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The e-University and Potential Markets in Japan

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Preamble

.1 Editor's Introduction*

Japan has typically been regarded by e-learning marketers as a country with high potential for e-learning but one inhibited by number of factors including its different approach to use and development of Internet; language, business, regulatory and cultural barriers to entry of outside players; and a very traditional university system.

This report, by the noted e-learning consultant Quentin Thompson and his collaborators, shows that this view should be changed. Despite being written nearly 18 months ago, this report has a timeliness in view of recent information that US for-profit e-universities are actively targeting specific Asian countries, namely Japan and South Korea, as well as countries in the EU. (For the public tip of the iceberg on this, see the article "Potential, potential, potential – new report gauges international market for online higher education", Observatory on Borderless Higher Education, 22 April 2005, http://www.obhe.ac.uk.)

There was very little focus on Japan in the earlier HEFCE-funded round of market research on Asia (see below for citations from the e-University Compendium) and this makes the current report more valuable. In our view the *former* proposal in this report to what is called "UKeU" should be viewed as a *current* proposal to one of several consortia of high-ranking universities in the UK.

Analytic information on e-learning in Japan is not plentiful. There are some references to Japan in the e-University Compendium:† see in particular short sections on Japan in Chapter 3, "A Study on Market Issues for the Proposed e-University", and Chapter 8, "Impact of the Internet on Higher Education in Australia and Asia". There are also several references in OBHE, in particular to expected or proposed policy changes that would facilitate the expansion of distance e-learning in Japan, and some comprehensive reports on the cross-border issue, but nothing particularly concrete. Perhaps the most useful starting point is the article "Japanese reforms include recognition of in-country foreign universities and launch of first for-profit universities", in the Breaking News section of OBHE for 6 April 2004.

A Note on Provenance

This report on Japan seems not to have been particularly well known among UKeU staff. It was found in the UKeU archive and an electronic version was obtained from the lead author. The report was written as Phase 1 of a larger plan, but Phase 2 was, in the event, not funded, seemingly because UKeU interest in Japan was limited, no doubt for the reasons cited above and reflecting the pre-UKeU "e-University" analyses from HEFCE and consultants. Japan was mentioned only once in the 2002–03 UKeU Annual Report and that in a marginal way. In the UKeU marketing plan, it was

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* By Paul Bacsich.

† See http://www.heacademy.ac.uk/e-university/.

judged as a country in Phase 2, ahead of South Korea – and also ahead of Thailand and Vietnam (all three of which in reality got quite a lot of attention) – but behind the Philippines and Taiwan (Phase 1A) and the standard Phase 1 "low-hanging fruit" of China, Hong Kong, etc. See Report 01 for more on UKeU target countries.

Production Notes

The use of "e-U" in the original has been changed to "UKeU" as usual. The editors did consider using the phrase "e-University" to suggest a wider current applicability to the report, but decided in the end not to break their usual editing rules.

Any footnotes in the original text which were URLs have been embedded in the text; other footnotes have been transformed to endnotes. The footnotes in the material are contextualising footnotes added by the Editor.

Acknowledgements

We are grateful to the authors, who took the time to reflect on and write a contextualising introduction to their earlier report; to Dr Jonathan Bunt of the Japan North West Centre at The University of Manchester for a further commentary; and to former UKeU colleagues for additional information on UKeU visits to Japan.

.2 Contextualisation by the Authors*

This report was prepared as background for the UKeU CEO's trip to Japan in early 2003. Higher education in Japan was (and still is today) going through massive changes, with intense competition among universities. We thought this provided a unique environment in which Japanese universities – potential partners to UKeU – would welcome propositions for partnerships.

In our view it was a pity that little follow-up action was taken subsequent to the UKeU CEO's visit in early 2003, particularly given that his visit was favourably received, with some institutions expressing interest for further discussions. Perhaps the UKeU did not yet have the wherewithal to target Japan, as they did not yet have concrete offers to make to the Japanese, who are keen on having practical details. Perhaps our strategy recommendations should have focussed more on some local initiative-oriented approaches such as setting up a marketing agency on a commission basis. Perhaps the international marketing function of UKeU did not have the capacity at the time to handle the additional specific marketing aspects of Japan.

Today, the competition among Japanese universities (and the need to differentiate themselves from each other) has probably become even more intense since the "incorporation" of national universities in April 2004, which has made them much more autonomous than before. The universities are becoming more business oriented as the status of "Independent Administrative Agency" takes effect. Still, 18 months is a long time in the "e" world and it is most likely that there would have been other entrants

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and many new developments to meet the market needs in the meantime. In general, looking back at the report from where we stand now as of May 2005, we believe that the top-level market analysis is still valid although the trends indicated in our report are becoming increasingly evident.

.3 A Further Commentary*

This report is of necessity of a specific time and context that has now somewhat passed, but the general issues cannot be ignored today. The report's comments on "brand" are still valid and the issue of a perceived lack of value and "added benefit" to on-line learning in comparison to studying abroad (with all the cachet that this has in Japan) does raise a difficulty in getting into such markets as may be there. The analysis of the problem of postgraduate education not being seen as "training" for professions is sound. Even in Japan, there is bound to be much more happening now in e-learning than at the time of the report – thus an updating exercise with some case-studies would paint a rather useful picture. In particular, the issue of "blended learning" with a combination of online and study abroad (and at home) is not addressed in detail but it is this about which a lot is heard these days and not only in Japan.

The issues of free content and what is "worth" paying for are very heavily determined by local experience – and the costs of appropriate localisation of content into Japanese are likely to be high. For "high" many would as well say "not doable at all at a distance", in comparison with the developed understanding of the language and culture and the internal business context that a local Japanese partner could provide.

An issue for analysts today is that the move of Japanese national universities in the first tier to financial semi-independence is already working through their systems, and the issue of partnerships with China seems now to be a huge factor in many institutions' plans. The idea of "triple alliances" between UK, Japanese and Chinese institutions may be a way forward in many areas.

The lack of financial flexibility (many Ministry of Education and Japanese internal university research and development funds do not permit spending overseas) will certainly be a major factor limiting "buy-in". The Japanese HEIs' need for "joint" projects and "exchanges" with prestigious non-Japanese institutions at a non-profit level may restrict UK HE willingness for investment in a market where returns may be initially small and localised rather than generic and cash-rich. There are very different cultural and business models at work here.

In the light of the above remarks, to refocus the report's suggestions to the issue of UK HEIs getting into the Japanese e-learning market would need some work, in the light of the constantly changing climate, to determine the best kind(s) of potential partnerships required.

The original report now follows, starting on the next page.

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* By Jonathan Bunt, Associate Director, Japan Centre North West, The University of Manchester.

0. Executive Summary (August 2002)

Opportunities

Japan is a country with a significant market promise for UKeU. A decade of economic stagnation resulted in a sea change in individuals' attitudes about their career prospects and their need for better professional skills. For example, a university that started an internet-based graduate degree programme in IT in April 2002 found a much more positive response from individuals than they ever imagined. The regulatory environment has recently changed to a more favourable one for university experimentation as they are now able to incorporate, to a significant extent, distance-based modules into their existing degree programs.

At the same time, the higher education sector is facing major restructuring both as the government pushes forward with further de-regulation and pro-competitive policies, and as the declining college-age population increases competition for student intake. Universities are on a lookout for ideas to differentiate themselves from the competition, and yet are hard pressed to develop and implement good ideas by themselves. An opportunity to liaise with a credible foreign partner to implement high quality e-learning modules would be likely to be seen as an attractive proposition.

