

## **Academic Restructuring and the Emergence of For-Profit Universities in Japan**

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## **Introduction**

Regulatory reforms are not being implemented as planned in some sectors for a variety of reasons... To stimulate the Japanese economy, it is necessary to elicit private-sector vitality to the maximum extent, and to expand private-sector business by implementing regulatory reforms. By setting up specified zones where regulatory exceptions are established in accordance with the zones' specific circumstances, based on voluntary plans proposed by municipal bodies, private sector enterprises, etc., we promote structural reforms in the area. By publicizing successful case examples of structural reforms in specified areas, regulatory reforms can be extended to the whole country, and we can stimulate the economy of Japan as a whole.<sup>1</sup>

How to reform century-old higher education systems in order to remain competitive in the global knowledge economy has become one of the most pressing policy concerns across industrialized countries in the past decade. Universities are confronted with a wide range of forces such as rapidly changing international labor market requirements; new technologies of production, consumption, and learning; increasing private partnerships; and changing patterns of public governance. A relatively coherent, strongly transnational set of ideologies for market-oriented educational reforms has emerged in the past decade (Gordon 1992). Higher educational reforms are often political bombshells, as it involves a major redistribution of power among governing boards, executive leadership, elected academics at various administrative levels, and local communities (Mignot-Gérard 2003).

While the impact of economic globalization on national educational restructuring across both industrialized and industrializing countries has been amply documented by educational researchers in the past two decades (Henry et al. 2001; Stromquist and Monkman 2000; Burbules and Torres 2000; Sadlak and Teichler 2000; Armove and Torres 1999; Dale 1999; Slaughter and Leslie 1997; and Green 1997), most of this research has focused on reforms in the US, UK, Canada, Australia, and New Zealand (e.g. Jones 2003; Peters and Roberts 2000; Davies and Guppy 1997; and Gordon 1992). Few studies have looked at the policy making process of non

Anglo-Saxon countries and, in particular, those with traditionally strong state-controlled educational systems. This paper looks at academic restructuring in Japan from the angle of the emergence of for-profit universities within the larger context of public governance restructuring since the 1990s. In particular, it focuses on the 2002 Law on Special Zones for Structural Reform under which for-profit universities are allowed to be established. In April 2002, the then Minister for Trade, Economy, and Industry (METI), Takeo Hiranuma, and four private-sector members of the Council for Economic and Fiscal Policy proposed the idea of Special Zones for Structural Reform, zones within Japan that would be deregulated to promote economic revitalization.<sup>2</sup> The Headquarters for the Promotion of Special Zones for Structural Reform, with the Prime Minister as its director, was formed within the Cabinet Secretariat three months later and subsequently the Law on Special Zone for Structural Reform was passed in December the same year.<sup>3</sup>

Behind this initiative, competition is the key principle. Municipalities and the private sector submit project proposals for approval by the concerned ministries and the Prime Minister. The targeted exceptions to regulations to be implemented in Special Zones are compiled into a list. The projects are assessed after one year. In the absence of any significant problem, the exceptions to existing regulations could be extended to the whole country. In the area of education, from April 2003 to May 2005, MEXT approved a total of 186 applications of exceptions to regulations to be implemented in Special Zones across the country from Hokkaido to Okinawa in nineteen categories from kindergarten operations to the establishment of for-profit high schools.<sup>4</sup> LEC Tokyo, which had been one of the four key law preparatory cram schools in Japan, became the first for-profit university in Japan in 2004 and has since been renamed as the LEC Tokyo Legal Mind University.<sup>5</sup> Digital Hollywood, first formed in 1994 to train students in the creative industries, also became a University that same year.<sup>6</sup> The distance-learning-based

business graduate school, Business Breakthrough, established by the renowned Japanese business guru, Kenichi Ohmae, also became a university under the new Special Zone scheme. Six more pro-profit universities are scheduled to open in 2006 including WAO Graduate School in digital animation, TAC Graduate School in accounting, Globis MBA Graduate School, LCA MBA Graduate School, Japan Education Graduate School, and Japan Interpretation Graduate School.<sup>7</sup>

How do we explain the emergence of for-profit universities in Japan since the early 2000s? By focusing on both the policy climate as well as the higher education institutions as marketers, this research looks at how various actors promote and practice academic capitalism, i.e. “the pursuit of market and marketlike activities to generate external revenues” and the “internal embeddedness of the profit-oriented activities as a point of reorganization by higher education institutions to develop their own capacity.”<sup>8</sup> The rest of this paper is organized in two parts. Part II examines three cases of for-profit universities in the areas of law, media, and business studies—Tokyo Legal Mind University, Digital Hollywood University, and Business Breakthrough through the angles of deregulation, competition, and commercialization. Part III attempts to explain the emergence of for-profit universities by looking at the policy climate of academic restructuring as an integral part of structural reforms in Japan. We conclude with remarks on further research.

