Three imperatives for corporate universities

Far too many internal training programs waste money and align poorly with the company's long-term strategy. They can do better.

Since the late 1950s, dedicated training centers have become standard fixtures for ambitious global companies. Corporate universities mimicking famed centers such as GE's Management Development Institute in Crotonville, New York, and McDonald's Hamburger University, near Chicago, have opened at thousands of companies worldwide. But today, many of these learning centers are missing the mark, and corporations are wasting billions of dollars on programs that don't align with their long-term strategy.

A significant part of the problem is that corporate universities haven't kept pace with the market changes faced by many industries. Disruptive digital technologies and other management innovations have made the idea of a sustainable competitive advantage obsolete. This has been replaced by transient corporate advantage, which has a virtual "use-by" date and must be replenished periodically.

Companies that truly understand these changes see time as an inescapable component of value. They capture opportunities quickly and decisively and move on before these opportunities are exhausted completely. By extension, corporate universities must keep pace. They must become more flexible to adapt to this new environment, and their programs must be more tightly linked to long-term strategy, rather than immediate needs. In addition, they must act as safe havens for idea generation, allowing participants to explore innovative thinking without risk and to build trust among their generational peers.

One study concluded that, in the United States alone, companies spend more than $15 billion a year on leadership training, with each senior executive participating in the programs costing companies $10,000 or more.[1]

But our experience suggests that these programs often have little impact and can even be detrimental. At one company, about 90% of managers who attended leadership training said the program was outstanding, but still about one-third said they didn't perceive any real change in their work habits or attitudes after going through the program. More troubling still, a year after attending the program, about 40% said they couldn't identify any business impact from the effort.

[1] Karen O'Leonard and Jennifer Krider, *Leadership Development Factbook 2014: Benchmarks and Trends in U.S. Leadership Development*, Bersin by Deloitte, May 2014, bersin.com.

In another example, the turnover rate for alumni of a leadership development program at one company was 20% higher than that of other managers. Exit interviews revealed that the program raised their career expectations, but they were disillusioned by the disconnect between the program's aspirations and the lack of opportunity to use what they learned in the company. Executive MBA programs funded by companies can have similar effects. These programs represent a substantial investment in talent development, yet experience has shown that many companies don't reward participants with more challenging assignments after the training ends. Worse, about one-third of the participants look for positions outside the company soon after completing the training.

Learning must be an integral component of corporate strategy to capture the greatest impact. While training programs must fill immediate needs—such as new recruit orientation or instruction in new processes or technologies—their greatest value comes in developing a new cadre of leaders with the skills and flexibility to meet new challenges and capture new opportunities. Balancing these competing priorities is a hallmark of successful programs. But too often, corporate universities focus on low-impact curricula designed around short-term imperatives. Instead of solving today's problems, their prime directive must be to train leaders who can solve tomorrow's.

Accelerated performance

Accelerated business performance is driven by mobilization, execution, transformation, and agility. Initiating improvements across these areas requires a concerted effort throughout the organization, in areas as diverse as operations, marketing, and human resources. While the CEO is ultimately responsible for coordinating these efforts and creating alignment, corporate universities are ideally placed as the

node that disseminates direction, aspirations, and capabilities to all corners of the organization.

At their best, corporate universities are the epicenters of transformative leadership. Along with practical skills, they promote commitment, innovation, agility, and other traits needed to lead a dynamic organization. At the most fundamental level, corporate universities are the training ground for future CEOs and other top executives. They deliver management capabilities and talent on time to advance corporate strategy. To be instrumental in succession planning, corporate universities must identify internal candidates suitable for top positions, actively prepare these candidates for potential new roles, and help assess external candidates against internal candidates when positions open.

Aligning development programs with company strategy

Successful companies have used a variety of methods to ensure that corporate learning aligns with business strategy, and the details for each program must match the contours of its corporate host. But we find that adjustments across three broad areas are powerful tools for improving the value delivered by corporate universities: organization, scope, and metrics.

Organization

If a corporate university is to play a central role in advancing long-term strategy, it cannot be isolated from the rest of the organization. On paper, corporate universities usually fall under the purview of the heads of human resources or, at times, the CEOs themselves, but, in practice, they are too often distanced from the centers of power. The deans of corporate universities must have clear and frequent

access to the CEO and other senior executives and must attend executive committee meetings and other high-level gatherings, such as executive retreats.

Such close relationships are beneficial because the agenda priorities of the board and executive committee should be the guiding lights for shaping the curriculum at corporate universities. Even before formal action is taken, when a strategy option is just being explored, leaders at corporate universities should begin thinking about what capabilities would be needed to implement the strategy and how those capabilities can be taught. This way, when a decision is made, corporate universities are ready to act. Also, by being involved from the earliest discussions, deans of corporate universities can help inform the decisions—for example, by providing realistic estimates of the time needed to build the required capabilities and develop leaders with the right skills.

Ultimately, the curriculum at corporate universities should reflect not just the needs dictated by human resources but also the needs demanded by corporate strategy. For example, a high-level workshop on finding the right balance between products and services should be designed to attract eager participants ready to have open conversations around the challenge, explore a wide range of scenarios, and introduce new ideas. Only if there are actionable results from such a workshop would human resources be brought in to support the effort.

Close links with senior management would also help shift the focus of corporate universities. Many follow a bottom-up approach to learning, filling capability gaps that hinder ongoing business. But this perspective must be leavened with top-down thinking, addressing capabilities needed to implement new strategies.