Potential Markets

Our preliminary analysis indicated that there are three principal market segments that might be targeted in the short term: working adults seeking to meet their professional graduate-level training needs and personal development goals; university undergraduates for supplementary modules that would help them prepare for the labour market; pre-college students who are increasingly looking to overseas undergraduate options.

Our analysis suggests that the main focus, at least at the outset, should be to provide modules and e-materials, rather than degree programmes, to a range of universities such that they could incorporate them into their existing programmes. Potential subject areas include: (a) business and administration, including finance and banking, risk management, (b) public policy and administration, including NGO management; (c) environmental studies, including impact assessment and ecosystem management; (d) international and EU law; (e) social care, including the more social aspects of health care; (f) culture and leisure ranging from Shakespeare, science to English gardening; (g) English language at all levels, both in its own right but also as support to each of the other areas.

Challenges

Favourable market conditions also mean that there are many competing initiatives, which translate into three types of challenges for UKeU. First, the Japanese market is increasingly bored with what they call "digital picture shows," low-level e-learning materials that merely combine video streams with power-point presentations that are not pedagogically thoughtful. Second, the current university environment strongly favours openness and the free provision of internet materials, in part spurred by the

shock wave arising from MIT's intention to open its course contents on the internet. Third, brand image is important in Japan and by no means does all British higher education have a strong brand image by comparison with US competitors, especially in professional fields.

Recommended Approach

Our recommendation is that UKeU should develop its image as a partner in the development and provision of high quality e-materials that are distinguished from the competition in terms both of their pedagogy and of their content. We think it is possible, and indeed in the interests of UKeU, to pursue this through a combination of approaches; we suggest five.

The first obvious tactic to help UKeU develop a competitive image as a British provider would be to make use of the existing brand reputation of some British players. These should include not only the UK's most prestigious universities in subject areas where they are internationally known, but also world players that would put UKeU on the map for high quality e-learning such as the Open University (recognised as a world leader in distance-based pedagogy), and the BBC (as the holder of world's best archives of high quality video materials).

The second tactic would be to select subject areas in which it would be easier to maintain that there was a world leading British presence; for example in public policy, NGO management, environmental concerns, finance and banking, or legal issues around cross-country conflicts. These may not all be fields in which one or more British university has developed successful programmes. We would suggest that efforts be made to encourage the development of such materials, using UKeU and the Japanese potential as leverage.

A third tactic would be to capitalize on the (favourable – in comparison with the US) time difference between the UK and Japan, which makes it feasible to operate synchronous interactions in the evening in Japan, as 6–12 pm Japan time is between 9 am–3 pm Greenwich mean-time.

In addition to all of the above, there are two fundamental points of a more business nature. The first concerns the degree of openness that UKeU should adopt with respect to the use of its platform and materials. Open-source and user-based innovations are increasingly important within the IT industry; how UKeU should respond to this is an issue in its own right, not only for any presence in Japan. Within Japan at least, it would help deal with the entry barrier arising from any lack of user knowledge about the specific software environment.

The second issue concerns the balance of what should be charged for and what should be free. Again, provision on the internet has seen some novel developments in approach. We think that it would be sensible seriously to consider making UKeU platform free, as well as some (carefully chosen) of the e-materials. In effect, this would be a marketing tool to increase UKeU's share of the market, but it would also help dispel an image that UKeU was only in Japan to make a quick buck at Japanese expense – an attitude often (negatively) attributed to US providers.

Combining an open source approach with some free provision would also open the possibility for UKeU to benefit directly from e-learning materials that were subsequently developed by faculty members in Japan – who are often highly technically proficient.*

Partnership Strategy

Our recommended partnership strategy is for UKeU to focus on the development of specific modules in selected fields probably drawn from the above. These should be developed with a core group of institutional partners in which there are clusters of interested individual faculty members. Once developed, the finished module should then be marketed to a broader community of universities.

We believe that the Japanese market also provides a unique opportunity for the institutional development of UKeU itself – in two ways. First, it would enable UKeU to work and experiment with one of the most IT-literate nations, in terms both of interested faculty and of students, who are likely to push UKeU to develop higher quality products. Second, it would require UKeU to confront the issue of identifying and developing British competitive advantages over the US university competition; this would help UKeU to develop its thinking about how best to position itself in the global market place.

Next Steps

The next steps for UKeU follow directly from the above: it should rapidly develop partnership agreements for the development of a limited number of specific modules with several "core partners". These should be chosen on the basis that they have a demonstrated and significant capacity in e-learning, based on a number of active individual faculty members. The development should be with a view to subsequent marketing of the resulting modules to a wider group of universities.

1. Introduction

1.1 University Reform

Higher education institutions in Japan continue to face a deepening and multi-faceted crisis. The declining youth population is changing the fundamental structure of higher education, compelling universities to compete with one another for fewer students. But, at the same time, universities are facing the problem of deteriorating student qualifications. While the Japanese government realizes that knowledge drives new economic growth, the Japanese universities remain fortified in their ivory towers.

The response of the Japanese government was to announce, in June 2001, the Toyama Plan, a drastic reform plan, to streamline the national universities as part of the broad

* In May 2005, six Japanese universities formed an OpenCourseWare alliance and are offering their learning content for free on the internet. See http://www.jocw.jp/sub2.htm.

reform initiatives of Prime Minister Koizumi. Unlike previous attempts at reforms, the seriousness of the government intent is today widely understood and accepted, and this pro-competitive initiative appears to have had a much greater effect on the higher education sector in general. The so-called "21st Century CEO programme" also envisages channelling research funds to the top universities in each field. The government allocated the equivalent of a little over 100 million pounds for the five fields of life science, chemistry/material science, information/electronics, humanities, and interdisciplinary/new fields. There were 464 applications, out of which 113 were selected.

Toyama Plan

MEXT (Ministry of Education, Culture, Sports, Science & Technology) announced the Plan for Restructuring Universities (called "Toyama Plan" following the name of the minister) as part of the Koizumi Reform shortly after the new cabinet was formed in June, 2001. The plan calls for large-scale restructuring of the national universities through mergers and shifts in fund allocations. The three pillars in the plan are "large-scale restructuring", "universities specializing in a single field to move to rural areas" and "the top 30 universities to be prioritized".

Most administrators in Japanese universities have known since university enrolment peaked (in 1961) that a crisis would come and that early efforts to reform the content of their teaching would be important to help them survive the resulting competition. However, it has not been easy for the administrators to influence the academics in their universities, who are far from being so pragmatic. In spite of the recognition of a crisis, substantive curricular reform will take place only very slowly. For example, it is not possible to abolish a department that is no longer needed and set up a new one; nor is it feasible to dismiss faculty members for whose skills there is no longer any demand. The only way to reform the curriculum is to add new and relevant courses and then to wait for the generation to change.

For example, one administrator from a reputable private university, known for his entrepreneurship, admits that over 90% of the lecturers in the English Department cannot teach conversational English, but that it is difficult to dismiss them. Even when better-qualified younger lecturers are brought on board, it is not easy for them to operate effectively in a cultural environment dominated by their (less effective) seniors. One administrator from another well-respected private university explains that there is no way to make drastic changes as Japanese universities are extremely decentralized in their decision-making, as are most other teaching institutions. In other words, there is a clear opportunity for a third party to sell useful teaching programmes to these well-intended but politically constrained institutions.

