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White Paper

**Corporate Universities,
Academies and Schools**

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Corporate Universities (CUs) have been growing in number since their inception in the 1950s to the point where there are thought to be over 4000 CUs in existence today. Whilst most large US and European corporations already have their own CU, now many Chinese, Indian, African and South American organisations are setting up their CUs.

In some instances the CU is a vanity project, or a training department masquerading under a more expensive wrapper, but in the majority of cases CUs are set up as a strategic response to the recognition that a company's people are its greatest asset, and that the corporation needs to equip and align its people with the knowledge, skills and leadership capability necessary to compete in today's competitive world. But what are the real reasons why an organisation sets up a CU and what does a CU really do? What is the difference between CU, an Academy, College or a School? How much does it cost, and who should it report to? This paper explains the rationale, role and scope of a CU and gives some indication of cost and different business models

Detail

Corporate Universities are a concept that was first thought to have arrived in the 1950s with the then, very forward-thinking GE setting up the first CU in Crotonville in 1956. GE's CU got a big boost from Jack Welch in the 1980s when he famously fought against internal opposition for a separate site, image and significant resourcing at a time of financial difficulty and constraint. McDonald's famous Hamburger U was also set up a long time ago, in 1962, and Motorola's University are other famous and pioneering examples. CUs have since grown considerably in large and medium sized businesses. A CU is not a university in the strict sense, but is the corporation's version or equivalent of a university. It is corporation's in-house, DIY answer to how to train and educate their workforce - a place of learning, knowledge and aspiration. Motorola University's Tom McCarty defined a CU as *"The corporate university is the organization responsible for managing the learning processes and knowledge assets of the corporation for the purpose of increasing total shareholder value of the corporation"*

Whilst CUs were historically once the preserve of only the largest corporations, today many mid-sized companies have set up their versions of CUs. According to Wikipedia, in 1993 there were 400 companies with CUs. By 2001 this number was estimated to have grown to 2,000 and is thought to have doubled to over 4000 by 2010. Similarly, CUs started in the US, then spread to Europe, but today are increasingly being seen in China, (such as CTEI University, China Eastern Airlines, Ctrip University, China Union Pay, Chang'an Automobile University), Africa, South America, etc..

Topics delivered by the CU will vary from institution to institution, but typically centre around 3 main domains: leadership; strategy and strategic business skills; and functional, job-specific skills.

What the difference between a CU, an Academy, College or a School?

In theory, none or little, and there are certainly no rules, although in practice it will very much depend upon the organisation, how it sees itself, and what the mission and aspiration is for its learning institute. In practice, we see that 'Corporate University' is the term most commonly applied

when the institute is quite large, such as in large multinationals, or when the corporation has high ambitions. The term 'Academy' tends to be used for smaller organisations, or in the early days when a large organisation decides to set up a formal learning institution, so in the early days of the initiative. 'School' is also a frequently used term, but in practice tends to be used for a sub-unit of a CU or Academy. Typically 'School' will apply to a functional or vertical skill, such as 'School of Finance' or 'School of Sales'. Military, Police and the Civil Service have tended to use the appellation "College" (i.e. Army Staff College), but the principal is the same.

So which term you chose is a matter of preference for each organisation and CUs, come in all shapes and sizes. Because of the many different titles, for the rest of this article for simplicity, we'll use the term 'CU' to cover all the different names.

What's the difference between a CU and a training department?

Training departments are usually a department within HR function and tend to deliver 'training', i.e. skills development. Typically this is of a very tactical nature, the training provided usually being the result of demand from line managers for something they feel needs to be done, or gaps identified by HR, such as when annual appraisals are made. Or, sadly, because a particular training is the topic which is the 'flavour of the month'.

CUs are a very different animal. They are a strategic intent by the organisation to change the way it thinks and works. CUs are about teaching and disseminating culture and behaviour, about the vision, mission, objectives and strategy of the business, about leadership and modelling the way, driving change, and learning new ways of thinking and working. They are, or should be, a strategic instrument of the CEO and his team to drive change and obtain the people and business performance they desire.

CUs may or may not report directly into the CEO, but they should report at least to someone important on the board (and not always the HR Director), and they must have the CEO or someone very senior as a strategic sponsor. In some organisations, CUs report into the CSO or COO, or a sponsoring board. In any case it is absolutely vital that the CU is plugged into the strategy of the business, (this means not creating or driving strategy of course, but knowing and understanding what the strategy is, what changes are occurring, and how to equip the workforce with skills and capabilities to implement the strategy).