Career paths through the organization also augment the link between learning and strategy. Often the deans of corporate universities come from a background in education and have little experience in business management. A better pool of candidates for the position of dean could be drawn from within the company—top performers who have led a major project or business unit. If recruited externally, business management consultants or senior academics from business schools should be considered.

To attract the best candidates and help ensure that leading a corporate university is seen as a valuable step in an individual's career path, deans of corporate universities should go on to senior positions, such as heads of human resources, strategy, innovation, or digital strategy. Among many examples, Susan Peters led GE's Management Development Institute before becoming the company's head of human resources; Marion Horstmann became head of strategy at Siemens after leading the Siemens Leadership Excellence program; and Immanuel Hermreck ran Bertelsmann University before rising through the ranks to become the company's chief human resources officer.

From a broader organizational standpoint, corporate universities that teach next-generation managers to face new challenges and pursue opportunities can help a company retain its best talent and minimize the need to recruit externally. Retained talent returns greater value from the investment a company has made in its training efforts, builds loyalty, and helps maintain a valuable institutional memory.

Scope

In principle, the scope of corporate universities can be almost limitless, so long as it contributes clearly to strategic success. Temporally, the scope must encompass today's needs as well as those likely to arise tomorrow. Programs offered by corporate universities should be reviewed at least once a year to ensure that they reflect the agenda of senior managers. In addition, topics that are controversial or lack consensus should be given special attention.

In addition, corporate universities must be prepared to develop capabilities in individuals, teams, and entire organizations. Individual development follows a well-known path: formal programs supplemented by informal efforts, such as peer-to-peer coaching, to develop skills and behaviors. But this is only one component. Corporate universities can also be effective in building trust and a team spirit among participants and senior managers by maintaining relations with alumni and monitoring and supporting their progress.

As part of an organizational transformation, corporate universities can use tools such as scenario planning around a variety of topics, from portfolio and risk management to mergers and acquisitions, to build capabilities and a company-wide understanding of these key areas. In one example, a global oil company asked its corporate university to develop a program around volatility and uncertainty. As one part of the program, the university ran a business simulation that assumed global oil prices had dropped 50%, a possibility that seemed inconceivable at the time. When the price of crude oil subsequently fell by more than 75% later that year, the company was better prepared than its competitors and reacted more quickly to contain costs.

And finally, corporate universities should work not only with employees but also with a broad range of stakeholders, including suppliers, partners, and clients. For example, in 1992 Airbus set up the AirBusiness Academy based in Toulouse, France, which focuses on aviation management, leadership, and operational management. By offering valuable development programs to clients and others in the industry, the AirBusiness Academy and similar institutions allow companies to build closer, longer-term relations with customers, suppliers, and others. Other programs, such as cybersecurity courses, can lock participants into specific technologies or offer formal certification that helps bond them to the universities and their corporate sponsors. Alumni of

such programs have an *esprit de corps* that forms the basis of a long-term relationship.

Companies aren't the only beneficiaries. In 1975, for example, the French Ministry of Industry developed an exchange program in which it invited promising managers from mining companies in emerging markets to France to attend a nine-month, graduate-level university program. Alumni have returned to their countries to become leaders in the mining industry and even government ministers. Because of their close connection to France and French language skills, they have also been large purchasers of French mining equipment and trusted suppliers of strategic mineral resources.

Broadening the mandate of corporate universities often requires innovation within the university itself or abandoning preconceived notions. For example, one European company taught senior executives about the intricacies of expanding into Eastern Europe in part by taking them on a field trip to a black market on the outskirts of Warsaw, Poland. Another was tempted to tie its program on intrapreneurship to a brand-name business school but instead found a partner that was a better fit—a smaller college that was also a thought leader in the field. Consequently, the company increased its volume of internal start-ups by one-third.

Metrics

As with any aspect of business, the impact of corporate universities must be clear if companies are to justify the investment. Unfortunately, common metrics, such as hours of instruction or number of students, measure effort rather than impact. This is a mistake. One IT company in the United States assessed its corporate university solely on the number of attendees each year. In response, the university expanded its scope to induction and health and safety programs, essentially ensuring that everyone in the company passed through its classrooms at least once a year. Its performance

metrics were outstanding—on paper—but its real impact on corporate strategy was minimal.

Useful metrics should focus on results and will vary based on corporate priorities. For example, one European electrical engineering company believed that senior management needed to be more diverse and that succession for top positions required better planning. To track progress in meeting these challenges, it developed specific key performance indicators: the age, gender, and background of company leaders; the number of senior managers with potential successors in place; and promotions earned by leadership course alumni, among others.

At one luxury goods company, executive forums were designed around hot topics identified by the executive committee. To ensure that the programs were worthwhile, metrics were developed that tracked the number of proposed initiatives that were implemented. By emphasizing results from its corporate university program, the company launched an e-commerce subsidiary earlier than expected and was three years ahead of its competition in using radio frequency identification (RFID) technology to track inventory and shipments.

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To face the challenges inherent in the modern global market, corporate universities must understand and confront their own internal tensions. Development programs that address current and future needs compete for limited corporate resources, and it is often tempting to accumulate short-term wins to justify investment in training. But the most successful corporate universities reflect the intrinsic link between development and strategy, address future needs, and focus on organization, scope, and metrics to ensure a balanced program that contributes to ongoing success. ■

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