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<td>Author(s)</td>
<td>Andersson, Shawn; Nakahashi, Maho</td>
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<tr>
<td>Citation</td>
<td>大阪大学高等教育研究. 5 P.31–P.40</td>
</tr>
<tr>
<td>Issue Date</td>
<td>2017-03-31</td>
</tr>
<tr>
<td>Text Version</td>
<td>publisher</td>
</tr>
<tr>
<td>URL</td>
<td><a href="https://doi.org/10.18910/60486">https://doi.org/10.18910/60486</a></td>
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Promoting Entrepreneurship in Japan:
A Report on Visits to Three Business Schools Near Silicon Valley

Shawn ANDERSSON※1, Maho NAKASHI※2

The purpose of this paper was to add additional literature to the discussion about increasing entrepreneurship in Japan. We visited three top business universities within a close distance to Silicon Valley to get a better understanding of how they are currently promoting entrepreneurship, and to gain a better perspective on their educational approaches, connections to businesses and alumni networks. The universities include the Stanford Graduate School of Business; The University of California, Berkeley Haas School of Business; and The University of California, Davis Graduate School of Management. After an overview of each university, some suggestions are provided in regards to how Japanese business universities can promote entrepreneurship.

Keywords: Higher education, business schools in Japan, entrepreneurship, Silicon Valley

Background

Entrepreneurship has several benefits within an economy such as creating employment, increasing efficiency and producing innovation (Van Praag & Versloot, 2007). While Japan is the third largest country in terms of GDP, the country ranks comparatively low when it comes to startups (Paul Kegel, 2016). In fact, the rate of new businesses in Japan has been in decline for several years (Hawkins, Del I, 2003). Recognizing the need for Japan to increase entrepreneurialism, there have been some societal, business, and governmental changes underway to increase the trend of new businesses, and a startup spirit is beginning (Fackler, 2013). This can be seen in areas like Osaka, where recent government-sponsored operations such as the Osaka Innovation Hub and The Lab are trying to create the next Silicon Valley (Harris, Mark). However, this trend needs to be accelerated if Japan wants to be competitive on a global scale.

As a mean to promote the type of change to increase startups, studies have shown that entrepreneurship can be taught by education provided by business schools (Solomon, Charlene, 2009). However, famous business schools around the world are seeing a reduction of Japanese students who are willing to earn an MBA abroad. An example of this is the trend that is taking place at Harvard Business School where, despite going to great lengths to attract Japanese students, the university is experiencing a significant decline in Japanese applicants in recent years (Byrne, John A, 2015). Harvard Business School’s Dean, Nitin Nohria believes that this may be due to Japan’s retraction from global affairs, and notes that Japan is the only Asian country with declining applications. Unfortunately, Japanese business universities are still finding their legitimacy worldwide (Miki, Tanikawa, 2010), and this can make it difficult to attract top entrepreneurially minded students from around the world. Therefore, there is a need for Japanese business universities to become proficient in encouraging entrepreneurship in Japan.

In contrast to Japan, Silicon Valley is known to be an entrepreneurial center where the headquarters
of famous companies such as Google, Facebook and Apple are located. Bearing this in mind, we visited three famous business schools within close proximity of Silicon Valley to gain firsthand knowledge regarding how they are promoting entrepreneurship and how their universities are operated. These three universities were: the Stanford Graduate School of Business; the University of California, Berkeley Haas School of Business; and the University of California, Davis Graduate School of Management. US News & World Report’s Best Grad Schools recently ranked these schools as the 2nd, 7th, and 45th best business schools in the US, respectively (U.S. News & World Report).

When visiting these universities, our focus was on addressing the following criteria:
1. Entrepreneurship promotion and support: Investigating each university’s ability to promote students to be entrepreneurially minded through programs such as mentorship connections, startup financial support and guidance.
2. Approaches towards departmental sustainability, quality and growth: Looking at how the universities administer themselves to excel above other business schools while looking at factors such as advertising, branding and differentiations to attract the best students.
3. Connections to businesses: Examining the opportunities to receive real-world exposure to outside businesses that, while separate from entrepreneurship, can offer benefits such as internship programs, project collaborations and mentorships. Also, students that are hired by these companies can later choose to start their own ventures after building up additional business experience and business connections.
4. Networking and alumni associations: Looking at how strong of a role that alumni associations play and how they are adding value for students.

