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REVISITING DUBAI'S BUSINESS SCHOOL MANIA

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REVISITING DUBAI'S BUSINESS SCHOOL MANIA

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Abstract

This paper continues the ongoing dialogue in AMLE on business school hubs and addresses RogmansAMLE-2018-0108[*] (2019) paper by evaluating the applicability of Dunning's OLI advantages – Ownership (O), Location (L), Internalization (I) – in explaining Dubai's emergence as a global education hub. Since business schools typically possess few transferable Ownership-advantages, Dunning's OLI advantages theory appears simplistic and decontextualized when applied to the global business school field. This commentary contributes to existing research on business school hubs by providing some guiding points for future discussions seeking to develop a better understanding of international branch campuses.

Introduction

In one of the few existing empirical studies on business school hubs, Alajoutsijärvi, Juusola and Lamberg (2014) touched on the consequences of the internationalization of management education in the context of Dubai, which at its peak in 2008 hosted more international branch campuses (IBCs) of universities than any other nation. This development was facilitated by Dubai's desire to become a global education hub catering to domestic and foreign students, particularly those seeking degrees in business management. The authors argued that the rapid increase in the number of foreign management education providers during the period of 2002-2008 and the subsequent decline in 2009-2010 resemble the classical theory of business bubbles (e.g., Kindleberger & Aliber, 2011).

We engage with Rogmans (2019) who addressed the article by Alajoutsijärvi et al. (2014) and used Dunning's OLI paradigm – ownership (O), location (L), and internalization (I) – to explain Dubai's emergence as a global education hub. The author argues that business schools in particular entered

[*] AMLE-2018-0108-DIA

Dubai because IBCs are able to harness the strong brand name of such schools as their O-advantage and because of Dubai's attractive L-advantage. Since the number of providers and students has increased since 2012, the author argued that the decline was more a temporary slowdown than the bursting of a bubble.

Bubbles, their bursts and other disruptions are always surrounded by high uncertainty (Chancellor, 2000; Gans, 2016; Shiller, 2000). While hindsight often suggests that certain turning points and disruptive events were obvious, these factors are far from obvious when such events are emerging (Gans, 2016). When the claimed education bubble started to collapse in 2009, 25 universities that had applied to enter Dubai canceled their plans (Slayman, 2010). If the recent financial crisis had occurred 2-3 years later, the peak and burst would have been clearer. This situation implies that rather than adopting a systematic, market-data-driven approach, those institutions took a rushed, euphoric and opportunistic approach to entering Dubai (Wilkins, 2016). For better or worse, Dubai is a revealing case of education hubs that deserves more theoretical and empirical attention. In this response to Rogmans (2019), we aim to assess Dubai's recent development and the applicability of Dunning's OLI paradigm (Dunning, 1973; 1980) in explaining the internationalization of business schools that involves the establishment of IBCs in locations branded as 'education hubs'. We argue that generic OLI advantages are simplistic and decontextualized and that this paradigm ignores the special characteristics of the business school field.

We consider *vulnerability* to be the diminished capacity of an education hub or individual academic institution to cope with, resist and recover from the impact of disruptive events such as economic recessions, social forces or technological innovations in its operating context. *Disruption*, in turn, is a phenomenon whereby organizations are "found to falter precisely because they are pursuing the choices and strategies that made them successful" (Gans, 2016: 134). However, the potential disruption sources and their mechanisms that make an education hub vulnerable to disruptive events (e.g., market volatility) and how this vulnerability may affect different types of schools operating within the hub are still largely unknown.

The next section discusses the OLI paradigm and its challenges in explaining the complexity of cross-border management education. This discussion involves critical analysis of the assumed advantages. Bluntly, business schools possess a very limited number of transferable O-advantages. This dialogue ends by identifying the major shortcomings of applications of the OLI paradigm to the global business school field, showing that we need more context-sensitive studies on our industry.

DUNNING'S OLI PARADIGM IN CROSS-BORDER MANAGEMENT EDUCATION

The central questions in Dunning's classical OLI paradigm (Dunning, 1973; 1980) are why firms invest overseas and what determines the extent and composition of international production. It has been claimed that these issues can be explained through OLI advantages. The O-advantages include the assets that the firm possesses that its competitors do not possess. As Dunning (1980: 9) expressed it: "The more ownership-specific advantages possessed by an enterprise, the greater the inducement to internalize them." The L-advantages, in turn, explain *where* firms expand their business to (what are the most lucrative countries), while the I-advantages explain *how* firms organize their international activities (the scope and mode of the international activities of the firm) to take advantage of the O- and L-advantages.

