

# Reinventing a Business School in Japan

By Takeuchi Hirotaka

Here is a test to see if you are a true insider of Japanese business. Do you know of the following Japanese who are prominent members of the Japanese business community?

1. Kobayashi Yotaro
2. Miyauchi Yoshihiko
3. Mochida Masanori
4. Hori Shintaro
5. Niinami Takeshi
6. Mikitani Hiroshi

Most of you probably know of the first two businessmen. Yes, they are the Chairmen of Fuji Xerox Co. and ORIX Corp., respectively. At the same time, Kobayashi is the former head of Keizai Doyukai (Japan Association of Corporate Executives) and Miyauchi is the head of the Japan Association of Corporate Directors. They both are in their 60s.

Many of you, however, may not have recognized the next two businessmen. Mochida is the President of Goldman Sachs (Japan), and Hori is the Managing Director (North Asia) of Bain & Company. Out of the top 10 investment banks in the world, Mochida is the only Japanese who is currently sitting on the Executive Committee of the head office. Likewise, out of the top 10 consulting firms in the world, Hori is the only Japanese who is currently sitting on the Management Committee of the head office. They are both in their 50s.

The last two businessmen may be familiar to their peers who are in their early 40s and late 30s. Niinami is the President and CEO of Lawson, one of the leading convenience store chains in Japan, and Mikitani is the Chairman, President and CEO of Rakuten, a leading Internet shopping mall website in Japan. They are up-and-comers within the few growth industries that exist in Japan.

The real test of whether you are an



Photo: Graduate School of International Corporate Strategy, Hitotsubashi University

An MBA class at Hitotsubashi ICS

insider or not, however, is being able to answer the following question: Can you identify what these six prominent businessmen have in common? What a casual observer may not know is the fact that they all have MBA degrees from business schools in the United States.

Why MBAs from business schools in the United States? Plain and simple, they had no other choice. Japan did not have a bona fide professional business school until very recently. It was only in the year 2000 that a new category of graduate school (*semmon daigakuin*, which will soon be converted to *semmon-shoku daigakuin*, which literally translates to “professional graduate school”) was established by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). Hitotsubashi University’s Graduate School of International Corporate Strategy (ICS) became the first MBA program to be certified as a professional business school in Japan.<sup>1</sup>

## First Professional Graduate School in Japan

The certification as a professional school set Hitotsubashi ICS apart as an institution designed to teach practical business skills rather than academic theories. This distinction gets to the heart of the problem with Japanese higher education. The Japanese education system has long leaned heavily on in-house job training within companies to complete the education process.

Strengthening the competitiveness of graduate schools has been at the top of the agenda for MEXT as it overhauls Japan’s much-criticized higher education system. There are about 500 graduate schools nationwide, but most of them are ivory towers churning out researchers and academics. The first step in breaking down the antiquated system was to establish professional graduate schools, which must meet different standards than conventional graduate schools in terms of their cur-

ricula and the qualifications of the teaching staff.

Being the first, Hitotsubashi ICS received considerable media attention from the overseas press. An article entitled "Building a World-Class Business School," (*Business Week*, Oct. 2, 2000) included the following comments:

*When it comes to educating its most promising young executives, Japan has always farmed them out to the likes of Harvard, Wharton, or the University of California at Berkeley. For Hirotaka Takeuchi and other business professors in Japan, that's something of a national disgrace. "Why doesn't Japan, the world's second biggest economy, have a world-class business school?" he wondered. ...*

*It's (Hitotsubashi ICS) the first state-run school to offer an MBA, and the only institution in Japan to require work experience as a qualification for entry. ...*

*The school does have advantages in both luring foreign students and keeping ambitious Japanese at home. As a state-owned ... university, Hitotsubashi's business program costs just \$4,500 a year, compared with ... \$28,500 at Harvard Business School.*

Hitotsubashi ICS also was featured in a two-page *Financial Times* (Oct. 30, 2000) article, which focused on the school's bold "attempt to break with the past":

*Unlike most Japanese universities, where professors rarely stray off campus, the new graduate school has recruited a team of former consultants, investment bankers and retired professors. Although the staff is predominantly Japanese, all have experience overseas or with foreign companies.*