Business School Visits

All three of the universities accommodated our visit, which were conducted in August and September of 2016. We were first given a tour of each of the campuses’ facilities and then were able to ask questions regarding the above criteria. Please note that the contents of this report include observations that were made by the authors as part of the visits, and do not necessarily constitute as official policies of the universities.

Stanford University Graduate School of Business

The Stanford University Graduate School of Business is about a 15-minute car ride from Silicon Valley, making it the closest of the three visited universities. The school boasts having many famous graduates who have started major corporations. In 2011, the university opened their new campus called the Knight Management Center with a new mission to focus on collaboration, flexibility and environmental sustainability. Prior to the 2008 Great Recession, the university’s students were very focused on gaining the necessary finance skills to move into banking industries. But after the recession, the students started showing an interest in creating businesses that can help towards the sustainability of the world. In relation to this, the new campus boasts a LEED Platinum certification, meaning it has the highest possible rating for environmental sustainability and almost no carbon footprint.

The campus implements a lot of technology as seen in lecture rooms that have computerized podiums to control everything from the room atmosphere settings to media streaming capabilities that link other classrooms together. Adjacent to the lecture rooms are several small offices called Breakout Rooms that are used for students during group discussions. These, along with several other offices on the campus, can be reserved easily through computers located on the doors. Additionally, the Bass library contains a computer lab with built-in analytical software tools and databases that allow students to run real-time financial analyses.

Currently, the actively enrolled business school population includes approximately 800 fulltime MBA students, 80 Master of Science students (through the Stanford MSx Program), 100 PhD students, and 2,300
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students in the executive night and weekend course. More than a third of the students are international students, and the typical accepted student has between four to five years of business experience as a test of excellence and ability to actively contribute to class discussions.

When it comes to entrepreneurship, we were told that most of the people applying to their business college naturally have a startup mindset with a passion to create their own companies due to the close proximity to Silicon Valley. Also, they believe having a long list of successful entrepreneur alumni really helps promote their image in this regard.

There is an active focus on getting people from different majors to interact with each other. For example, we visited their design school collaboration section where students from different backgrounds come to learn about design conception through group activities. Business students are also encouraged to participate in cross-collaboration between engineering, law and medical students through various joint classes and events. This can lead to more practical and concrete designs in technical ventures that require both scientific and business experts to function properly. In this way, the university is proficient at breaking down such technical boundaries for their students.

Stanford University has a long list of programs that promote entrepreneurship. The Center for Entrepreneur Studies (CES) plays an important role in connecting students with entrepreneurial Alumni and offers students one-on-one advising with experienced entrepreneurs, investors and executives. The center also promotes research in entrepreneurial studies and holds entrepreneurial classes. The Business Association of Stanford Entrepreneurial Students (BASES) works closely alongside CES as a separate entity, and is a student organization that holds annual competitions for students in various departments to pitch business plans in front of a volunteer board consisting of members of companies. Winners are awarded with prize money that can be used to help them start their businesses. Additionally, students have access to the school’s Entrepreneurial Summer Program (ESP) to get hands on experience with a small startup company.

Stanford University also has several programs for boosting entrepreneurship skills that are available to outside business professionals. Ignite is a part time program held all over the world with classes on entrepreneurship. Attendees learn to take ideas from scratch and brainstorm and formulate them into plans and to be able to pitch them to investors. The SEED program offers education for established companies in developing countries and aims to help them take their business to the next level. It is a one-year program with 5 sessions with a mission to reduce poverty. There are also several seminar-like programs covering various business topics that run for a few days at a time.