Dunning (2001) noted that the original OLI framework is ineffectual in addressing the dynamics of international business as the configuration of the OLI factors is specific to the context and type of business, and internationalization decisions differ even among firms or groups of firms within the same industry. Therefore, the application of the OLI framework to cross-border management education requires careful assessment of issues related to the business school field in relation to the argued advantages. Furthermore, rather than treating all organizations as similar and without active agency, one should consider how the OLI factors affect different types of actors, or strategic groups, within the field (Dunning, 2001; McGee & Thomas, 1986; Hommel & Woods, 2018) to form a more accurate understanding of the complex phenomenon.

Hommel and Woods (2018) argued that the dynamics that shape business schools stem from the power of external forces, largely by mimicking the effects of accreditation and rankings, which define strategic actions and force business schools to compete for their position within a hierarchy. The authors (2018: 3) categorized business schools into three groups: 'elites' (internationally ranked), general 'incumbents' (accredited but not ranked), and 'challengers' (not accredited or ranked). The last group represents the majority of institutions (approximately 95%) and consists of accreditation aspirants, regional colleges and for-profit institutions with more or less honorable missions. The existence of such strategic groups means that each group is likely to be affected and driven by different motives in its cross-border activities.

Ownership advantages in cross-border management education

The traditional O-advantages identify *brand* as a core asset and advantage in international operations that explains institutions' internationalization decisions: The stronger the brand, the greater the incentives to internationalize are. In the marketing literature, a brand or brand equity (e.g., Aaker, 1991) is typically considered the most important capital owned by a company that can be managerially defined, measured and communicated. The emphasis of this O-advantage, however, is problematic because brand assets are much more questionable in the global business school field than in the traditional manufacturing industries for which the OLI paradigm was originally designed. In fact, only a small number of business schools have such a strong global brand that it could be perceived as an organizational asset, and the transferability of a brand to foreign markets is far from straightforward. Granted, business schools in the top 100, such as the Harvard Business School and London Business School, have such a globally recognized brand, but among 16,000 business schools worldwide, and among those that have engaged in cross-border operations, they are rare exceptions. The majority of business schools are incumbents and challengers, which do not have such a global brand recognition to harness.

Despite the fact that universities allocate considerable amounts of money to institutional branding, we suggest that the concepts of *legitimacy*, *status*, and *reputation* from organization theory are more relevant for business schools. Legitimacy, status, and reputation are not assets that can be directly acquired, possessed, or transferred by an organization (Bitektine, 2011; Rindova, Williamson, Petkova & Sever, 2005; 2010, Alajoutsijärvi, Juusola & Siltaoja, 2015). Instead, they are *social judgments* by different audiences related to the long-term results of the university's behavior in the specific context.

While legitimacy consists of dichotomous judgments (acceptance/nonacceptance) of the organization's right to exist as a university, status considerations involve scrutinizing and arranging legitimate institutions into multiple status groups and positional ranks that generate privileges (Bitektine, 2011; Suchman, 1995). Status judgments are based on academic heritage, location (preferably in a Western capital city), and selectiveness in student admissions and faculty hiring as well as top publications. The concept of reputation, in turn, captures recent differences in quality that generate performance-based social judgments, which may have long-term effects on positional competition (Alajoutsijarvi, Kettunen & Sohlo, 2018; Washington & Zajac, 2005; Weber, 1978). In sum, competition among business schools is mostly status competition because their primary offering, a business degree, is a positional good. For prospective students, the value of a specific business degree is based on the social status that it offers in relation to the competing alternatives (Marginson, 2006; Adler & Harzing, 2009; Alajoutsijärvi, Kettunen & Sohlo, 2018).

Brands and branding, in contrast, are newer and much-debated practices in higher education (Chapleo, 2011; 2015; Waeraas & Solbakk, 2008). While contemporary universities may invest heavily in marketing communication, we doubt, as do many others, their impact on internal and external audiences (Bunzel, 2007; Chapleo, 2015) and thus their ability to create positive judgments among such audiences. However, in areas dominated by branding, there is an increasing belief that every university can be grandiosely presented as the very best, world-class and excellent (Alvesson & Spicer, 2016).