### **Development of For-Profit Universities in Japan**

The state has traditionally a stronghold in the Japanese educational system. Despite the significance of private universities in Japan—accounting for three-fourths of the student population—the development of for-profit universities is a recent phenomenon. The 1947 School

Education Law and other legislations stipulate strict requirements for the infrastructure, funding, curriculum, tuition fees, etc. Under the 2002 Law on Special Zone for Structural Reform, however, private corporations began to apply for exceptions to existing regulations. Tokyo Legal Mind University became the first for-profit university to be established throughout Japan. One exception that Tokyo Legal Mind University managed to obtain from MEXT is the strict campus requirement. Often occupying no more than a few-storey building in central locations, the fourteen “campuses” of Legal Mind University stretching from Hokkaido to Kyushu provide easy access for its students.<sup>9</sup> Similarly, Digital Hollywood University has a few campuses in addition to its main campus in Akihabara.<sup>10</sup> Another exception that several of these for-profit universities obtained was the ability to use digital education, which has been until now highly regulated in Japanese higher education. Business Breakthrough, for example, offers distance education. They have developed their own educational system called “Air Campus” available by downloading software. Through this online system, students can take lectures, participate in online discussion, and view the latest business news.<sup>11</sup> Their website is the campus gate.

From a deregulation perspective, for-profit universities also offer more curricular choice than traditional national, public, and private universities. The Tokyo Legal Mind University, for example, offers two types of class styles: one is “face-to-face classes” where students attend classes on selected campus, and the other is “media classes” where students go to campus and take videotaped lectures. Hence, the university allows students to make the choice. Curricula requirements often focus on practical areas of study including business administration, economics, law, politics, and accounting. Internships are mandatory as well.<sup>12</sup> Another practical subject that is common to these for-profit universities is English. For instance, the Tokyo Legal Mind University offers English courses for students to develop practical English skills and obtain

higher score on the Test of English for International Communication (TOEIC).<sup>13</sup> At the Digital Hollywood University, students are required to take English language classes. It also has study abroad programs available for its third- and fourth-year students after they fulfill the requirement of a two-year English education.<sup>14</sup> The curriculum is constructed in the way that students can develop their English skills step by step. In addition, courses on “business communication skills” are available for students as non-native speakers of English with extra money so that they can acquire English skills necessary for the process of pursuing MBA.<sup>15</sup> Similarly, Business Breakthrough offers different kinds of educational programs in several different schools, depending on the needs of its students. For example, they operate the Kenichi Ohmae School of Business for those who want to pursue the MBA degree in Japan.<sup>16</sup> For those who want to obtain MBA from an overseas university while physically being in Japan, they have developed a program in cooperation with Bond University in Australia, with courses taught in English and Japanese.<sup>17</sup> The key word here is choice and flexibility.

Another key characteristic, besides deregulation, is competitiveness. Whereas the postwar Japanese higher education system has been marked by equal opportunity/access, the spirit of the Law on Special Zone for Structural Reform is to promote competition among higher education institutions. In the area of tuition fee, for example, for-profit universities can charge up to 200% of that of the national universities such as Tokyo University (around \$8,000),<sup>18</sup> or are in the same ballpark as leading private universities such as Keio University (between \$11,000 and \$15,000).<sup>19</sup> In order to attract students, these for-profit universities use a combination of admission methods beyond the traditional entrance examination. For example, at Tokyo Legal Mind University, in addition to the regular examination assessing students’ knowledge of subjects taught in high school, the school has implemented an Admission Office (AO)

examination consisting of essay and interview. This examination looks at applicants' passion and ability that are not reflected in written exams. According to the entrance examination data in 2006, 489 out of 594 applicants were offered admission to the university.<sup>20</sup> In the same way, the Digital Hollywood University puts into practice an AO examination looking at applicants' experience and will to learn. In addition, even in regular entrance examination, students are required to write an essay and attend an interview so that they can have an opportunity to express themselves.<sup>21</sup> Unlike the two universities, the Kenichi Ohmae School of Business operated by the Business Breakthrough carries out entrance examination where applicants' grades, essays, and letters of recommendation are assessed first, and then selected students go onto the final selection process by attending interviews.<sup>22</sup> In this way, these for-profit universities intend to recruit students who not only show high performance on paper examination but also have a strong will to learn to be professionals in certain industry.