On the topic of educational approaches, there is a focus on general management with a theoretical foundation, and less of a focus on case studies like Harvard University so famously does. This type of theoretical framework can be seen in the NGP Colab within the Stanford Venture Studio where the focus is on creating ideas. Students imagine how customers think while coming up with business ideas regardless if they appear reasonable or not. The desks in the Colab are set tall and the chairs are not comfortable to encourage students to be ‘up and engaged’ and interacting with each other. There are also plenty of whiteboards available to jot notes down and stationary products to design products.

An observed recent trend was the apparent reduction of tiered-seating classrooms that are traditionally popular at business schools in favor of flat tables (see Figure 1). Depending on the type of class being taught and the faculty’s preference, flat tables were said to be favorable as a way to promote group discussions and collaboration. Specific to Stanford University were the various ‘Breakout Rooms’ surrounding some of the tiered-seated classrooms. These were at the disposal of faculty during times where students were encouraged to break out into small groups and discuss certain topics.
Company connections are important to the business school, and they have their own dedicated career center to connect students with companies for internships, mentorships and job placement. The center offers various services including information sessions, job searching and placement assistance, and there are currently over a dozen employees working to manage these services. In order for the school to develop new business connections, the center sends out invitations to various companies with information about their school and asks if they are interested in forming a connection. Companies are welcome to visit the university, but there are no dedicated offices for outside companies such as ones found at other business schools like UC Davis and UC Berkeley. This is due to Stanford University being a private, non-profit organization, and the institution has rules against such arrangements.

The alumni network at Stanford University is very important to both the students and university. The school works to allow all of their business students to get the opportunity to meet everyone and get to know one another to develop strong connections. To accomplish this, the class sizes are intentionally kept small, and there are numerous outdoor seating areas provided for students to run into each other. For the university, the alumni network is very important as a means to motivate top students to apply to their business school, as well as a major source of revenue for future expansions. In fact, there are students that apply solely for the prospect of getting access to the network, and their new campus, as well as all future expansions, are funded by donors. As a means to reward and encourage donations, many facilities from small meeting rooms to lecture halls have been named after top donors.

Overall, Stanford University's business school has an extensive list of ways that they promote entrepreneurship. There is a sense of collaboration of people from different professional backgrounds to create the theoretical groundwork for ideas. This is accomplished by offering classes with grouped seating for classes where discussion and collaboration with students is important, and having breakout rooms that look like business meeting rooms. Within this environment, students are encouraged to create plans for startup companies through competitions for prize money. Participate in extensive summer entrepreneurship programs, and the alumni association is critical for connecting students with entrepreneurial alumni.

University of California, Berkeley Haas School of Business

The Haas School of Business campus is located about one-hour away by car from Silicon Valley. The current center was completed in 1995, and with it, the department began offering an undergraduate program in business and has seen a growth of more than 1,000 students enrolled. In the past 20 years, the business school has had an increase of 2,200 undergraduates and graduates, and offers six degree programs. At the time of our visit, construction was still ongoing on their North Academic Building, which the business school will share with the school of law. According to Rich Lyon, the current Dean, the building will be entirely devoted to student learning and interactions ("New North Academic Building to Transform..."). The classrooms will implement sophisticated technologies similar to Stanford's business school including the ability to provide video streaming and video teleconferencing.

The current student population consists of approximately 500 fulltime students, 700 evening and weekend students, 700 undergraduates, 60 executive
program participants and 60 finance-engineering students. International Students make up almost half of the student population, but for some reason there has been a significant decline in Japanese student enrollment in recent years. The typical student was described as having an average of 5 years of working experience to ensure that they can actively participate and add value to class discussions, and the average age is about 27 years old.

Along with offering several entrepreneurship classes, the university has several programs available to students to encourage entrepreneurship. While there is no broad mentorship program for all students, there is a mentorship program specifically for students who are interested in running their own businesses. Through this program, students are connected to alumni that are CEO’s of startup companies. In addition, the university provides competitions for students to pitch a business plan, offering prize money that can help students start their own business. This was said to be very competitive with a high participation rate from the students.

In addition, the school has Skydeck, a business accelerator with mentoring and coaching services to accelerate startup ventures through a 6-month program designed by venture capitalists and entrepreneurs. The business school even has connections with Japan, and for the last couple of years some of the evening MBA students have traveled there as part of an international business class where they visited local companies and the abovementioned Osaka Innovation Hub.

