004, p. 251), such as the building of foreign-backed higher education institutions in close cooperation with existing universities and relevant actors in the target country. Also, German universities are actively engaged in the European dimension of internationalisation facilitated by the Bologna process (Powell & Solga, 2010), i.e. they put strong emphasis on collaborative activities within the European Research Area (Hahn, 2004b, p. 61). At the same time, the internationalisation of higher education is frequently depicted by policy makers as foreign economic policy. In this context, it aims at flanking the German export industry and winning 'masterminds' in economically interesting regions (Euler, 2007).

British universities are inclined to use individual, commercial, and market-based strategies of internationalisation, e.g. commercial franchise agreements or contracts with private recruitment agencies. More generally, there is a relative disinterest in networks that are not directly profit generating. Collaboration typically takes place only if it is thought to pay off financially and is often based on an *arm's-length* relationship between the partners (Evans & Williams, 2005, p. 69). Unsurprisingly, British universities tend to have fewer collaborative agreements for student exchange outside the EU's Erasmus programme (Head of Admissions UEA, Norwich, 16.11.2007). What is more, incoming Erasmus students are often seen as a cost burden (Pro-Vice Chancellor UEA, Norwich, 15.11.2007).

Secondly, the product markets and the different capacities for innovation of German and British universities in internationalisation are depicted. In Germany, the federal structure of government and the consensus culture among social partners (trade unions and employers) imply that universities are usually slow in reducing barriers to internationalisation, e.g. through the development of sophisticated service infrastructures for international students (Coate *et al.*, 2005, p. 233; Hahn, 2004b; Kehm & Lanzendorf, 2006a, p. 136). German universities play the role of *challengers*, making substantial investments in the hope of successfully competing with the Anglophone market leaders. Their status as *latecomers* explains why internationalisation is largely driven by the government and is, therefore, more oriented towards national goals. Beyond that, German universities have the role of *nichers* focusing on incremental innovation, i.e. they attempt to secure near to monopoly positions for specialist services in market segments that are neglected or relatively unattainable by others (see Davies, 1995, pp. 13–14, on 'challengers' and 'nichers'). For instance, they focus on the export of research-based programmes, including Master and PhD programmes, as *islands of excellence* (Hahn, 2005a,

pp. 24–25). In addition, their exports emphasise product differentiation, as they usually offer tailor-made programmes in cooperation with local partner universities abroad and aim to integrate these into the local higher education system (Leendertse, 2007, p. 78; Loreck, 2005).

In the case of the UK, the national institutional framework permits individual strategies and facilitates first-mover advantages in the global market for higher education (Pro-Vice Chancellor UEA, Norwich, 15.11.2007). One advantage of the system is that it is ‘intense and quick’ (Head of Admissions UEA, Norwich, 16.11.2007).¹³ Academic freedom enables British universities to rapidly set up programmes which can then survive direct competition with the subsidised national programmes. Hence, they can respond quickly to new opportunities in the global market for higher education (Evans & Williams, 2005, pp. 67–68). However, the export of study programmes is market-driven and focuses on programmes that can easily be sold to the mass market. Here, a good illustration is the widespread international franchise of *ready-made* programmes by British universities (Leendertse, 2007, p. 78).

This comparison of specialisations in international competition highlights parallels between the mode of coordination in the national higher education system and the observable internationalisation processes of universities. In sum, while British universities are strong and innovative in the export of study programmes for the global market, German universities attempt to open up new markets by exporting differentiated quality products with a stronger involvement of the respective partners both at home and abroad (Graf, 2008, pp. 41–51).

Reflections on the Applicability of the VOC Approach to Higher Education

The VOC approach is sometimes criticised for treating nation-states as somewhat *closed* systems that disregard the strong forces of globalisation. However, this is less of an inadequacy when it comes to higher education systems because ‘in contrast to many other capitalist institutions, the education and training systems are much less affected by comprehensive global regulation’ (Nölke & Taylor, 2007, p. 39). The literature on international higher education emphasises that national policies, and the national context more generally, continue to play the most essential role in higher education, despite the pressures of globalisation (Kehm & Teichler, 2007, p. 266; Luijten-Lub *et al.*, 2005, p. 238). Furthermore, critics suggest that VOC does not adequately consider hierarchies with regard to the influence of different institutions and, more specifically, that it underestimates the role of the State. This criticism is somewhat deflected in this article, as university-state relations are shown to play a central role. At first sight, this might seem a mismatch with Hall and Soskice (2001) who focus on relationships between organisational actors rather than on those between such actors and the State. However, the main aim of this article is to depict the institutional rationales of the German and the British higher education systems *as they are* — and not to explain in detail the extent to which state regulation structures these rationales. Moreover, in this context, state activity is still biased towards pursuing policies that are compatible with the incentives provided by the national institutional environment. The proposition is that government policies, broadly speaking, work best ‘. . . if they are incentive compatible, that is if they reflect the underlying mode of competitive or cooperative

[. . .] coordination' (Hancké *et al.*, 2007, p. 24). This suggests that the State's higher education policies should be complementary to the coordination capacities embedded in the national institutional setting, as was confirmed in the empirical analysis presented here.