Further, these three for-profit universities do not limit their applicants to Japanese citizens. Their website is available in both Japanese and English. In particular, two universities—the Tokyo Legal Mind University and the Digital Hollywood University—have Chinese websites available as well. It is reasonable to suppose that these schools are targeting students specifically from China as potential applicants. Moreover, Digital Hollywood University carries out entrance examination not only inside Japan but also in Beijing, China.<sup>23</sup> In this way, for-profit universities compete for international students as well as Japanese students.

Finally, from a commercialization perspective, for-profit universities offer professional programs that emphasize marketability and employability. According to its principles, Tokyo Legal Mind University offers legal education that “truly relates to one's career path” and trains “personnel to be effective in management, in industry, and in professional fields.”<sup>24</sup> Two other

corporations soon followed suit. Digital Hollywood University, which provides degree programs in media studies, aims to generate graduates skilled in “digital content,” since they believe that “digital content skills are crucial in every industry” in the twenty-first century.<sup>25</sup> Business Breakthrough, which offers American-style MBA programs, aims to “foster bold leaders with an entrepreneurial spirit and an international view with a foundation of intellectual creativity, and thus contribute to global society.”<sup>26</sup> All three corporations emphasize their ability to offer professional programs that suit students and immediate industry demands. These schools also emphasize the close relationships between academia and industry. For example, the CEO of the Tokyo Legal Mind Corporation also holds the post of the university president.<sup>27</sup> The university indicates the benefit of the close ties with industry and suggests that “employability” is a key issue that needs to be taken into account in higher education in Japan.<sup>28</sup> In the same way, the CEO of the Business Breakthrough Cooperation holds the concurrent post of the president of the various schools including the Kenichi Ohmae School of Business.<sup>29</sup> Another close tie with private corporations can be seen in the case of the Digital Hollywood University asserting, “[W]e update our curricula in accordance with the trends in the industry.”<sup>30</sup> This suggests that the university provides students with knowledge and skills instantly applicable to industry.

These for-profit universities use a variety of methods to advertise themselves. Tokyo Legal Mind University holds open-campus events in their fourteen campuses across the country. Digital Hollywood University holds seminars called “Autumn Entertainment Open Campus” where they explain their curriculum, study abroad system, job-hunting support system, and so forth, with an emphasis on the visual such as showing creative works made by students. They also have a seminar for non-Japanese prospective students in their Akihabara campus, as well as Beijing and Shanghai.<sup>31</sup> Since it is a distance-learning institution, the Business Breakthrough

makes information of their educational programs downloadable after prospective students register online. One of the schools operated by the Business Breakthrough, the Kenichi Ohmae School of Business offers seminars in their campuses in Tokyo. In addition, the Business Breakthrough has its own broadcasting program on the Sky PerfecTV! Channel 757.<sup>32</sup> In this way, the for-profit universities appeal the close ties with industry and make the best use of their open-campus events to advertise their schools.

### **Public Governance Reforms and Academic Restructuring**

A snapshot of the recent development of for-profit universities in Japan raises an important puzzle: why have these universities based on the principles of deregulation, competition, and commercialization developed, even though they seem to go against postwar principles of equal opportunity? We argue that one cannot understand this particular form of academic capitalism without looking at the overall policy climate since the late 1990s. Indeed, it would be incomplete to look at these individual corporations and their practices. As the sluggish economy continued throughout the 1990s, national universities, like many other public sectors (postal services, health, and pensions, etc.) have become a target of structural reforms. Drastic population decline (Japanese universities expect full enrollment by 2007, after which overall supply will exceed demand) on the one hand and the globalization of higher education on the other translate into heightened competition among higher education institutions in Japan. In a period of continuous fiscal austerity, the social and economic relevancy of university education and research became questioned.

Since the late 1990s, Japanese national university reform has become part of a larger political debate on restructuring. In 1997, the Hashimoto Cabinet decided on a 10% overall

reduction of the number of civil servants over ten years. It was then further increased to 20% by the succeeding Obuchi administration.<sup>33</sup> In 1999, the General Law on Independent Administrative Institutions (IAIs) was passed. Under this scheme, many public services are now provided by independent administrative institutions. Ministries formulate three-to-five year mid-term policy objectives while the IAIs submit their plans in accordance with these objectives, maintain autonomous management and operations, and are subject to mid-term evaluation. The national university sector, which had a 135,000-strong payroll, became an inevitable target of administrative restructuring to relieve the national personnel budget. Based on the IAI scheme, the National University Corporation Law was passed in 2003 through which all national universities were turned into individual independent corporate entities in April 2004.