Regarding sustainability, it was interesting to learn that only a fraction of the business school’s funds come from the government. A substantial part of their funding now comes in the form of endowments from alumni and outside donors and other programs that generate revenue. This was said to be a stark contrast to just 10 years ago, where state and government funding constituted as the main source of their funding. By focusing on programs that generate significant revenue, the school is able to hire top faculty, which in turn attracts the best students.

Similar to Stanford University, case studies are not so important to UC Berkeley’s specialty approach. Instead, they specialize in rigorous analytical work, as well as creating their own brand of leadership. In this way, they can focus on finding their unique strong points and differentiating themselves from other universities. They have established defining principles to follow for both hiring staff and accepting students. This ensures that everyone is on the same page regarding what the university wants to achieve and the academic setting they want to create.

In terms of branding and advertising, we observed posters placed on walls throughout the campus around both the lecture halls and the administrative offices that showcased the previous accomplished graduates of UCB. There was also a hallway that has an ‘Innovative Leaders Wall’, which includes several showcased distinguished graduates including a man that started his own business school in Africa and John Hanke, the man who created the company behind the recent popular game, ‘Pokémon GO’. As a means of advertising the business school and attracting diverse talent from around the world, teams are sent abroad each year to advertise their university through various seminars and fairs. This could be a reason why such a significant portion of their student population consists of international students.

Within the aspects of teaching environment changes, the university appears to also be trending towards moving away from tiered seating classrooms and are adding more flat, square tables to allow students to have greater interactions with each other during class discussions and group assignments. However, this all varies for the needs of each course and the faculties’ preference.

One of Berkeley Haas’ methods of connecting to outside businesses includes having a dedicated large office on campus that is used by the consulting company, Deloitte. This connection provides a mutual benefit because recruiters working directly on campus can interview students and conduct recruiting events. They are also involved in offering internship opportunities and sponsoring competitions.

Besides the company-specific offices, there are various interview rooms for recruiters to come and
conduct interviews that are available for Masters students.

Regarding the alumni network, students at Berkeley are said to be networked together from day one. The network is so important that students often choose their program specifically to get access to it. For online networking, students frequently use LinkedIn, and the department has its own LinkedIn account that is strict about verification. The alumni association is also very important to the business school for receiving donations. Like Stanford University, every expansion of their department requires them to raise the funds from donations of alumni and outside donors. For example, the North Academic Building will total around $60 million USD and is fully funded by alumni and other donors.

Taken as a whole, UC Berkeley offers a wide range of programs that encourage entrepreneurship. Like Stanford University, the alumni network is important in connecting current students who want to start their own business with entrepreneurial alumni through a mentorship program. Students become an active part of the alumni network as soon as they enter the college and have access to its benefits. There is also a competition for its business students to create business ideas for prize money, and their students are encouraged to think globally when addressing business issues by traveling to different countries to see global business scenes.

University of California, Davis. Graduate School of Management

The UC Davis Graduate School of Management campus is located approximately two hours away from Silicon Valley. AffordableSchools.net ranked the school as the 49th best university in the US for providing an environment that encourages the start of new businesses ("50 Most Entrepreneurial..."), and they have also been consistently ranked in the top 10% amongst the best MBA programs in the world ("Financial Times Ranks..."). The school offers three MBA programs: a two-year, daytime program at the main campus, and two working professional programs in Sacramento and San Francisco. The main campus building is called Gallagher Hall and was completed in 2009 with a cost of $13 million USD. Like Stanford University's business school, UC Davis takes an active stance in environmental sustainability, and their center is also LEED Platinum certified with ample natural light and a sophisticated central air system to significantly reduce the carbon footprint. Each lecture room is equipped with technologically sophisticated podiums that control the rooms' climate, lighting and projectors. There are also computer kiosks next to various office rooms to allow for reserving small group meetings with ease.