Accreditations are a crucial part of branding and sources of international legitimacy, granting relatively high status and thus potential access to the rankings and to reputation as an independent proof of quality. They are at least partly transferable to the students, alumni, faculty, and other stakeholders affiliated with an accredited institution. The business schools that are low on the ladder do not, and most likely will never, meet the imposed standards of the 'big two' (AACSB and EQUIS) accreditation organizations; hence, these certifications operate as an exclusion mechanism that provides a comparative advantage to accredited and ranked schools and again legitimizes the existing hierarchy. However, accreditations are not assets that can be possessed and easily transferred to IBCs, as each campus must be evaluated individually by an agency (Alajoutsijärvi et al., 2018; Lejeune & Vas, 2014; Zammuto, 2008) before the awarded quality stamp.

Dubai's location (dis)advantages in cross-border management education

Corporations may engage in cross-border activities if they perceive that it is lucrative to combine transferable intermediate products produced in the home country with at least some immobile resources or other intermediate products produced in another country. However, as Dunning expressed it (1988: 4), "the advantages or disadvantages of particular locations are treated separately from the ownership advantages of particular enterprises... The decision on where to site a mine, factory or office is not independent of the ownership of these assets nor of the route by which they or they rights are transacted."

Dunning's (1980) theory captures the economic advantages that Dubai attempts to offer higher education institutions. Dubai promotes its education hub extensively through marketing brochures and manuals designed to lure foreign universities through a marketing discourse that resembles Dunning´s framework as well as standard textbook procedures on how to analyze market attractiveness. For example, a manual titled "Higher education in Dubai 2017" (KHDA, 2017: 6-7) characterizes Dubai's market as follows:

> "Dubai is a thriving metropolis recognized for its world-class infrastructure, its entrepreneurial culture, and iconic architecture, such as the Burj Khalifa, the world's tallest building… The city is ideally located for future development with two-thirds of the world's population within an eight hour flight. Dubai's leadership is committed to education as the key driver to building a knowledge economy… The growth of higher education institutions and programmes in the city mirrors its economic development."

Potential investors are also lured by promises of low regulations and capital need; easy access to the market, with applications processed within weeks; and the promotion of Dubai as a stable, tolerant, and safe location with very low crime levels. Dubai's higher education landscape is described through statistics of growth in student numbers (albeit the recent numbers of 2015 signal only marginal growth) and promoted through claims of world-class discourse, diversity and adherence to the highest international standards. While Dubai has been successful in creating lucrative L-advantages for foreign IBCs, the following analysis reveals potential disadvantages and vulnerabilities of Dubai's hub: a lack of academic heritage, the composition of the current business schools, and an inadequate number of qualified prospective students and faculty. These characteristics are important for business schools, but they tend to fall between the lines of typical checklists and marketing discourses.

Lack of academic heritage

Traditional and reputed universities play a central role in the attempts of cities to brand themselves as city-university centers, such as Bologna in Italy (Popescu, 2012), or city-level education hubs, such as London, that focus on professional education and training, particularly in finance and business degrees (Hall & Appleyard, 2009). In both cases, cities and their respective universities/business schools benefit reciprocally from *academic heritage,* which is both material and immaterial by nature. Material heritage usually consists of physical structures considered worthy of preservation and is a major component of identity and culture. Therefore, many European and North American research universities host impressive buildings, libraries, archives, museums, and monuments, which are often emphasized in the respective cities' place branding strategies that aim to make the city and its institutions more competitive at the international level. For instance, the campuses of Harvard and Princeton clearly demonstrate why those universities are members of the Ivy League. Immaterial heritage refers to intangible cultural heritage, such as academic freedom, values and ethics, professional autonomy, a code of conduct for human rights, the indoctrination and socialization of members, and formal university traditions such as ceremonies and rituals.

In the competition among higher education institutions, heritage is a powerful L-advantage in attracting prospective students and employees. The academic legacy offers the status and reputation to those who are part of it and protects their share in it. An additional advantage of studying or working in a university that esteems its heritage is the resulting rich cultural context, including the possibility of being photographed in eminent surroundings, visiting museums, viewing numerous collections, and enjoying a pleasant atmosphere. Students and faculty members tend to prefer a university that offers a wide range of status improvements and a rich cultural life.