Other reforms have led to some recognition that there is a need for improved professional training. For example, the government has launched a reform of legal institutions, leading to substantive changes in legal training, which in turn will be likely to require the establishment of post-graduate law schools. At present anybody can become a lawyer in Japan so long as she/he passes the bar exam. Only 2% of the applicants pass the exam to supply 1000 lawyers each year. The planned legal reform intends to admit 3000 lawyers each year by 2010. With the backdrop of criticism against the lawyers for their knowledge biased qualification, the government intends to establish law schools to provide prequalification for the bar exams. For any law

department at a university it is a matter of survival to have graduate level law school, but it is clear that there is a shortage of well qualified educators in this field.

In contrast to the US, professional graduate schools have been almost non-existent in Japan, except in engineering areas, and graduate schools have traditionally focussed almost entirely on training for academic careers. The number of students in post-graduate study more than doubled between 1990 to 2000, increasing from just under 90,000 to over 205,000. As business and public administration fields demand more knowledge-based professionals, even the increased number of new programmes offered by universities has still not closed the gap between the supply of professional training and the demand for it.

1.2 Social Changes

A major social factor affecting universities has been the gradual decrease in youth population. The 18-year old population peaked at 2.5 million in 1961, declined to 1.5 million in 2002, and is expected to fall to 1.2 million by 2009. With the prospect of a shrinking market, Japanese universities are now becoming more competitive and pro-business, looking for additional enrolments from overseas and from the working population – but still mainly for their existing offerings.

Ever since the "bubble economy" burst in the early 90s, Japan has gone through a prolonged recession. The financial sector is still burdened with non-performing loans and continues to cast a shadow over the rest of the economy. After a decade of expansionary fiscal policies, the public debt has reached an unprecedented high level as a percentage of GDP. Corporate restructuring and downsizing has hit even Japan's manufacturing sector, including the automobile industry, once Japan's pride in the global competitive market. The belief that large prestigious employers will provide job security through lifetime employment has crumbled. Downsizing and restructuring measures, while still much less drastic than in American companies, have sometimes occurred in industries where people least expected them.

One of the reasons for the decade-long recession is that, while the society itself undergoes a profound structural change, the industrial structure has not responded sufficiently swiftly. The resulting mismatch in the labour market has led to an unemployment rate of over 5% – a figure that never used to go beyond 2%. For example, the construction sector is still the largest industry even though the high growth demands for rapid construction are long gone. On the other hand, there is a shortage of care for the aged and for children of working mothers, one of the few fields where new programmes are being established by higher education institutions. There is a huge backlog in terms of need for nursing homes and childcare.

Another consequence of the prolonged stagnation is that companies are no longer providing a high level of internal corporate training, once the symbol of Japanese corporate success. The number of Japanese MBA students overseas dispatched by their companies declined in the 90s, as companies cut training budgets. While the outsourcing of training – in order to cut costs – is certainly taking place, it has lead to a growth of many small providers rather than to any large major providers of corporate training.

These developments are creating a new environment in which individuals need to take their own career prospects seriously; specialized magazines and advertisements for career development, for changing jobs, and for developing new skills now take up much space on Tokyo trains as well as in bookshops.

This renewed focus on career relevant skills are fuelling a traditionally strong certificate-driven mindset about skills training. Japanese students have always been more motivated to learn if their learning leads to a recognized certificate or degree; certification has now become even more important for individuals to differentiate themselves in the labour market. There are thousands of national certificates from lawyer to boiler operator. In 2001 around 6 million people took national qualification exams certified by the Ministry of Education, Culture, Sports, Science and Technology (MEXT, http://www.mext.go.jp/english/). The implication for UKeU is that it should offer modules that can be accumulated either towards a degree and/or to a specific professional certification examination – that could be administered on-line.

There is a wide consensus that career training is an important factor in enhancing labour mobility and, in order to promote labour mobility between industries, the Ministry of Health, Labour and Welfare now provides a subsidy to individuals for retraining. The subsidy covers 80% of the tuition costs with an upper ceiling of 300,000 yen (£1.600) per year[1]. The eligible training includes a wide range of private and public courses – both in-class and distance learning, including courses in English language schools[2]. Internet-based courses are eligible for such subsidies as exemplified by Shinshu University's first Internet graduate course on Information Technology. The Ministry of Education, Culture, Sports, Science and Technology (MEXT) is also strongly promoting the concept of life-long learning – and has recently proposed a goal of one million life-long learners.

1.3 Information Technology Infrastructure

Japan has long been criticized for its slow development in the IT field. At last it has caught up with the US in one area, that of broadband, where, for example there are currently 5 million subscribers to DSL[*] as of December 2002 and growing at an increasing pace – there were more than 500 thousand new ones in December 2002. A major reason for this broadband explosion is the low cost of the usage: the rate for one month's subscription ranges between $20 to $30 for a 1.5 Mbps or 8 Mbps connection.

Cost-effective broadband access coupled with a large pool of subscribers could have a significant impact on the e-learning market by allowing video streaming with quality commensurate to a small TV. Another prominent characteristic in Japan is the wide usage of mobile phones. There are currently 74 million mobile phone subscribers, out of which 60 million subscribers are Internet accessible as of December 2002. The new

[*] DSL stands for Digital Subscriber Line. It is one of the most common technologies for delivering broadband to the home, and the one typically favoured by telephone companies. There are several variants of DSL of which ADSL is the most widely deployed to homes, because of its lower cost. In the UK the typical top speed for ADSL to homes is 2 Mbps (megabits per second), with 8 Mbps only in a few favoured city areas. A speed of 8 Mbps allows multiple TV channels to be delivered.

generation of mobile phones, including i-mode,[*] are Internet accessible. It is common to see young people working on emails on commuter trains with their mobile phones.

2. Mapping the Territory

2.1 Regulatory Environment

University programmes are regulated through the Chartering and Standards Council, which has to approve any university application to establish a new degree programme. Universities are subsequently granted autonomy to alter the educational content of an agreed existing degree programme, but must obtain Council approval to establish a new one.

As far as e-learning is concerned, a new regulatory framework became effective in March 2001, but the details are being constantly modified. The framework provides different e-learning options for universities depending on the type of programme (regular or distance-based) and its level (undergraduate and postgraduate). For regular bachelor's programmes, universities are now permitted to use asynchronous Internet-based education for up to 60 out of a total of 124 credits. For distance-based bachelor's degrees, all instruction, except for a requirement for 15 hours of face-to-face instruction, may be delivered through the Internet. Distance-based graduate programmes can be offered entirely through the Internet.

This regulatory change goes a long way towards permitting all Japanese universities to supplement their existing regular degree programmes with Internet-based courses. As a consequence, an increasing number of Japanese universities are interested in establishing Internet-based courses, particularly in partnership with foreign universities. According to a recent survey, over 20 universities are already thinking about introducing overseas courses that students can elect to take for credit.

For those universities that have previously been offering distance education programmes, e-learning should come as natural extension. In 2001, there were 30 universities offering distance education programmes with a total enrolment of 250,000 – including the University of the Air.[†] There are only six universities currently offering graduate level courses in distance education, with an enrolment of 800; these might form an initial list to explore potential candidates for collaboration with UKeU.

Foreign universities offering foreign degrees through the Internet remain a regulatory loophole as the government increasingly recognizes that there is no easy way to restrict such entry. The OECD has been providing a forum for policy discussion on e-learning in May 2001 and again in June 2002, at which the US in particular pushed for opening the market and allowing foreign competition to enter the domestic market on a more equal footing. The government response has been consistently conservative, arguing that it needs to consider quality standards carefully in such matters, though there have been no concrete proposals as to how it might do this.