*In the classroom, professors are planning to focus on western management techniques – but also stress the Japanese principles of "knowledge management", teamwork and production technology. ...*

*In addition, there will be "ropes" (adventure) courses, concerts and weekly appointments in the field, where students will face real-world issues*

*such as homelessness, hunger and poverty. ... (The) programme marks an unusual attempt by a Japanese graduate school to face companies' social responsibilities.*

### International Background of Students and Faculty

Hitotsubashi ICS received the attention of foreign media partly because one of its two professional programs certified by MEXT – i.e., the MBA Program in International Business Strategy – attracts students from all over the world. It is a full-time program taught entirely in English. The other program – the MBA Program in Financial Strategy – is an evening program taught in Japanese to Japanese students.

The full-time program at Hitotsubashi ICS<sup>2</sup> has admitted students from 27 countries/regions since it opened in October 2000. (Table 1)

International students account for over half of the 120 students who have been admitted to Hitotsubashi ICS so far. From a very pragmatic point of view, there are two good reasons that international students are attracted to ICS. First, scholarships are available to incoming international students. These scholarships, which have been generously donated by Daiwa Securities Group and Amway Japan specifically for international students, have no strings attached to them. The second is the availability of inexpensive housing for international students. We have asked private companies, such as Daiwa Securities and ORIX, to allow our international students to use their dormitories at a very reasonable rate.

In addition to being very international, ICS students are a more mature group than typical MBA students in the United States. The entire student group have the following characteristics; (a) eight years of work experience on average; (b) 31 years old on average; and (c) most of them are not sponsored by companies. One quarter of the student body are women and 70% are married.

The student body is kept intentionally small. There were 45 students for the class entering in fall 2002; the entering

Table 1 Countries/regions represented at Hitotsubashi ICS' MBA program

Asia and Oceania	
Australia	Malaysia
Bhutan	Mongolia
Cambodia	Myanmar
China	Philippines
India	Singapore
Indonesia	Taiwan
Japan	Thailand
Korea	
The Americas	
Canada	Mexico
Costa Rica	U.S.A.
Honduras	
Europe and Africa	
Finland	Russia
Germany	U.K.
Holland	Uzbekistan
Madagascar	

class of 2003 will also have less than 50 students. The student/faculty ratio is almost 2:1, a ratio that no other leading business school in the world can match. The small size of the student body enables intensive in-class interaction and facilitates field research projects, company visits, and other out-of-class activities.

The *Financial Times* article above indicated that the faculty is predominantly Japanese. To be exact, three-quarters of the total faculty members (14 full-time faculty members and 9 visiting faculty members combined) are Japanese and one-quarter are actually non-Japanese. All of the non-Japanese faculty members happen to be Americans, which is in keeping with the tradition that started back in 1875. The first member of the teaching staff of Hitotsubashi University, whose history can be traced back to the opening of a private vocational business school in Ginza that year, was William C. Whitney, an American, who taught English penmanship, conversation and grammar.

The tradition of being international and practice-oriented continues at ICS. Full-time faculty members at Hitotsubashi ICS have quite an international background. Roughly 60% have previous teaching experience in U.S. business schools, including Harvard, Stanford, U.C. Berkeley, Virginia, Columbia, NYU and Michigan. Eighty percent received their doctorates from U.S. business schools, including Harvard, U.C. Berkeley, MIT, Michigan, Carnegie Mellon and

Pennsylvania State. In addition, a majority of the full-time faculty members have a practitioner background. Roughly speaking, 60% have real-life work experience in consulting firms, investment banks, advertising agencies and other firms, and 60% have MBAs from leading business schools in the United States.

## The Advantages of Starting 100 Years Later

In a July 2, 2001, article, *Business Week* pointed out that "Hitotsubashi already has a long history (126 years at the time of the article) of turning out future captains of industry." The Graduate School of ICS is continuing that tradition. At the same time, ICS focuses more narrowly towards developing leaders capable of initiating, managing and implementing innovation on a global scale. Simply put, the mission of ICS is to create "captains of industry" who are also "captains of innovation."