City-level education hubs that focus on professional education and training also indicate strategic interests as cities engage in political rhetoric that aims to achieve a stronger profile and image for the location, which are related to *city branding* strategies (Popescu, 2012). An example of such an attempt is the 'City of London—City of Learning' campaign of 2006 that aimed to promote the diversity of the business education providers operating in London (Hall & Appleyard, 2009). Such marketing attempts evidently aim to promote the location not only to prospective students but also to education providers. The presence of traditional, reputed institutions or the image of the location as an economic or financial hub are powerful L-advantages for luring education institutions to set up a campus.

Well-established business school fields also benefit from the presence of high-profile scholarly and industry associations, which have a strong influence on business schools' status and reputation worldwide. Such normative organizations include, for example, the British Academy of Management (BAM), the Chartered Association of Business Schools (CABS), the *Economist*, the *Financial Times* and *Times Higher Education*. Furthermore, journal ranking lists (*FT50* and *CABS Academic Journal Guide*) are all produced in the UK (Alajoutsijärvi, Davies & Kettunen, 2017).

While newly established hubs such as Dubai have attracted a significant number of foreign business schools, it will take decades, if it is ever possible, for Dubai to establish an academic heritage related to its supporting infrastructure and heritage (Juusola, Kettunen & Alajoutsijärvi, 2015). Such attempts take significant time to materialize as academic heritage and prestige. Furthermore, while education hubs such as London are associated with some of the world's most prestigious business schools and the powerful professional and normative organizations governing the field, the hubs simultaneously host a wide array of providers in terms of reputation, ranging from universities and business schools to for-profit institutions. The composition of the actors in the field is another potential source of vulnerability, as will be discussed next.

The composition of current business schools

Business schools have both safety and danger in numbers. Bluntly, the more prestigious institutions there are in the context, the more solid the field; the more illegitimate or dubious schools, the more vulnerable the context; the more genuine quality regulations, the less vulnerable the setting. Education hubs that have faced simultaneous neoliberal policies and sudden deregulation are more vulnerable to market volatility because market forces alone cannot be relied upon to guarantee the quality of the programs offered. Alajoutsijärvi, Davies and Kettunen (2017) argued in their analysis of London's education hub that the city and its surrounding areas host approximately 40 university-based, degree-awarding business schools and an odd mix of 200 various kinds of 'alternative providers' with questionable reputations that seem to exploit London's status as a location of top business schools. In addition, bogus degree-awarding institutions are on the increase, particularly in locations where there are loopholes in the quality assessments and regulations (Batty, 2016). The presence of dubious institutions in a hub is a risk not only for student-consumers but also for the place as a potential source of vulnerability.

Dubai has created a free-market system for education providers with a 'survival of the fittest' mentality. Compared to London, Dubai, with an absolute-power monarchy, has no organizational watchdogs or democratic political resistance that would materialize in policy consistency and strong enforcement to ensure that organizations follow established policies (cf. Hao et al., 2011). Due to the open educational market, many types of new actors have entered Dubai and the surrounding Emirates, while quality assurance lags because IBCs are often exempted from federal quality assurance mechanisms in the host country. This situation may tarnish the reputation of the hub and its actors.

Of Dubai's current 33 IBCs, twelve are accredited by the AACSB or EQUIS. The rest typically hold regional or national accreditation in their country of origin and may appear in national rankings. Thus, while Dubai hosts these accredited business schools, the majority of the IBCs are third-tier institutions that do not benefit from global proof of quality. At the same time, some local universities in the UAE have improved their prestige and global status in recent years, which poses a significant risk for lower-cadre IBCs' ability to attract students.

Inadequate number of qualified prospective students and faculty members

Many IBCs that have closed have failed because of their inability to recruit enough qualified students. In Dubai, the number of registered students in IBCs is typically less than 400, which may signal that these IBCs are operating under capacity. While the population growth rate of Dubai is significant at 1.5% annual growth, according to Dubai Statistics Center figures, the number of qualified students may not follow similar trends. First, many students and their parents cannot afford Western institutions' high tuition fees. Second, the students may not meet the eligibility requirements. For example, Michigan State University (MSU) has struggled in the market since its establishment because of its inability to recruit a sufficient number of qualified students. Initially, when it opened its campus in Dubai in 2007, it hoped to lure 100 students from other universities. However, despite offering half-price tuition fees, it had only twenty students by mid-January 2010 (Bardsley, 2010). The reason was that of all the applicants, only approximately 10% met the university's standard entry criteria (Wilkins, 2010), forcing the institution to reject the remaining applicants to avoid compromising its exclusiveness and the academic quality standards set by the home campus. According to the latest statistics on student enrollment, MSU still had no more than 24 registered students as of 2018, a decade after opening its Dubai branch.