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[*] See http://www.nttdocomo.com/corebiz/services/imode/.

[†] See http://www.u-air.ac.jp/eng/

The implication for UKeU is that it is free to offer British degrees on its own, but if it wants to offer new Japanese degrees, either on its own or through Japanese universities, it still has to obtain approval through the Ministry's Chartering and Standards Council. Such regulatory conditions could be avoided if UKeU were to work with one or more Japanese universities that already had approved status for the specific relevant programmes, as the content of any such may be changed autonomously by the universities.

2.2 Higher Education Institutions

Past attempts by Japanese universities to offer Internet-based classes have been of an experimental nature, with the main objective being limited to the advertisement of the universities concerned. Since the change in the regulations in 2001, there have been more serious attempts to set up e-learning courses including at some top-ranking universities. Two such examples among the national universities are Tohoku University in the Miyagi prefecture and Shinshu University in Nagano. Tohoku University's plan is a very bold and comprehensive one, while Shinshu University's programme is far more grounded and has already made some concrete progress.

Tohoku University: The university was the first to start comprehensive and virtual graduate programmes in Japan, in an ambitious programme called the Internet School of Tohoku University (ISTU). The programme envisages a full-fledged graduate school covering political science, literature, economics, law, engineering, international relations, medicine, pharmacology, dentistry, and education. It plans to set up satellite campuses in Japan and also to seek affiliation with universities overseas. The initial offerings will be limited to the engineering divisions. An intermediate goal is to have 40% of all courses on campus on the Internet by the year 2007. In 2002, the university concurrently set up a new department called Education Informatics that will support the operation of the ISTU.

Shinshu University: Starting in April 2002, the university opened an e-learning graduate course on information technology leading to a doctoral degree. (See http://cai.cs.shinshu-u.ac.jp/sugsi/Nyushi/sugsi/sugsi-press.html.) There were more than 1000 inquiries after the announcement and now there are 81 students enrolled – with 80% of them holding full time jobs. The digital content is open to the public and fully accessible, including the interactive programmes. They accepted the first batch of students while the contents were not ready, but the production is in progress at a fairly good pace. (See http://server1.int-univ.com/CaiSupport/.)

Two top private universities, namely **Keio** and **Waseda**, both have solid track records in experimentation with e-learning and are also each actively planning to open an Internet school in the near future. Keio has a distance education course; Waseda has night schools that already offer about 30 on-demand video streaming lectures on the Internet. Among the CEO judged awards, Keio won four awards, Waseda five, and Ritsumeikan three.

Keio is advanced in its use of the Internet and its applications. In 1990, it opened its Shonan Fujisawa Campus (SFC), which received wide and positive publicity for its innovative undergraduate and graduate education; this fosters individual creativity while establishing IT as an integral element of education. Celebrated as one of the

most significant higher education innovations, the SFC attracted top-calibre students and established its name not only in the IT world but also in other policy fields. Prior to SFC, Keio had established the WIDE Project in 1988, with a consortium of over 100 universities and corporations, which in turn spun off the first Internet provider in Japan, Internet Initiative (IIJ). WIDE is now responsible for the operation of a DNS server and is also experimenting with IPv6. Another programme under WIDE is the School of the Internet (SOI),[*] which is experimenting in e-learning with six participating universities, including the University of Tokyo and Chiba Commerce University. The programme records live lectures that are later put on the Internet; an interesting feature is that students' work is left on the Internet for mutual evaluation.

Waseda has been experimenting with an international collaboration in the use of a video conferencing system, called Cross Cultural Distance Learning (CCDL), which has a membership of 21 universities from 21 countries, including the Universities of Edinburgh and Essex. (See https://ccdlsrv.project.mnc.waseda.ac.jp/ccdl/index.asp.) CCDL is a part of a broader Waseda programme, called Digital Campus Consortium. It has also set up a subsidiary company called Waseda Learning Square to provide life-long learning courses. While its overall reputation trailed behind Keio for some time in the late 1980s and early 1990s, today it has re-established its brand with a wide range of initiatives from new professional graduate schools to new campus plans.

Ritsumeikan is another well-respected private university that has established its reputation on the basis of its innovative reform measures in the 90s. It is well known, but had always been considered as the least desirable of the six best private schools in the Kansai area (of Western Japan close to Osaka). Under the strong leadership of its chairman, who used to be a non-faculty administrator within the university, it opened its Kusatsu Campus, which is now well-known for its forward thinking in educational content; it has been launching all initiatives from IT education, outsourcing in order to develop creative linkages with local industry**.** While Ritsumeikan has no specific plan for e-learning, it has the management style and ability to move quickly, unlike many other universities.

There are other universities that target working adults. Sanno University (University of Industrial Productivity) launched several courses in business-related skills such as accounting, though their delivery is limited to fairly conventional access to video with limited interactivity. The University of the Air (Hoso Daigaku) is the largest distance learning institution of higher education, with 89,000 enrolments in 2002. Though it is the most obvious candidate to develop e-learning, it appears to be slow in responding to the new environment, possibly reflecting its national status and limited budget, the prevalence of part-time teaching staff, and its limited administrative capacity.

All the institutions interviewed for this exercise showed a strong interest in collaborating with UKeU and/or in purchasing some content. However, one caveat is that national universities have very limited budgets that are under their control.

[*] See the "WIDE University, School of Internet" page at http://www.soi.wide.ad.jp/en/contents.html.

2.3 Non Higher Education Bodies

IT related training companies are perhaps the most visible e-learning providers, providing specific IT training, largely to the corporate sector. But there are also several other types of company that undertake, or plan to undertake, e-learning related ventures.

Recruit[*] is the company that developed a free career information journal for university students, with revenues derived only from advertisements. Now they have diversified into other information journals, covering topics such as part time jobs, housing and schooling. The firm is well known for its energetic and aggressive marketing. Recruit Co. started a website called "i-size" that claims to be one of top ten most frequently visited sites in Japan. I-size has a so-called Net-college as a category in which different education vendors can offer e-learning classes. A typical class costs about $200. However, the turnover of the site has been far below the planned target, and there is a rumour that Recruit is planning to close it in a year or so.

Benesse,[†] originally a rural publisher, started its first practice tests for university entrance exams in 1962, and then expanded to a national scale. With its success in testing services, it moved into distance education, preparing students for university entrance exams. Now, Benesse is a full-scale publisher but still gets the majority of its revenue from a distance system based on testing and feedback. Benesse hires tens of thousands of "examiners", often retired teachers and university students, who grade the tests and give comments and advice. Benesse experimented in transporting this distance approach to the Internet. Despite the extra cost, the experiment was extremely popular but the demand overwhelmed the staff and Benesse had to terminate the experiment. It does not seem to aspire to provide any higher level of education as this would mean further specialization and diversification of content; instead they are moving in the direction of pre-school education.[3]

Obunsha[‡] began as a publisher of English learning books along with a sister non-profit organization that conducts English Certification authorized by MEXT. Though this certification has a strong grip of the high school market, the adult market for business English qualification is now dominated by TOEIC, which is developed by the Educational Testing Service of the US that conducts the TOEFL. In response to increasing competition, Obunsha has invested some $10 million in the development of an Internet based testing system called CASEC, a database of some three thousand well-tested questions which features adaptive testing methods that shorten testing time from 2 hours to 30 minutes.