Many complementary explanations for the existence of national patterns in the internationalisation of universities were beyond the scope of the working hypotheses upon which this article is based, but they do influence the national differences discussed here. For example, to some extent, the strong ties remaining from the British Empire favour the main approach of British universities towards internationalisation.¹⁴ Another explanatory factor is the comparative advantage British universities derive from English being the *lingua franca* in both the world of academia and of business.¹⁵ Beyond that, the internationalisation of German universities seems at least partly driven by the dissemination of the strategies of the first movers in the global market for higher education. To a certain extent, one of their strategies could simply be to imitate the first-mover strategies of British universities. This could then be considered a case of institutional isomorphism through mimesis (DiMaggio & Powell, 1983), driven by the uncertainties in a dynamically evolving global market for higher education. Yet the premises of the VOC framework suggest that mere imitation would be suboptimal for German universities. If they were to follow the internationalisation strategies of British universities, they would fail to optimally build upon the institutional complementarities that their institutional environment offers.

Conclusion

The principal aim of this article was to propose an analytical framework to better understand how the institutional configuration of a national higher education system becomes apparent in the internationalisation strategies of its universities. According to the one-best-way-hypothesis (Scherrer, 2005, p. 15), there should be one most effective practice that universities must adopt in the global market for higher education — or face severe penalties. However, the cases observed here have shown that differences in the internationalisation of universities in Germany and the UK are far from being deviations from some global 'best practice'. Rather, the results of this research show that the specialisations of universities in cross-border activities reflect the institutional environment in which the national higher education system is embedded.

At the outset, the question was asked whether the internationalisation of universities from CME higher education systems and LME higher education systems follows different paths despite the isomorphic pressure of the global market for higher education. The availability of institutional complementarities in the national institutional framework and the comparative institutional advantages that arise from these were suggested as significant factors in the development paths of universities as they internationalise. The empirical findings confirm the expectations elaborated in the VOC framework applied to higher education: the internationalisation paths of German and British universities diverge, as they reflect the contrasting modes of coordination in each national model of capitalism and the respective national higher education system. These findings are in line with the thesis, which is prominent in the functionalist systems theory, that institutional complementarities reinforce the status quo (Ebbinghaus, 2005, p. 22; Djelic & Quack, 2007, p. 167).

German universities in their internationalisation process must adapt to international standards which seem biased towards the LME higher education systems' mode of coordination and which are by now globally accepted (as evidenced in the Bologna process). Most of the programmes that they export conform to the internationally-recognised sequential B.A. and M.A. degree structure. However, the research presented suggests that they certainly need not adapt completely to compete in the global market for higher education. Generally speaking, recent internationalisation attempts have not led to the dismantling of the institutional arrangements that characterise Germany as a CME higher education system. Rather, we observe a gradual transformation in the sense that some 'new' features, such as the B.A. and M.A. degree structure, are implemented. At the same time, many of the 'old' institutional elements, such as the strong influence of national intermediary actors, are redirected for the purpose of internationalisation, suggesting a 'conversion' or at least a 'layering' of the old and new (see Streeck and Thelen, 2005 on the concepts of 'exhaustion', 'layering', and 'conversion'). In other words, rather than *path cessation*, we can observe *path departure*, as institutional arrangements are extended and modified to increase Germany's international presence, but with limited redirection of core principles (see Ebbinghaus, 2005 on branching pathways). In the UK, the internationalisation of higher education exemplifies *path stabilisation*, as the market mode of coordination in the national higher education system prevails.

Questions for further research include whether the divergence in the internationalisation of German and British universities is *mutually beneficial* for both higher education systems. Do the different patterns reduce direct competition in the global market for higher education while at the same time providing each system with innovations? This would imply that both systems would prosper from the differences in their institutional configurations. Future research could also build upon the comparative-institutional framework developed in this article to analyse aspects of reforms that are less directly related to internationalisation.¹⁶ As an institutional reform in one sphere frequently affects the efficiency of operations elsewhere (Gingerich & Hall, 2004; see Campbell and Pederson, 2005 on the possibility of 'hybrid success'), research could look at on-going reforms, as these affect existing institutional complementarities and, in turn, the comparative institutional advantage of German universities. Reforms that push the German higher education system even further towards the LME mode of coordination may not be complementary to the coordinating capacities embedded in its higher education system and political economy. Such reforms may, in fact, produce dysfunctional incentives that lead to tensions in the institutional configuration or even weaken the specific comparative institutional advantages of German universities.