In addition to the challenges associated with recruiting a sufficient number of students, IBCs struggle with faculty issues. IBCs are staffed by home-campus faculty, locally or internationally recruited faculty, or a combination of the two. For home-campus faculty, working at the IBC may not be ideal because IBCs, especially in the UAE, tend to have a higher teaching load than the home campus, and access to research funding and networks tends to be limited, as most IBCs are teaching-oriented institutions. Expatriate faculty may also be discouraged from working in Dubai's IBCs because the tenure system is unknown, and contracts tend to be short, without research time and safety. Expatriate faculty are also treated differently than local Emirati faculty, who typically draw at least three times the salary of expatriates and enjoy more secure jobs (Al Serhan et al., 2010).

BUSINESS SCHOOL CATAGORIES AND INTERNALIZATION STRATEGIES

We should pay more attention to the situation behind Dubai's figures and especially to the institutional composition of the hub to understand *for whom* this market is attractive and viable to internalize. More importantly, we must understand what vulnerabilities and potential disruptions the institutional composition of the hub may possess for different types of schools. Our aim is not to provide a full assessment of all types of risks because that issue has been addressed elsewhere (see Hommel and Woods 2018 and Holtom and Dierdorf 2013) but to exemplify the most obvious ones.

Elite schools

Elites belong to the *Financial Times* Top 100 business schools, and host-country governments typically sponsor the founding elites' IBCs. Examples include NYU and INSEAD in Abu Dhabi and Carnegie Mellon University and HEC Paris in Qatar. From the host-country perspective, the rationale for attracting these IBCs is the education hubs' attempts to build exclusive locations for world-class institutions (Knight, 2011). For the mother campus, the IBC is linked to *asset-seeking* behavior that drives decisions. For instance, in the case of NYUAD, the Abu Dhabi government bankrolled building the campus, campus operations, financial aid, and faculty salaries and research funding and donated tens of millions of dollars to NYU for other purposes.

However, in Dubai, while there are currently five elite schools (London Business School, Manchester Business School, Cass Business School, Strathclyde Business School, and MSU), none are sponsored by the Dubai government. The presence of these schools can be explained through the concept of O-advantages, through which business schools exploit their brand in the host country. However, these elites typically operate in the fly-in, fly-out mode and in small rented premises, where they deliver intensive MBA classes instead of having a full-fledged campus with extensive undergraduate and graduate programs.

Prior to 2008, there was a notable trend and plans among elites to establish IBCs in Dubai; however, such high-profile institutions have not shown the same interest in cross-border activities since 2008, and some elite schools, such as the Duke Fuqua Business school, have recently withdrawn from the market. This trend may signal that elite universities are currently more risk-averse, prefer 'light activities' to IBCs, or have decided not to engage in cross-border activities at all. In fact, these business schools do not call their campuses a branch but rather, for example, 'the Middle East centre' (Manchester Business School) or 'international centre' (Strathclyde Business School). Hence, the purpose of these schools is not to expand their operations further into full-fledged IBCs but merely to exploit their current brand.

The elites undeniably have the strongest O-advantage stemming from their brand, ranking and academic heritage. However, these schools represent a small minority of all cross-border management education. The reason, we argue, is that elite schools are bounded by the same factors that give them the O-advantage: Due to their legitimacy, status, reputation and brand, they are vulnerable to scandal in the host country, and they may be held more accountable for human rights violations, limitations of civil liberties or academic freedom.

Incumbent schools

Incumbent schools typically hold an international accreditation, but they are simultaneously bounded by their accreditation (Hommel & Woods, 2018). The internationalization decisions of incumbents are linked to *market-seeking* rationales (Nachum & Zaheer, 2005), which may stem from declining home markets and state support (Wilkins, He & Elmoshnib, 2018). However, incumbents' assumed global status granted by an international accreditation may not easily materialize in terms of successful operations in the host country, as will be discussed next.