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[*] For the English-language version of their site, see http://www.recruit.co.jp/corporate/english/. There is a history at http://www.recruit.co.jp/corporate/english/company/history.html.

[†] For the English-language version of their site, see http://www.benesse.co.jp/english/.

[‡] See http://www.obunsha.co.jp – but there does not seem to be an English-language description of the company (although there are many pages with English-language content on the site).

3. Potential Markets

3.1 Background

Several forecasts have been made for the e-learning market in Japan. Advance Learning Infrastructure Consortium (ALIC), estimates its current size at 114 billion yen and predicts it to grow to 309 billion yen by 2005. NTT Data has made a long term forecast of the market as being one trillion yen ($8 million) by 2010. In terms of market composition, both forecasts agree that the corporate sector will be the largest segment, although they differ substantially about other segments. For instance, the life-long learning market is minuscule in the ALIC forecast, while NTT Data estimates it at a substantial size – larger than the higher education market, indicating divergent views and a high level of uncertainty in such a market. Although they are not certain if the current trend will continue, NTT Data estimate the size of the university entrance preparation market to be as large as that of the higher education sector itself.

Within the market, there are a number of cultural factors that will affect the take up of any e-learning products. They mainly stem from a concern about quality, or at least, perceived quality.

The initial wave of enthusiasm for e-learning in Japan has now somewhat abated as the early materials did not live up to the hype; further, the younger generation at least, are now attuned to the sophistication of computer games and so get easily disenchanted with software that does not produce that level of interest. E-learning products will need to be similarly captivating for the next generation to want to use them.

Further, despite an acceptance of the potential of e-learning, there is some scepticism about its effectiveness for real learning: the (rather disparaging) Japanese nickname for e-learning is "digital kami-shibai" (digital picture show). The current image of e-learning is that it is little more than the transmission of conventional lectures using video and PowerPoint, and that it is often downright boring. Thus between an enormous market potential and a cool reception in reality, there lies is a huge gap – one that can be surmounted only through pedagogically sensitive e-learning that differentiates itself from the competition in terms of its quality and at the same time is a stimulating experience.

This has clear cost implications as the quality of e-learning depends on the amount of investment made in the development of content. Since there is no limit to enhancing the quality of content by adding more interactivity and animations, there is a clear trade-off between cost and quality. Further, a large investment can only be recovered by capturing a large market, and yet the effectiveness of the learning declines if it is offered on a mass scale: for example, the University of Maryland has a full Internet college with an enrolment of 90,000, but it limits its class sizes to around 30 students in order to retain individual attention.[4]

There is also a specific cultural point about brand consciousness that will impinge on UKeU's approach to the Japanese markets. In many areas of higher education, and particularly in the more business related areas, there is a tendency in Japan to think of the US as being the global leader. A UK-based e-university always will have to counter that issue, for example either by focussing on areas for which UK expertise is

recognised as being at least close to that of the US, or by capitalising on the brand names of individual UK universities which are recognised in Japan as being serious global players in the subject area concerned. This point centres on perceptions of quality rather than on its reality – as is often the case with any marketing. Nonetheless, it is important to note that Japanese clients are likely to see the UKeU brand merely as a means of e-delivery of the educational content, and to look for additional stamps of approval for the subject content. They will be sensitive about whether the business educational materials were developed by (for example) the London School of Business as opposed to a low-echelon business school.

One clear target market for e-learning is that of professional training. This is currently one of the weakest points in Japanese university education: studying law does not result in sitting professional law exams; nor do students of commerce sit certified public accountancy exams. Even though lifetime employment is falling apart and students are becoming increasingly aware of the need to have career-oriented skills, most Japanese universities have not yet responded to these needs – although some so-called specialized schools (vocational training schools) have sought to do so.

Ritsumeikan is an exception which shows its higher level of entrepreneurship.[*] It already offers courses aimed at passing certification exams for Microsoft, Oracle, Cisco; it is planning to add courses on Linux, compTIA[†] etc.; and it also offers courses for certified public accountancy. For each of these areas, the services are outsourced to top-ranking special training schools. The commonalities in all this provision is that they provide for well-defined skills and the goals are related to passing certification tests.

The other clear market for UKeU to consider is simply the teaching of English as a foreign language – we deal below with the question of English as a part of the provision for other substantive topics. There is currently a fair amount of such provision, not least under the auspices of the British Council and we have mentioned the activities of Obunsha in the area of English certification. Our investigations suggest there is no shortage of demand for such provision in general, and an e-learning approach might well be successful in at least some of the sub-markets.

3.2 Market Segments

There are four key markets segments in Japan that we suggest that UKeU should consider: the corporate sector; university undergraduate students; the working population; pre-university students.

The Corporate Sector

Many informed commentators claim that the so-called B-to-B e-learning business already forms a sizable market. For a major corporation, the largest cost items for its

[*] See http://www.ritsumei.ac.jp/eng/. URLs for universities in Japan mostly follow the UK-style rules for domain names, with ".ac" before the country code.

[†] Computing courses from Computing Technology Industry Association. See http://www.comptia.org/about/.

internal training are travel and lodging, sometimes consuming as much as 90% of the cash costs. At least some of these space-related costs can be eliminated through effective e-learning.

Indeed, e-learning has attracted much corporate attention in the past few years, as more vendors offer off-the-shelf courses as well as customized ones and as more large companies experiment with their own internal e-learning systems. A business fair on e-learning is planned for the second consecutive year in July 2002, demonstrating continued and robust interest in corporate e-learning, particularly on the part of vendors. (For example, a not-for-profit consortium was established in 2001 among interested vendors to facilitate wider adoption of SCORM* standards.)

However, it is less clear that there is a good market potential for universities to provide such e-learning for companies. For one thing, much internal company training requires highly company specific content (e.g. on products), and companies tend to develop their own e-learning tools for such purposes which then combine their own content with software assistance from outside. Of the more generic corporate training, much of it tends to be concentrated at the lower-level technical end, for example in the use of specific software, and it is not obvious that university providers would have any competitive advantage over private IT/training companies.

The one obvious exception might be thought to be high level generic training, for example in management or engineering, given that many companies are reducing their expenditure on sending employees to study overseas, particularly in US business schools. The market is not so simple however, because the prime motivation of many companies in making such investments in overseas training was often not to do with the skills content of the training, but rather as a means of immersing their employees in a foreign culture and enabling them to make key business contacts for future networking. There are clearly no equivalent benefits in e-learning. Maryland University, a major provider of quality e-learning, recently terminated its e-learning programme that it had set up for a corporate client, indicating that working with corporate clients may not be as simple as it seems. For instance, it may be necessary to work with multiple clients, in a manner similar to the NTU† to establish sufficient scale for generic professional training programs. A more focussed market study would seem essential in moving forward in this direction.

The overall position in Japan would seem to be that individuals are starting to recognise the explicit value of the skills developed by such programmes, but that employers are not yet doing so. For individuals, they now need to take more responsibility for their own future and to differentiate themselves from others in the tighter labour market. Thus the pressure for such training is emerging from individuals rather than from employers, but for many of them the financial and time burden is simply too great. E-

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* The Sharable Content Object Reference Model (SCORM) "aims to foster creation of reusable learning content as 'instructional objects' within a common technical framework for computer and Web-based learning". See http://www.adlnet.org/index.cfm?fuseaction=scormabt.