National university reform has also been actively promoted by the Ministry of Economy, Trade, and Industry. On May 25, 2001, the Minister of Economy, Trade, and Industry Takeo Hiranuma presented the “Hiranuma Plan” containing specific measures to encourage new market and job creation through wholesale university reform. The Hiranuma Plan spurred MEXT into action.<sup>34</sup> On June 11, the Minister of Education, Culture, Sports, Science and Technology, Atsuko Toyama, submitted instead the Toyama Plan to the Council on Economic and Fiscal Policy, which was chaired by the Prime Minister and whose objective was to revitalize the stagnant Japanese economy. The Toyama Plan centered on three controversial ideas: 1) to drastically promote reorganization and consolidation of national universities, the so-called Scrap and Build approach; 2) to introduce management methods used in the private sector to the management of national universities; and 3) to introduce a competitive principle to universities by means of external evaluation, or the so-called “Top 30 Universities,” which have since been renamed as the Center of Excellence program, as a mechanism of competitive funding.

In the post-bubble period, Keidanren (Japan Business Federation) has also issued numerous position papers arguing for university restructuring.<sup>35</sup> It lobbied for the passage of several important laws concerning industry-university relations. In 1995, the Basic Law on Science and Technology (S&T) was passed, which led to the establishment of the First Basic Plan on S&T in 1996 with a budget of 17 billion yen. In 1998, the Law to Promote Technology Transfer from Universities to Industry through the establishment of technology licensing offices was further promulgated. The following year, the Special Measures to Promote Industrial Revitalization (the so-called Japanese Bayh Dole Act) were passed. In 2000, the Basic Law on Intellectual Property was adopted to promote the transfer of university technology to industry, an area that has widely been criticized as underdeveloped in Japan.<sup>36</sup> In 2001, Keidanren created a Sub-Committee on Industry-University Promotion within the Committee on Industrial Technology to promote research and development within universities and human resource development. The Sub-Committee put in place a new, more institutionalized internship system and initiatives that allow more flexible exchanges between university and corporate researchers/personnel.<sup>37</sup>

The diverse pressures from the Liberal Democratic Party, METI, and Keidanren aim at transforming university governance in Japan by increasing its autonomy and flexibility in budgeting, non-civil servant personnel recruitment, curriculum, third-party evaluations, and industry-academia relations, etc. Mergers and acquisitions of higher education institutions have been taking place. It is in this policy climate of structural reforms and academic restructuring that for-profit universities have developed. While it is too early to gauge the impact of these new for-profit universities on the overall higher education system in Japan, their emergence pose

significant challenges to the commitments to the postwar “social contract” that emphasizes university functions beyond market values.

## **Conclusion**

This short study of the emergence of for-profit universities attempts to achieve three objectives: to showcase a relatively little known recent phenomenon in Japan; to look at the relationships between the restructuring of national universities and the development of for-profit universities; and to discuss its implications on the equality of opportunity, university autonomy, higher education as a public good, and stable employment. Due to limited time, we could not address these fully. Future research can look at the specifics of deregulation (what exactly has been allowed to do in each individual case); the issues arising from commercialization of higher education; and the tensions between marketization and higher education as a public good, etc.

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<sup>3</sup> [www.kantei.go.jp/jp/singi/kouzou2/hourei/02121](http://www.kantei.go.jp/jp/singi/kouzou2/hourei/02121) [accessed on November 18, 2005].

<sup>4</sup> Documents from MEXT. Personal interview with the Unit Chief, Research Environment and Industry Promotion Division, Technology Transfer Promotion Bureau, MEXT, August 12, 2005.

<sup>5</sup> <http://www.lec.ac.jp/campus/index.shtml>

<sup>6</sup> <http://www.dhw.co.jp/un/access/index.html>

<sup>7</sup> Documents from MEXT. Personal interview with the Unit Chief, Research Environment and Industry Promotion Division, Technology Transfer Promotion Bureau, MEXT, August 12, 2005.

<sup>8</sup> Slaughter and Rhoades 2004:11.

<sup>9</sup> LEC University Framework [http://www.lec.ac.jp/english/about/org\\_chart.shtml](http://www.lec.ac.jp/english/about/org_chart.shtml)

<sup>10</sup> Maps and Directions <http://www.dhw.ac.jp/en/access/index.html>

<sup>11</sup> Cyber Campus <http://www.ohmaeonaircampus.com/jp/cyber.htm>

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<sup>22</sup> Admission <http://www.ohmae.ac.jp/apply.htm>

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