Innovation is more than new products, services, systems or policies. It requires new perceptions of opportunity, new ways of doing things, new ways of making sense, new processes of sharing values, new means of collaboration, new methods of building organizational capability and new criteria for building standards. Innovation is a process, not a thing. Therefore, we can teach it.

The advantages of starting a professional business school over 100 years behind the United States lie in the opportunity to reflect on what worked in the past and what is missing, as well as to look towards the future to try something new. We have the opportunity of "breaking the frame," ignoring the conventional wisdom, going "out-of-the box," going the other way, repudiating the given and changing the status quo. What we have tried to do is to reinvent a business school.

As part of our orientation program, for example, we ask our students to climb a 12-meter wooden wall studded with rocks and walk across a log hung seven meters from the ground in pairs. As part of a required course, we ask them to interact with the homeless and spend a

Photo: Graduate School of International Corporate Strategy, Hitotsubashi University



ICS students participating in an orientation program funded by L.L. Bean

weekend with mentally disabled children. ICS believes that the challenge for leaders in the 21<sup>st</sup> century is to solve not only economic problems but also social problems, which are just as important.

We also ask our students to think about their future. One of the assignments in a strategy class is the following: "Assume your photo is on the cover page of *Fortune* magazine 20 years from now. Play the role of a *Fortune* reporter and write the cover story about yourself and what you did to deserve this distinction."

We even use music in our teaching. ICS students spent half a day listening to and watching the rehearsal of *Orpheus*, a chamber orchestra without a conductor, in Tokyo.<sup>3</sup> They observed the players stopping the rehearsal constantly and making the interpretive decisions that a conductor needs to make. They realized that music is made in these rehearsals and that all orchestra members have both a say in making it and a responsibility for how it turns out. They learned something new about leadership, decision-making and teamwork.

Thinking of new ways has led to several innovative ideas on how to reinvent a business school. They include the following:

- ICS offers a regular two-year program as well as a one-year program. Students of both programs are required to take up to 60 units in their first year,

which is why ICS has gained a reputation of being "tougher than Harvard Business School."<sup>4</sup> Students choosing the two-year program have the option of custom-building their second-year curriculum. Working with their seminar advisor (more on this below), they can select from a wide array of options, including an internship at a company, starting up a new venture, "shadowing" prominent CEOs, spending a semester overseas in an exchange program (with such schools as London Business School, Anderson School at UCLA, Haas School at U.C. Berkeley, Darden School at Virginia, Peter Drucker School at Claremont, Babson College and the University of Hawaii), doing volunteer work in a remote village in Nepal, to name a few. Students choosing the one-year program are restricted to company-sponsored students who spend the summer months working with their seminar advisor to complete their Master's thesis. In order to graduate, all students are required to write a thesis which can take the form of a field study project, a consulting report, a case study, or a new business plan.

- Each student will select a full-time faculty member as his or her seminar advisor during the first year. No more than four students are assigned to one seminar advisor who will offer guidance on academic matters as well as placement matters, socialize with the students occasionally, serve as a counselor at times and supervise the thesis. In effect, a seminar advisor often becomes a "mentor for life."

- Wednesdays are set aside for courses held outside the classroom. For example, in Operations Management, students make a one-day trip to visit a Toyota plant manufacturing the Lexus or a Canon copier plant. In Global Citizenship, they visit a non-profit organization to construct a playground, a public high school to run a Junior Achievement simulation game on how to make profitable computerized pens or a Honda plant to observe how people with disabilities can work side by side with able-bodied workers. In Entrepreneurship, they visit Sony's Media World to see the latest audio and

visual gadgets as well as the latest human-type robot conversing with people.

With the world becoming more complex and divided, ICS believes that the ability to embrace divergent forces will become increasingly important for the leaders of tomorrow. They will have to seek both continuous improvement and disruptive innovation. True to our university name Hitotsubashi, which literally translates to "one bridge," ICS seeks to build a "bridge" between divergent forces and capture the "Best of Two Worlds." This vision penetrates our curriculum as well as our research and our day-to-day activities. We seek the "Best of Two Worlds," for example between East and West, between old and new, between business and academia, and between competition and cooperation. Embracing paradox is a way of life at ICS.