† NTU in this context is the National Technological University consortium in the US, not the equally well-known Nanyang Technological University in Singapore. NTU used to deliver video training over satellite for continuing professional development. After a chequered recent history, including being bought by Laureate Education, it is now merging into Walden University. See http://www.ntu.edu/merger/index.html.

learning could provide an attractive option by offering affordable courses that individuals can take at a time that is convenient for them.

Our conclusion is that this is potentially a large market, but for the time being the best way to address it would be through targeting individual learners (via university providers) rather than directly to employers. Nevertheless, while doing this, it would be wise to keep watch for changes in attitudes by employers. In both cases, the general market caveats made at the start of this section remain relevant.

Working Population

When lifetime employment was the cultural norm in Japanese businesses, individually based retraining and life-long education did not go beyond the goal of personal intellectual enrichment. Now that Japanese companies are abandoning the concept of lifetime employment, employees are realizing the need to protect their career by acquiring skills and credentials relevant for future employment. However, it is a major decision for most people to take leave and attend a training course, especially at a graduate school which requires an extended commitment of time.

Such reluctance has been reinforced by the limited perceived value of going to a Japanese graduate school. Except for science and engineering, going to graduate school traditionally meant taking a track for an academic career. There are very few so-called professional schools because companies preferred to hire younger minds that they could mould into their corporate culture and life-long loyalty. As a result, there is a vacuum in many fields of professional training. It would seem sensible for UKeU to explore fields in which there was a vacuum and for which the UK might be seen to have a competitive advantage in providing modules to help Japanese universities tap the market potential.

Perhaps the most obvious current vacuum is in the field of IT training, for which even some IT vendors are creeping into the market of offering skills training. Even in this field, the response from universities has been somewhat limited so far. Two exceptions are Shinshu University which, last year, set up a new Internet-based graduate course on Information Science, for which most of the applicants were working professionals, and Tohoku University which plans to develop a full-fledged Internet school this year aimed at enrolments from the working population. Because UKeU may be somewhat ahead of the global pack in e-learning for this topic, it might be an area worth exploring further.

But IT is not the only professional field offering potential for more graduate level skills training. A second possibility would be the financial field, for example banking and related issues, in which the UK is a world force and Japan has some serious shortcomings. A third might be public policy, not least because this is a field in which there is no particular US strength and the UK is recognised as being thoughtful. A fourth could be international, EU and UK law; this could be aimed at professionals wishing to update themselves as well as at legal departments in large companies. A fifth could be the field of social care – again not least because the US has no reputation in this area. A sixth could be leisure activities centred on European (or British) culture, for example art, architecture and horticulture/gardening. Finally, there is the field of business administration. This is clearly an area of high demand and potential,

and one to which many players are rushing. However, given that it is also a field where the Japanese see a clear US lead, it may not be as easy for UKeU to identify its niche.

We suggest that each of these areas is worth exploring further, both about the demand side scope and the potential for UKeU to brigade suitably prestigious UK universities to be involved with the supply of modules for Japanese universities to use to develop professional programmes. For each topic, the exploration should include examining the possible interest in combining the learning of some English with the substance of the topic.

University Undergraduate Students

Currently the largest number of university students consists of undergraduates attending programmes that combine liberal arts education with some specialized training. The majority of students in the social sciences and humanities start their working careers immediately after graduating, although a substantial proportion of science and engineering majors enter graduate schools for advanced training. One of the reasons that such graduates do not pursue further education is the belief that the effort would not provide any substantive skills relevant for employment as such courses are traditionally seen only as a route to an academic career.

For a long time in Japan, corporate personnel managers did not pay any attention to what students had studied at university, focusing more on the names of the university from which they graduated. In other words, the corporate evaluation of the competitiveness of a university student is complete at the time of the university entrance exams, compelling most teenagers in Japan to undertake fierce cramming studies. However, as the present prolonged recession has reduced the market for graduates, students are now keen to add more conspicuous skills to their resumes.

Few universities have yet responded to this growing demand in a substantive way that goes beyond superficial re-packaging, and those that have tend to be second tier private ones, such as Ritsumeikan University which now offers special skill-based classes in practical English, IT system management and certified public accounting. The relevant fields for undergraduate provision would be much the same as for the professional development areas outlined above. It would be sensible to explore how UKeU might best help to develop modules in such areas in ways that could be bolted on to the liberal arts programmes of first tier and national universities.

Pre-University Students to Help Broaden Access

There is a sea change in the attitude of high school students to their choice of universities and degree programmes. Traditionally, their only real option was to attend a Japanese university because most large Japanese companies had a clear preference for graduates from top Japanese universities over those from overseas ones, often valuing students' ability to socialize rather than their academic performance. This is now less the position and the younger generation is beginning to worry about real skills and real jobs. High school students are increasingly aware of the need to differentiate themselves in an increasingly uncertain labour market.

One consequence is that studying abroad, especially in the United States, is becoming increasingly popular – there are currently about 46,000 such students (and the UK is the second most popular destination). There are even instances of talented high school students choosing top universities in the US over the University of Tokyo, a decision that would have been unthinkable a decade ago. It is also now common for the parents of high school graduates to have attended university themselves, which means they are better able to judge the relative quality of education offered at Japanese and overseas universities. With the declining edge of at least some Japanese diplomas, those who can afford overseas education and whose children possess high enough intellectual capabilities are now looking more at the option of foreign universities. Another reason for looking overseas is to acquire highly sought English language skills. According to a Kawaijuku executive, their experience of sending Japanese high school students overseas and preparing them for regular universities with English training is highly support intensive.

UKeU might offer e-learning pre-university courses, aimed at high school students, with the intention of helping them to make a decision to go to a UK higher education institution and to smooth the resulting transition for them. This service may be strictly non-commercial and limited to promotion of UK universities. Courses aimed at such students could include actual teaching, including language skills, as well as counselling and screening. The geographical distribution of potential students means that an e-learning approach would be particularly cost-effective – and the target clientele would be highly IT literate. There are two caveats. First, it would be necessary to strengthen the brand image of the UK, sufficient to compete against the US; second, it would be helpful to show that the UK provided good value for money in its provision.

4. Types of Product

In the longer term, any or all of the range of types of product might be possible in Japan; this covers degrees, courses as part of a degree, modules and learning materials. In the short term however, and at least until UKeU had domestically well-established degree programmes, it is unlikely that the Japanese market would be interested in full degree programmes from UKeU. Although partnering with Japanese universities should be possible to avoid/limit regulatory problems of chartering and standards (see section V below), Japanese universities are unlikely to be prepared to establish a brand new e-U based degree programme from scratch.

Our discussions suggest that it would be far more likely that universities would be interested in either specific e-learning modules that would constitute required credits within one of their existing degree programmes, or e-learning materials that they could use within their own courses. Within the topic areas discussed in section III, we suggest that these are the two types of product on which UKeU should initially focus for the Japanese market.

One other factor that would give UKeU considerable advantage over the US competition would be to build interactive evening classes into some of the university modules. Given the time difference of 8–9 hours, this could be delivered from the UK in the morning, a proposition that is not feasible from the US.

One other critical decision for UKeU is the balance of language of the materials as between English and Japanese. We suggest that this should be different depending on the target market and the subject areas. For instance, English language training should clearly be almost entirely in English. For modules in IT or finance, it may make more pedagogical sense for the bulk of the material to be in Japanese, but with an English component to help students to develop a proficiency in the technical English relevant to the topic area; Another way of doing this would be to use Japanese sub-titles for the English. Another option would be to develop modules in simple English, but with introductory and supplementary instruction materials in Japanese.