Very often CEOs struggle to mobilise their organisations to execute their selected strategy, and CEOs need to drive change through the organisation, changing skills, behaviours and capability - the CU is the obvious instrument through which to communicate, reinforce, educate and train its people in the new ways of thinking and working, so CUs play a key role in capability development, but also alignment.

Training Departments don't suddenly cease to exist when a CU is started, so CU and Training Departments thus 'coexist', but each with a complementary and necessary roles. Training Departments still have their vital role to play, 'on the ground', but are mostly responsible for 'training' and the more tactical stuff, and will typically focus on technical or more tactical skill development. CUs will typically focus on more strategic and horizontal capabilities, such as leadership and business management, what is often called 'Learning & Development', rather than pure training. For more on the difference between 'training' and 'learning & development' [here](#).

CUs thus reflect the CEO's attitude to people and development and a CU will suffer or benefit according to which CEO is in power at any given moment. All smart CEOs will claim something like *"... our people are our most valuable asset..."* *"at xxx, we believe that people are what counts and makes the company what it is..."* but how many walk the talk? A CU is at least a tangible sign that the company really believes in its people and their development.

There are similarly differences in the skill sets between training personnel and CU. Training managers tend to organise training for their people, whilst not necessarily being experts in the topics being trained, nor pedagogic or learning strategies. People working in a CU need particular skills: they are often real subject experts themselves, developing content and setting the syllabus, and should preferably be 'learning and development' experts. There will also possibly be other domain experts in a CU such as for distance learning, programme design, etc. CU staff are likely to be more skilled and senior than their training counterparts, with operating cost consequences. Finally, in the largest of organisations, they may be many in number. Lufthansa Business School is said to have 270 employees. India's Infosys is generally thought to have the [world's largest CU](#) with 200 classrooms and 500 instructors.

Why set up a CU?

"Why have a CU?" is a critical question that all organisations should seek to answer clearly before they embark on this investment. CUs are a strategic response to the desire to get the people the organisation wants, working in the way it wants them to work, and to deliver the business results it desires. They bridge the gap and make the essential link between strategy and execution. A business can have a great strategy, but if it can't execute, then the strategy is not worth anything, so in the end it comes down to the capability and willingness of an organisation's people. The purpose of the CU is to develop people who have the ability and the desire to implement the company's chosen strategy.

A CU will effectively teach people in the organisation what the CEO needs them to do in order to achieve the type of company or organisation he/she wants. Whilst teaching, learning and development are the primary vehicles to implement this, a CU may also take a lead role in developing the doctrine, tools and techniques and practical responses to challenges that the business faces.

There are also several secondary benefits of a CU, which include senior employees being able to build and extend their personal networks within the business (the ability to meet and interchange ideas, which becomes increasingly difficult as the organisation becomes more international, dispersed and diverse); the possibility to create homogenous and coordinated responses to organisational challenges; the opportunity to see, review and evaluate seniors, perhaps under pressure, and see how they perform in a learning environment; the opportunity to learn new things (unlearn, then learn); more prestige for the corporation and its people; a visible commitment to develop its people; and higher retention rates. A CU will teach and spread the corporate culture and desired behaviours.

What is the real role of a CU?

As we have discussed earlier, many of the basic skill development will continue to be done by an organisation's Training Department even after the founding of a CU. CU's have a more strategic role, but this can vary:

Leadership development / acceleration:

Middle and top managers are trained and developed in leadership. The company seeks to teach a way of leading, behaving, and its particular culture. Top management should be closely involved to teach and 'model the way'. Participants can share experiences, build contacts and networks, and are increasingly engaged in evaluating each other through peer-to-peer evaluation. The CU will often organise and manage coaching and mentoring.

Strategy / strategy platform and responses:

The CU acts to lay out, communicate and increase understanding of the company's strategy. It is closely linked to, and informed by the company's strategy, and will often help develop techniques, actions and responses to particular strategic issues facing the company. So for example, a company may be facing increased bureaucracy which is stifling innovation, and many of the CU programmes might then be centred around specifically addressing these issues and developing responses. At GDF Suez University, for example, they develop top managers who can then act as internal consultants, and they have developed 'think tanks' to address particular challenges facing the business.

Above all, a CU is a platform which can drive strategic change throughout an organisation.