Currently, there are three long-standing incumbent IBCs in Dubai: the Hult International Business School, University of Bradford, and Rochester Institute of Technology. In addition, there are two interesting new entrants in this category: Curtin University, opened in 2017, currently with 10 registered students (KHDA, 2018), and the University of Birmingham, which will start its first cohort in fall 2018. A notable characteristic shared by all long-standing incumbents in Dubai is that they have remained rather small, with only approximately 200-400 registered students in their business programs. At the same time, many less prestigious challengers, such as the University of Wollongong and Heriot-Watt, have been able to increase their student numbers steadily, the former with approximately 3000 and the latter with approximately 1500 currently registered students in their business programs (KHDA, 2018). Thus, traditional O-advantages based on the brand and the status conferred by the home institution accreditation do not necessarily transfer to local success in the host country. Furthermore, incumbents may face significant challenges in their cross-border activities due to their possession of international accreditation, which is paradoxical for this category of schools – while it grants them additional legitimacy and status, it simultaneously restricts their operations. As Hommel and Woods (2018: 14) noted, incumbents have "optimized themselves for competition according to very specific terms, which limits their repertoire and, ultimately, deny them flexibility." As a result, incumbent schools are more prone to take financial risks in the host country because they may not be able to reach their break-even point due to stringent entry requirements for student intake.

Challenger schools

Challenger schools are neither internationally accredited nor ranked. Interestingly, these schools have been the most active players, and often successfully so, in cross-border activities despite lacking traditional O-advantages. The majority (12)[†] of Dubai's business school IBCs belong to this category. The challengers' rationale for cross-border establishment is additional *revenue-*

[†]Examples: The University of Wollongong, Middlesex University, Heriot-Watt/Edinburgh Business School, and Amity University.

seeking from the secondary markets (Nachum & Zaheer, 2005) due to home market difficulties, such as declining state funding and increasing pressure for entrepreneurialism (Slaughter & Lesley, 1997).

Many challengers operating in hubs such as Dubai benefit from the fact that the degree has value in that market through its country of origin, such as being a 'Western' degree provider (Siltaoja, Juusola & Kivijärvi, 2018). Non-Western schools in turn may benefit from a large number of resident expatriates of certain nationalities, such as the significant Indian and Pakistani populations of Dubai, for which the IBCs of their respective countries seem to cater almost exclusively.

Established challengers may even have a competitive advantage over elites and incumbents because they have more affordable tuition fees, less selective entry criteria and more lax quality assurance. They can even close the campus without public attention and severe reputational risks. Furthermore, because challengers offer predominantly undergraduate programs, there is more steady demand for the programs even during economic recessions, in contrast to the postgraduate programs delivered by elite and incumbent schools.

However, these schools are vulnerable to hub-specific risks in supply and demand. As a result, many institutions are unable to break even. For example, when Amity University opened its branch in Dubai in 2011, it aimed to recruit 5000 students within its first four operating years, but it has achieved only one-fifth of this target (KHDA, 2018).

CONCLUSIONS

While the OLI paradigm remains a classical theory to explain traditional firms' internationalization, its applications to universities' internationalization seem to result in only partial conclusions if we do not properly address the nature of the field. Our findings implicate two main shortcomings:

1) *The traditional O-advantages have limited explanatory power for the majority of business schools' internationalization decisions*; those actors with the most obvious O-advantages (elites) represent a small fraction of the global business school field, but even they seem to be cautious in cross-border activities without the full sponsorship of the host country. The majority of business schools are incumbents and challengers, which do not possess obviously advantageous O-assets.

Both can be successful in the host country if they are able to establish local legitimacy, status and reputation, as did early entrants such as the University of Wollongong. The time needed can also be shorter if the school can exploit its status and reputation among prospective students from the home country, as in the case of Indian institutions, such as BITS Pilani, that are popular study choices among expatriate Indian students.

2) *The L-advantages are not similar for all types of actors but are subject to schools' relative position in the hierarchy*. Elites are sensitive to location-specific disruptions that may undermine their public legitimacy in the home country, while incumbents are vulnerable to overestimating the attractiveness of the location and inability to transfer their proof of quality to the host-country market. At the same time, incumbents' accreditations limit their flexibility, for instance, in faculty and student qualifications. The challenger schools, however, have more freedom and can stretch the rules in admissions, assurance of learning, and research output. However, they may be vulnerable to a sudden oversupply of similar offerings in open free-market systems such as Dubai.

In sum, contrary to the expectations of the OLI theory, the combined O- *and* L-advantages are not a prerequisite for internalizing host-country markets through IBCs and being successful. Rather than exploiting pre-existing O-advantages, challengers have been able to develop host-country-specific status and reputation, which are more valuable than reliance on the abstract assumed value of a brand.

We thank Dr. Rogmans for his important response to our article. However, we believe that to understand the global business school field, we need more theoretical approaches, and especially their field-specific applications.

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