There is one serious potential cultural problem for e-learning in Japan. There is a strong view within the academic Internet world (in Japan, but elsewhere too) that "anything on the Internet should be free." While there have been developments in e-commerce which try to counteract this attitude, in higher education, there have been equally strong factors pushing in the opposite direction. For example, the proposal to put all their teaching materials free on the Internet by MIT, a strongly branded institution, led higher education institutions in Japan to think that these were the standards for the future.

The recent move by the Shinshu University[*] to follow MIT and provide what will probably be much better-organized materials also free on the Internet, could reinforce this view. A professor in Shinshu has developed all the necessary software for the department of e-learning courses – a reflection of the fact that commercial e-learning software is expensive for universities. Keio also hosts an experimental programme called School of Internet in which classes are recorded and offered free to outsiders.[†] A professor of computer graphics has developed all the necessary software to handle student administration and e-learning content – by capturing live lectures and power-point presentations almost automatically; he believes that the production cost of e-learning content should be reduced to a minimum.

In other words, the culture at present in Japan is for universities to share whatever they develop on the Internet. In such an environment, a venture that attempts to limit access to content for commercial reasons could be seen as running counter to the public mood.

One possible response to this would be for UKeU to operate on a completely different business model through the adoption of an open source content approach. The way it would operate would be for UKeU to designate a main instructor for a module who would then develop the backbone of it. The module content would be structured in such a way that any user instructor could detach parts of the module, and append or modify the content to reconstruct his/her own course content. The module would consist of components of different file structures such as text, data files, graphics, animation, video, and quizzes, and these components would be classified into a database based on its attributes such as use, file type, author, date, institution and content. Any

[*] Confusingly, the domain names of some Japanese universities put "-u" after the name; thus Shinshu University is at http://www.shinshu-u.ac.jp with the English page at http://www.shinshu-u.ac.jp/english/index.html. It currently has links with three English universities – see http://www.shinshu-u.ac.jp/english/about/agree.html.

[†] As earlier, see http://www.soi.wide.ad.jp/en/contents.html.

user instructor may then contribute new components that he/she developed into the database. As the stock of components increases, the power of the open content will overwhelm any individually constructed course offered over the Internet. Economies of scale over the network would then operate. Such an approach is consistent with the increasingly prevalent business climate within IT in recognizing open-source innovations.

Japanese partners would then have the ability to develop and offer their own e-materials to a central pool that would be managed by UKeU. This would be consistent with the prevailing mood of sharing mentioned above, and should also help to raise the quality of e-learning materials by being able to draw on a diverse range of skills from global experts – and at a very modest cost. It would be taking advantage of the fact that there are many individual faculty members in Japanese universities who would be interested in developing e-learning materials, if only they had sufficient institutional support. Tapping their energy and creativity could encourage the development of supplementary resources in Japanese sufficient to enhance the effectiveness of UKeU in Japan. It would also provide a chance for any participant to become a leading instructor on a global platform.

An Open Source approach could be an important marketing tool too. A traditional approach to selling foreign goods or services is to pry open the Japanese market, appealing to the foreign brand worship mentality; this only works if the brand itself is already well established. The Open Source approach would give an incentive to the participating universities as their faculty members would become developers of e-materials and the university would be gaining credit for contributing to a well-designed system for the development of e-learning content. It would be good public relations for UKeU to be seen as a facilitator of sharing, rather than as a market-hungry vendor.

In effect, in offering this open and decentralised model, UKeU would be providing a market-clearing function in terms of intellectual property rights (some of which should be free and some for fee) and a database of digital content.

5. A Strategic Approach

The above analysis suggests a number of areas that would seem worthwhile for UKeU to explore within the Japanese markets. In summary, these are:

- Modules and/or e-materials in one or more of (five) professional related areas, either as part of professional development or as bolt on components of undergraduate programmes
- English language provision
- Pre-university provision aimed at encouraging and helping potential students to come to the UK for study.

The next strategic question is how UKeU might best go about making such provision – either on its own or in partnership with one or more other body. In considering these three options, the answers will depend on the nature of UKeU provision that might be

available in supply terms as well as on the kind of products and markets (within the above list) that it might offer. Further, the very process of exploring these options with potential partners may well itself lead to some modification of the ideas about the products.

5.1 The "Go It Alone" Option

In the long term, it is possible that UKeU could offer all its degree programmes directly to individuals, with some assistance of marketing agents. In the short term, for UKeU to try to go it alone for any of the potential markets summarised above would be a major challenge. In theory, it should be fairly straightforward and there would be no others to involve when making market decisions. There would only be UKeU resources to have to mobilise and decisions could be quick enough to be able to respond to market changes.

On the other hand, there would need to be a large initial investment to develop a differentiated product within the Japanese market in terms of quality, pedagogy and pedagogical tools. Marketing costs would also be high: to give a sense of scale, the largest professional training market in Japan is that of English schools[5] which rely on a heavy marketing spend of around $400–500 per recruit – and that is for a simple and well known product[6]. Careful marketing would need to be built round a deep understanding of the Internet culture and commerce in Japan which would be very difficult for UKeU to achieve on its own.

In short, such an approach is only likely to work for a foreign product that is able to be simply defined, has a strong known brand and for which a definite market is known to exist. Given the very high marketing costs this would entail – quite apart from the cultural point above, we think that UKeU should not consider this as a serious option at least until it has a fair number of products (to gain from the economy of scale of marketing costs) which are tried and tested and with a good reputation.

Selecting the most appropriate model for partnerships will depend on the market(s), the nature of the partner(s), and especially the nature of the material e-learning package. It will be important that any proposition about partnerships must be attractive both to UKeU and to its potential partner(s).

5.2 Partnership with a Single Body

To form a partnership with a single body would be the easiest way to secure a quick start and also to attract a top-notch institution through the enticement of exclusivity. However, an initial set-up with only one body might hinder expansion or further development, depending on the scale and nature of the body concerned, which might lead to not being able to respond to the full demand. Further, the need to develop a tailored approach just for one partner would increase development costs.

It is difficult to envisage this as being a sensible option for any product targeted at the university sector, as the market would not be big enough to justify joint development for offer by only one university and an identical module would not be an attractive proposition for any other university to purchase. However, working with a single uni-

versity might well be sensible for pilot development, for example to develop methods to port digital contents into the Japanese language or to explore cross-cultural issues. The pilot would then be rolled into some form of wider arrangement with other bodies; we return to this point below.

However, partnership with a single body might be appropriate for either of the markets of English language or of pre-university courses. We think that for either of these two markets, it would be valuable for UKeU to seek a private sector Japanese partner who was already a major provider in the field and had a good reputation for it. Both for English language training and for pre-university provision, one of the most obvious candidates would be Kawai-juku, although Obunsha might also be considered for the English training. In addition, for each of these fields, the British Council already has an interest – and even a presence, in Japan and would no doubt expect to be consulted and perhaps even involved in any e-U move to enter either field. As well as helping with the marketing, the British Council might also have funds that it could make available to develop materials.

Strategy Payoff Matrix
Affiliation with one university

	Market Penetration	Competitivenes	Operation Cost	Initial Investment	Future Expansion	Business Risk
UKeU	+	-	+	+	-	±
Japanese counterpart	+	+	-	+	+	+

+ indicates a merit for that entity, - a demerit, and ± both merit and demerit or somewhere neutral

5.3 Multiple Body Partnerships

For the university delivered products, there is a strong case for working with a number of universities – apart from at the pilot stage discussed above. We found considerable interest in UKeU potential in our discussions, and when we asked university administrators if they thought that a Japanese university would purchase UKeU learning courses in professional fields, they resoundingly replied: "Yes" – but "depending on the quality". This is hardly surprising as, for well-defined professional skills, there have been no prominent courses even within the classroom setting.