Different business models

There is no single business model for a CU, and each corporation chooses their own design. Some are the highly centralised campus model (such as GE with its 59 acre campus at Crotonville, US), where every participant flies in to the central campus. This is sometimes called the 'chateau' model (as many CUs particularly in Europe, are or were installed in chateaux), which have large facilities, residential rooms and so on. Others follow a central campus with regional hubs (such as Veolia, with 20 regional campuses in 11 countries); some have loose or virtual networks and facilities, such as BAE Systems' Virtual University (VU). BAE's VU provides more than 350 online courses, but it is more a library or place to access knowledge and people, rather than the F2F learning and peer group development and networking that the physical campus model presents.

There is no single or best model. The more virtual a CU is, the cheaper it's likely to be to run, and the more campus/chateau it is, the bigger will be the overheads. So cost is a major potential factor in design. But virtual CUs lack the opportunities for the participants from a large organisation to meet each other, discuss, share best practice, and network and build a common culture which the virtual model can't compete with

How much does a CU cost?

Setting up a CU is a major decision, not just for Christmas but for life. It's a strategic, long-term and significant decision for the business, not to be taken lightly, which will consume time, money, resources and energy for many years to come.

There are various different business models, and some are centrally funded, and some 'charge out' their services to the line functions which hold the budgets. Some CUs have large, dedicated buildings and facilities, like any other university, and some may be resident or lodging somewhere in part of the corporation's facilities. Some have large staffs (e.g., Veolia which has more than 400 employees, with full-time faculty, profs, and admin and logistics resources), whilst others work

largely on a sub-contract basis or 'virtual' basis, buying in the development and delivery from outside consultants, business schools, and other suppliers.

Because there are so many variances in size, scope and business model of CUs, to answer the question how much does a CU cost is like trying to answer the question "how long is piece of string?" Little formal and hard data is available, and organisations will typically never reveal how much they spend, but a simplistic indication of whether the investment has become 'serious' for an organisation is whether they mention it in their Annual Report. We believe that as a guide price, running a CU in a major corporation (eg., 50k+ employees) will cost around \$17-\$20m per year, although there are some CUs that spend \$600m or more, and conversely we have see it done for as little as \$3m per year, and it's not hard to imagine that \$1m-3m would be the absolute minimum sum required to mount any significant, branded and strategic activity. These might seem substantial investments, but could be compared to the investment in say the advertising budget of a company, or the % of revenues that it spends on leading & development, which some experts would put 2% down as a marker. Similarly an organisation could compare what it spends in total on training or learning & development before setting up any formal institution (in the US the average is believed to be around 16 hours per person per year but higher performing organisations invest more like 50-60 hours per employee per year). Where a CU is started, one would expect it to be allocated a disproportionate share of the total training budget.

Most CUs start off by being a cost centre, but over time move to a 'self funded' model (where the CU charges out its services to the Business Units / Line of Business), and in some cases they may be expected to be generating revenues off its own accord (i.e. by selling online materials, IP) etc.,

Finally, whilst a CU is an inherently expensive venture to establish, organisations will inevitably seek to make OpEx cost reductions, and as an indication, in some CUs as much as 60% of the total volume of training has moved to online (but still leaving a hard core area where F2F is deemed vital for changing culture, attitude and imparting strategy and change). Today, with the pressure always on OpEx, most established CUs have slimmed down their chateaus, outsourced much of their people and moved a percentage of the activity to online or virtual.

The future for CUs

Up to recently, CUs were the preserve of US and then European multinationals. Increasingly however, companies in Asia and emerging countries are setting up or looking to set up CUs. In Asia and emerging countries, there are multiple dimensions to the talent crisis. Churn of employees can be very high in Middle East, Asia and India, so there is a huge challenge how to retain existing employees. Vocational training and management (as opposed to technical or functional skills and knowledge) capabilities are often very low, so a CU in effect has to stand in for or supplement the lack of formal training that employees would receive if educated in US and Europe before they join their companies.

Whilst US and Europe has the most number of CUs, the CU is rapidly gaining ground in other countries such as Brazil, Indonesia, Mexico, Nigeria, Russia, Turkey (eg., [Yapi Kredi bank's Academy](#), India ([Anand's CU](#) and [Infosys CU](#)), and of course China. Chinese CUs are becoming more numerous, examples being Holley Management Institute, UTStarcom, Baosteel Talent Development Institute, ZTE University, Hong Kong Jockey Club Institute, CMB Corporate University, China Eastern Airlines, Ctrip University, Sinopharm University, the Suning University, etc.