The business school currently encompasses approximately 100 full-time MBA students, 400 part-time students and 50 students majoring in accounting. In addition, there are also around 300 undergraduate students taking accounting classes and 200 students with technology minors that are using the center's classrooms. The department works hard to make the resident business students feel comfortable and get the most out of the program by continuously getting their input on what types of facilities they want. There is a cafe room that allows extra comfort and interactions with students and includes snacks for purchase, a refrigerator and a TV. A locker room is also available where students can take showers and store spare clothing, allowing them to stay on campus longer.

For entrepreneurial promotion, the business school has the Center for Entrepreneurship, which provides students and researchers with entrepreneurial skills, resources, and network support for the creation of startups. The center also works to bring business students together with students from technical majors like science and engineering and outside business professionals to work on projects.

The business school's specialty consists of a focus on a teaching method that uses case studies combined with various hands-on projects to get a theoretical and practical foundation. Group collaboration is essential and, just like at Stanford University, there is an ample amount of space that has been converted into small and medium-sized meeting rooms for the students to use. Amongst these rooms, there is one called the
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'Innovation Egg', which is partially because of its oval shape with a large, curved whiteboard wall running the length of it. However, it is also a place to promote the creation of ideas with the intention of encouraging students to write ideas and actively brainstorm. Once again, there is an apparent active approach to get ideas to flow first and worry about the feasibility and details later.

At the time of our visit, the new students were going through their beginning orientation week. We observed the students conducting 'speed networking', where they practiced introducing themselves to each other in a business professional manner. Along with this icebreaker technique, there were said to be plenty of other opportunities for the students to mingle from the very beginning within the initial orientation timeframe. In this way, the school plays an active role in encouraging relationships with classmates, allowing for future professional connections.

In terms of connections with companies, the location of UC Davis campus is somewhat of a hindering factor in that, while it is close the state capital of Sacramento, it is the furthest of the three universities from Silicon Valley and San Francisco. For this reason, a hotel was recently built on campus and next door to the business school as a means to link the outside business world to the center. Now, visiting representatives from businesses can lodge within walking distance of the center. The business school also has a large boardroom that is used occasionally by the university's Chancellor and other executive staff. This brings high-level meetings to the business department and allows for increased exposure.

Like UC Berkeley, UC Davis has a business partnership with an outside corporation, Mars Incorporated, through a dedicated office on campus. This partnership has been continued for several years through mutually beneficial programs where students can work to make real marketing strategies for a global company, and Mars can get insight from ambitious students. The students get the opportunity to participate in a several month-long team assignment with Mars and other companies to work on real life projects such as entry plans into new international markets. Additionally, the campus also has a dedicated room where companies can visit and use the space to give information sessions and conduct occasional interviews.

For alumni connections, the business school uses an internal website for their alumni networking and has the Graduate School of Management Alumni Association. They also have a LinkedIn account with currently over 3,600 members, and there is an active commitment in keeping students connected after graduation by running a periodic article called the Alumni Accelerator, which highlights the stories of previous graduates and keeps alumni up to date on things happening at the university.

When we sum up the business school's promotion of entrepreneurship, UC Davis has similarities to the other business schools. We see that it is important to bring students from various backgrounds and majors together for collaborations. Priority is also given to providing an ample amount of small to medium-sized meeting rooms available for the students to use that are designed to promote the brainstorming of ideas. The alumni network is important as well, and students are encouraged to interact with their classmates and get to know each other from the very beginning. Finally, partnerships and interactions with companies provide a link to the business world outside of academia.

Summary of Ideas

From the results of these visits, we can sum up some ideas regarding how Japanese business schools can promote entrepreneurship and become better at competing globally.

Constructing a strong, reciprocal relationship between the students, business school and previous graduates through networking and alumni associations appears to be significant. The benefits include an ability to receive practical guidance in starting businesses through mentorship programs, encourage business-minded people to formulate real-world venture plans with likeminded classmates and to potentially generate revenue through membership
fees and donations. It may be beneficial to encourage the frequent collaboration of people and ideas by gathering students from different professional backgrounds together to get them to create the theoretical groundwork for ideas. In Japan however, some business universities have dual programs in English and Japanese, and this can naturally separate the interactions of both sides through a language barrier and different classes. As a means to increase overall interactions, Japanese business schools can look to having classes with grouped seating and offering an ample amount of convenient meeting rooms with plenty of whiteboard space to track ideas. They can also consider maintaining a small student population size and design facilities that encourage students to be physically within proximity of each other.