### The Advantages of Being Located in the Heart of Tokyo

The ICS campus is located in Kanda Hitotsubashi, near Tokyo's business center, Otemachi, just two blocks from the Imperial Palace, and right next to Josui Kaikan (Hitotsubashi Alumni Association Building). Hitotsubashi University, whose main campus is now located in a suburb of Tokyo (Kunitachi), is named after the location where the ICS campus now stands.

This desirable location close to the central business district provides ICS with the following advantages:

- Practical education is enhanced on two fronts. First of all, students can easily visit almost all of the major global companies due to the physical concentration of businesses in Tokyo. Recent visits, for example, include a tour of Sony's Media World (mentioned above) in Shinagawa; a tour of NTT DoCoMo's lab in Akasaka; a tour of Morgan Stanley's trading floor in Ebisu; a teleconference with Silicon Valley in Accenture's Akasaka office, an end-of-the-course party hosted by McKinsey & Co. in Roppongi; and field research projects with Starbucks Coffee in Aoyama, Fuji Xerox in Akasaka and British

Petroleum in Yotsuya. All of these places can be reached within minutes using public transportation. Second, our convenient location allows easy access to prominent business leaders who often visit ICS as guest speakers.

- A favorable location is also a big help with recruiting activities. Students can gain easy access to recruiters and vice versa. In contrast, it has been a common practice in U.S. business schools for second-year students to be absent from class to visit recruiters. This practice has now spread into the first-year U.S. MBA programs in a major way, which some say is having a negative impact on learning and placement. The less students learn, the less likely they are to be hired, which leads students to be absent more frequently from class. Absenteeism for recruiting purposes is a rare event at ICS. ICS is proud of the fact that the first crop of our MBA students who graduated last July all got jobs in the companies of their choice. This year, despite the continued economic doldrums, corporate recruiters continue to find ICS MBA candidates especially attractive. Placement is also enhanced by a full-time placement director, and the assistance and commitment of our faculty members. Unlike business schools in the United States and Europe, ICS faculty members often act as "go-betweens" between students and recruiters.


- Having the campus located right next to the Alumni Building has an intangible benefit for ICS. Hitotsubashi is known for having an exceptionally supportive and loyal alumni association. ICS students may chance upon alumni, including Toyota Motor Corp.'s Chairman Okuda Hiroshi, Tokyo Governor Ishihara Shintaro, Matsui Securities Co.'s President Matsui Michio and Rakuten founder Mikitani, who frequent the Alumni Building.

### The Road Ahead

As mentioned earlier, strengthening the competitiveness of graduate schools is a top priority in Japan. Establishing a professional business school was the first step in breaking down the old sys-

tem. Hitotsubashi ICS took advantage of this opportunity to go "out of the box" to reinvent a business school for the 21<sup>st</sup> century.

As the second step, MEXT has given the go ahead to open law schools for the first time in Japan starting in 2004. In the future, it hopes to bring business schools, law schools and eventually medical schools under the umbrella of professional graduate schools.

Other steps that have already been put in motion include the following: (a) converting national government universities into independent agencies, thereby giving them more latitude and independence, but at the same time holding them more accountable; (b) establishing Centers of Excellence at graduate schools in order to foster competition within and across universities; and (c) allowing national university professors to launch venture companies that use technology developed at universities or national research centers. These moves will go a long way toward reinventing Japan's higher education system. 

### Notes

- 1) Keio Business School is Japan's first business school. Its MBA program opened in 1978.
- 2) From now on, ICS will only refer to the full-time, day-time MBA Program in International Business Strategy taught entirely in English.
- 3) This learning experience was made possible as a result of the "strategic alliance" ICS formed with Morgan Stanley in 2000. As part of this alliance, ICS and Morgan Stanley have co-sponsored several international conferences in Tokyo in the past three years.
- 4) As quoted in *Business Week*, Oct. 2, 2000.

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