NOTES

1. In this article, the term *university* is also frequently used to refer to universities of applied sciences, technical universities, and colleges of music and art. For a definition of the global market for higher education (see Marginson 2004, pp. 15–18).
2. Applying the term *internationalisation* in a broad sense, it can be used to refer to '... the process of integrating an international dimension into research, teaching, and services function of higher education' (Knight, 1993, p. 21).

However, this article mainly focuses on three components, namely the 'recruitment' of international students, the 'export' of study programmes, and the development of offshore training institutions. According to Hahn (2005b, p. 17), these are three major components reflecting the strategies which countries rely on to compete in the global market for higher education (see also OECD, 2004, p. 19). On the complex relationship between *internationalisation*, *globalisation*, and *Europeanisation*, see Altbach (2006, p. 123) or Walkenhorst (2007, pp. 6–8).

3. See Knight (1997) for a description of four major incentives (categorised as academic, economic, political, and cultural) that the global market for higher education provides for internationalisation.
4. In the VOC literature, LME refers to liberal market economy (associated with coordination through competitive markets) and CME to coordinated market economy (associated with coordination through strategic interaction).
5. The underlying assumption is that if institutional spheres are coherent in terms of mode of coordination, then they should also be complementary. Complementarity thus refers to a function of institutions, i.e. to the joint effects at the level of outcomes of actions that are influenced by two or more institutions. An example would be the complementarity between a higher education system that equips B.A. graduates with rather general skills and a fluid labour market with weak employment protections (Leuze, 2007). Coherence, on the other hand, refers to the structural feature of institutions (Crouch *et al.*, 2005; Höpner, 2005). That is, coherence is about the interaction between the syntax of institutions, and, with that, between the deliberative or enforcement aspect of rules that institutions represent (Amable & Petit, 1999, p. 16).
6. Conceptualisations of path dependence have been used in comparative research to examine stable differences in national developments as these derive from positive feedback for the particular institutional setting in which individual nations have historically specialised (Scherrer, 2005; Powell & Solga, 2010).
7. According to Krücken & Meier (2006, p. 4), four elements underpin an organisational concept of the university: '... organizational accountability, mainly through the establishment of evaluation procedures; the tendency towards defining "own" organizational goals through mission statements [...]; the ongoing elaboration and expansion of formal technical structures around these goals; and the transformation of university management into a profession'.
8. See Lazzeretti and Tavoletti (2006, p. 21) for a broad definition of university governance, and Braun and Merrien (1999, p.19) on the merit of distinguishing between governance components.
9. For example, after the UK government ceased to subsidise non-EU international students and abandoned the ceiling on tuition fees these students can be charged, university managers began to perceive them as customers to be competed for in a global market for higher education.
10. Interviewees were the Pro-Vice Chancellor of the University of East Anglia (UEA) (Norwich, 15.11.2007); the Head of Admissions of UEA (Norwich, 16.11.2007); the Internationalisation Coordinator of UEA's Faculty of Arts and Humanities (Norwich, 16.11.2007); the Exchange Programme

- Coordinator of UEA's Faculty of Arts and Humanities (Norwich, 16.11.2007); the Erasmus Coordinator of UEA's Faculty of Arts and Humanities (Norwich, 16.11.2007); and the Head of the Department for Internationalization, International Relations and Public Relations of the University of Kassel (Kassel, 24.01.2008).
11. See http://www.wzb.eu/bal/aam/pdf/2008-507_graf.pdf.
 12. On the possible effects of the recently introduced Excellence Initiative, through which the State grants additional funds to competitively-selected universities, see, for example, Hornbostel (2008, pp. 261–265).
 13. A key reason for the attractiveness of British M.A. programmes for international students is their duration of only about one year.
 14. For a discussion of this aspect of colonial ties, see Coate and Williams (2004, p. 115) or Kontigiannopoulou-Polydorides *et al.* (2004, p. 260).
 15. For a discussion of the importance of language in this context, see Hughes (2008) and Hahn (2004a, p. 70).
 16. For an overview on recent institutional reforms in German higher education, see, for example, Wiarda and Spiewak (2008). It is crucial to note that, while some elements of market-competition have been introduced recently, such competition has not yet reshaped the basic structure of the German higher education system (Nullmeier, 2000, p. 210).

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