Instead of soliciting participation after students graduate, it may be beneficial for them to be engaged in the alumni association from the moment they enter the college. Students who want to start their own business can benefit from having easy access to entrepreneurial alumni through mentorship programs. And if students can take advantage of the alumni network’s benefits and realize its importance, it may encourage them to actively participate in the future as well.

In regards to alumni growth & quality, the trend observed at the three universities was that alumni donations were accelerating their growth at a phenomenally fast rate. Japanese business schools cannot currently rely on alumni donations for expansions in this way, but it may be importable to lay the groundwork now towards building a great network so that some day these alumni too can provide such benefits. With the abundance of available social networking services like LinkedIn, alumni networks can be easily managed. Also, as an incentive to promote donations, various classrooms, lecture halls, buildings and even campuses can be named after lead donors.

Partnering with various businesses can be beneficial to increase the exposure to entrepreneurship because they provide the necessary experience outside of academia: classroom teaching may not be enough to instill entrepreneurship, as it risks being too theoretical. Some US universities are able to dedicate office space to certain businesses, while others like Stanford have policies against this. All of the universities nonetheless frequently invite companies to their campuses and have strong relations. Aside from directly recruiting students, companies assist these universities elsewhere in activities such as volunteering as judges for business plan competitions and offering summer internship programs. To gain these business connections, Japanese business schools can consider dedicating staff to conducting outreach prospecting to companies that may be interested in partnerships. Also, all three of the visited universities had their own dedicated career centers.

As a means to focus on sustainability, growth and leadership, Japanese business schools may need to focus on creating a specialty approach to differentiate themselves from other colleges. Also, they may need to view their programs as one’s that need have a branded image, marketing campaigns and revenue-generating programs. Each of the three universities sought to offer a special curriculum based on their values rather than mimicking other business schools. The universities are also active in advertising to students around the world to attract top talent by sending faculty to different countries to advertise at seminars.

As a final note, people may be turned away from startups in Japan due to the inherent significant risk of failure, as only a fraction of ventures survive. In recent years however, there has been a movement in the US known as the Lean Startup method. This method tries to reduce the uncertainty of ventures by taking a more systematic approach of testing hypotheses and implementing an ongoing verification between stakeholders that focuses on customer feedback rather than intuition. Harvard Business School is said to require all of their business school students to learn this method (Baron, Ethan, 2015), and the three visited universities also appear to be embracing the idea in different degrees. UC Davis has their Entrepreneurship Fund, which bases its curriculum on the Lean Startup ideology. UC Berkeley also offers a course that mixes
Purpose-Centered Design with the Lean Startup. But Stanford University continues to run their Startup Garage where students can continue to creatively design new ideas for ventures in a traditional sense. Therefore, the Lean Startup will continue to play an important role at business schools, and could eventually even become a method to encourage more risk-adverse students of Japanese business schools to start their own ventures. However, the discussion on the continued importance of traditional methodologies continues to play a significant role for business schools as well, and its evolution can be a great topic of discussion for future visits.

Conclusion

Japan is on its way to becoming more entrepreneurially minded, and business schools can be a valuable tool in promoting the necessary types of expertise and thinking needed to accelerate this process and address future issues. But there is a long way to go to be considered competitive on a global scale, and there are questions that Japanese business schools must address in regards to sustainability, growth and fostering startup mindsets that have been traditionally subpar compared to other countries. To do this, the business schools have to decide their identity on the line between seeing themselves as a business that can compete and instill practical knowledge, and being a university with a goal of providing the groundwork for theoretical education. It is our hope that visits like these will provide some insight on the recent trends at universities that succeed in this regard.

Acknowledgements

We would like to thank the staff at all three of the universities for accommodating our visits. The knowledge that was gained would not have been possible without their generosity and dedication towards education.

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