Western companies operating in emerging markets face a desperate search for attracting, retaining and developing talent, and where they traditionally had the CU established only or principally in the 'mother country' are now having to look at satellite operations in local territories, with local operations mirroring what happens at HQ back home.

CUs face numerous challenges and changes, including cost pressure, so reducing costs is through outsourcing, virtual [Web2.0] learning, etc, is a constant reality); ROI, or return on learning investment ("bangs for bucks", and measuring return). The jury is still out though on ROI. Whilst many organisations are going through tortuous efforts to try and show a return, others say it's simply not possible to measure what is a strategic initiative and often an act of faith – the organisation either believes its necessary and important or it doesn't.

Distance learning is the elephant in the room. Online learning certainly provides the potential to reduce cost, but whilst there is pressure to reduce costs, most sophisticated users appreciate that there are times and situations when virtual learning is appropriate and effective (such as learning about technical, process and procedural things), but hopeless for learning other things (like leadership or effecting real change), where nothing can substitute for powerful, personal interchange. Many CUs are therefore moving to hybrid models, where some programmes are offered 'at distance' whilst other key, signature learning programmes are retained as being delivered F2F. CU's will usually invest in an LMS (Learning Management System) which will facilitate the distance learning, as well as building in-house expertise to develop content and create the online programmes

Now, MOOCs (Massive Open Online Course) are the next iteration, and are raising similar vocal enthusiasts and opposition. Whilst it's still early days, we expect to see a similar partition as with the first generation of online programmes, that's to say that some programmes and learning will be served out by MOOCs or variation thereof, with the F2F being retained where a change in thinking or behaviour is needed.

CUs mimic their academic counterparts, but for the most part lack the formal accreditation of their academic cousins, and this is the next big hurdle. As academic learning institution become more and more expensive, CUs will provide a necessary service to equip organisations with the skills and people it needs, but there is a search by the biggest CUs to get their programmes accredited. Whilst full accreditation will continue to be denied to them, many CUs are now starting to build relationships with their academic institutions to get their programme accredited.

The big question going forward is how the C Suite regard the CU in their organisation. In the military for example, the CU (or School / College) is regarded as a key posting in an individual's career path, particularly for the top schools (Staff College in the UK, West Point in the US, etc), and to be an instructor at such an institute is an opportunity to develop doctrine and the latest techniques, and being head of such an institute is a prestige posting. In such an environment, training of the people is recognised as being key, and rising stars are posted in and out of the establishment to encourage new thinking and cross-fertilisation. In 'civilian life' however, learning & development is usually perceived less prestigiously and anyway as being a subset of HR. Jack Welch famously viewed this differently and got his best people into the GE CU and regularly taught there himself. Similarly, the CEO (Yasir Abdul Rahman) of the Petronas Leadership Center (PLC) sees that it is important "to get the best people of the organization into the PLC as faculty and for leaders to play a vital role in the

training and development of our future global leaders”, but this is attitude still somewhat ‘unusual’ and in many organisations, the CU may be seen as more adjunct and not as integral as this.

Conclusions

With the search for competitive edge in an increasingly uncertain, competitive, complex and changing world, a CU can certainly be a key instrument to help the organisation equip itself to meet the challenges it faces. But to be successful, it must be thought of and tasked differently from the training mentality or function. Ideally it should not report into HR, but have reporting to top table with a supportive strategic sponsor.

The CU must have a strategic purpose – to drive strategic change and capability in the organisation, and be the instrument of the CEO to drive culture, behaviour and capability that he wants, plugged into and informed by the company’s vision and strategy, and the strategic business challenges it faces. If the C Suite genuinely believe that their people are their greatest asset, then they must take a genuine interest and investment of time, effort and participation in the CU, like at [Boeing](#) where “Our senior leaders are the teachers: they describe challenges, discuss best practices and share experiences—they are leaders teaching leaders”.

Whilst intense cost-cutting is affecting the way Western corporations view their CUs, there will always be a need to strategically develop the organisation and its people, and the number of CUs will go on increasing for the foreseeable future as companies in emerging markets set up their own CUs.

A CU should build long-term capability, but also be agile and be prepared to create strategic programmes / initiatives to address short-term, current business challenges. It is not a theoretical or academic organisation, but pragmatic, and wholly linked to the business reality. Its higher level purpose and *raison d’être* is to be a platform for strategic change in an organisation.

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