There are two ways in which UKeU could work with multiple universities. The first would be that it would simply produce a base line product – module or learning material, perhaps in conjunction with a single partner. It (or they) would then make it available at a price, with an optional offer to help any university to modify or develop it to suit their own students and build their own courses. UKeU's own direct marketing efforts would be limited to targeting universities – which might also be assisted by the initial partner university.

One drawback of this approach is that UKeU may not manage to obtain the high profile that would help establish its brand and so enable it to charge premium prices for its products. Further, UKeU would not be able directly to offer its degrees – although it does not have this even within the UK; this may be more of an issue for institutions supplying materials and modules via UKeU. A careful marketing exercise would be needed to select target modules and the best pedagogical approach; the initial development work might be done by UKeU and its initial partner but informed by a "consumer panel" of potential customer universities for the final product.

Another model would be for UKeU to work with a membership group of universities in Japan who had agreed to share any development work that they did with other members of the group. Again the starting point would be a base line product, perhaps developed in the same way as above. Members would gain access to UKeU modules and materials either by purchasing them or through paying some form of graded membership fee.

On either of these models, universities would work with UKeU without worrying about offering products that were identical to those of their competitors: it would be possible for both Keio and Waseda to work from the base line product – but in different directions.

The second model would provide the potential for open collaboration among the Japanese members/partners in the development and sharing of new materials. This model would also make the UKeU presence unique in Japan in a way that would differentiate it from any US competitors – who are more likely to work in single partnerships. One potential disadvantage of this model is that setting up a participative membership structure may not be easy. While membership structures may induce considerable interest among individual academics, the member universities may be less willing. There might also be some resentment at the role of the initial partner university. A natural extension of this model would for the shared materials to be at a lower level than modules, for example as learning objects; this would be the open source model discussed at the end of the previous section.

One approach that would come between a single partnership and a multiple one would be to form a single alliance between two particular universities, one in Japan and one in the UK, for each course. UKeU could act as an intermediary for such matchmaking. There is already a successful model of an alliance between the University of Wales and a Japanese private company, Anzenken Inc, for distance learning courses on environmental management. All the materials are offered in Japanese for the postgraduate courses.

Strategy Payoff Matrix
Wholesale to any university

	Market Penetration	Competitivenes	Operation Cost	Initial Investment	Future Expansion	Business Risk
UKeU	++	±	-	±	+	-
Japanese counterpart	±	-	+	+	-	+

+ indicates a merit for that entity, - a demerit, and ± both merit and demerit or somewhere neutral

Strategy Payoff Matrix
A Joint Umbrella Organization

	Market Penetration	Competitivenes	Operation Cost	Initial Investment	Future Expansion	Business Risk
UKeU	+	+	+	--	+	-
Japanese counterpart	+	+	+	+	+	±

+ indicates a merit for that entity, - a demerit, and ± both merit and demerit or somewhere neutral

6. Conclusion and Next Steps

We have identified four distinct possibilities each of which we think would be worth UKeU exploring further within the Japanese market. They are:

1) Professional training modules and/or materials that could be used to form part of a professional development programme to be offered by Japanese (partner) universities – or possibly other bodies; these may or may not lead to post-graduate qualification and/or to some form of professional certificate. The seven topic areas that we suggest for further exploration are: IT; finance and banking; public policy; business and management; law; social care; leisure and culture.

2) Modules or materials in the same topic areas that could be used by universities to add on to their current undergraduate programmes.

3) Pre-university training courses to help encourage and prepare high school students to apply for entry to a UK university.

4) English language training.

For items 1 and 2, we suggest that UKeU would need to work in partnership initially with one suitably prestigious Japanese university, perhaps a different one for each of the topics chosen to take forward, and then extend its collaboration to other universities on one of two models – either to individual universities or via some form of more collective membership arrangement. Which model would be more appropriate for UKeU's objectives should also be explored, as should the idea of some form of more open sourcing within the Japanese market.

For items 3 and 4 we suggest that the ideas should be mentioned to the British Council and then the concept of partnership explored with one or two suitable private organisations such as Kawai-juku.

In addition to these four areas, we suggest that UKeU should keep an eye on the development of company attitudes towards the investment and sourcing of their high level corporate training needs.

Next Steps

We think that there would be value in some further exploration of these ideas before the planned visit to Japan by the senior team from UKeU itself. This would help to make the visit more productive by increasing its focus. For each of the priority areas chosen, the work within Japan would be for us to identify one or more potential partners, based on their expertise and their position in the Japanese market, and to hold very informal discussions with them to establish whether they would be interested in exploring the ideas further with the UKeU team itself during their visit.

One further important point about the impending visit itself concerns the culture of discussions in Japan in such circumstances. There can be no doubt at all that the dialogues would be very much more valuable and productive – for both sides – if the

UKeU team went with some pre-prepared initial thoughts as to who might provide what and how from the UK side. Only with some such initial ideas, even without commitment, would potential partners be prepared to enter into serious discussion. Further, the team should go with something concrete to show by way of an example of the product so that both sides can have the same understanding of what might be developed.

This means that the preparatory work for the visit needs to include some informal discussions at the UK end as well as in Japan. The UK discussions should be to explore possible interest in these ideas from universities that could be recognised as major players by the Japanese. This would need to be done for the separate topic areas.

Clearly this is not all possible before the visit. It will be sensible to set some priorities for the areas to be explored. This should be set both as between the four major areas listed above as well as for the seven topics listed at item 1. This might initially be done in discussion between the UKeU team and ourselves.

In summary, on the basis of the further work in Japan and in the UK, we would then prepare a briefing paper for the UKeU visiting team and, once that had been discussed, prepare a visit schedule. At that point, UKeU could consider whether it wished us to provide support to it during the visit itself.[*]

Notes

[These were footnotes in the original document.]

[1] An individual is eligible if they have paid the unemployment insurance fee over five years.

[2] After the introduction of this subsidy, English schools saw a 30% jump in enrolment.

[3] Hitachi also recently opened its website for preschool children called "Clever Island".

[4] Although the communication for classes is based on the Internet, the most important teaching material is text in books.

[5] There is no exact market size estimate for English schools in Japan. One rough estimate is 2–3 million students outside higher education institutions. The market leader is NOVA, which claims about 300,000 student enrolments, followed by Aeon, ECC and Geos all with around 100,000.

[6] NOVA ascended to the top with TV commercials advocating its location advantage. NOVA's success can be attributed to class coupon advance sales and the volume discount policy. A large portion of unused coupons generates non-work revenue for the company.

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[*] **Final footnote**

There appears to be no information in the UKeU electronic archive as to who went on this visit and what the outcome of the visit was. In the 153-page report from the House of Commons Education and Skills Committee report on the demise of the UK e-University, published in February 2005 (http://www.publications.parliament.uk/pa/cm200405/cmselect/cmeduski/205/205.pdf), Japan is not mentioned once, including in the list of countries which the UKeU Chairman said that he had visited, so it seems that he did not go on it. However, information from the authors and from former UKeU staff indicates that the UKeU CEO visited Japan twice, and that one Japanese university visited UKeU in London to discuss the learning environment; but that there were no specific outcomes. Thus, on the positive side, that leaves the Japan opportunity open to be taken up by others...