

# Making of a Corporate University Model: Transition from Traditional Training to Learning Management System

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## Abstract

Today organizations have adopted a corporate university model to meet their training requirements, a model that adds value to the business in terms of revenue and profit, improvement in customer retention, improved employee productivity, cost reduction and retention of talented employees. This paper highlights the radical change and an evolution that is taking place in training and development. This paper is about the definition and meaning of a corporate university; how it can help build a corporate leadership to support a compatible corporate culture of knowledge and learning acquisition internally and how to utilize this knowledge to generate new revenue sources from the external stakeholders. Finally, the paper shows how a corporate university model comes to exist through a LMS or through the support of the academia in the higher education institutions. The paper will cite a few examples in the context of corporate and academia marking the already existing L&D system and suggest the creation of a corporate university model, a pioneering initiative to develop a corporate university. The corporate university model is also responsible for managing knowledge in both internal and external environments and a big solution to the problem of unemployment and underemployment.

**Keywords:** business strategy, learning organization, strategic alignment, training.

## INTRODUCTION

The world is facing digital innovation and challenges of globalization, therefore, employees in organization must also upgrade their skills and competences to adapt to these changing trends. Moreover, due to the growing dependence on knowledge individuals and knowledge workers, organizations delegate responsibility and authority to talented individual employees, paving their way to participate in decision making, planning strategies and thus contribute to competitive advantage. (Drucker, 1985) Historically speaking, from a mere administrative function facilitating employees to perform their assigned tasks, training has now risen to an organizational sub-system responsible to accelerate the organizational operations. Even employees' perception towards training has changed. What was earlier perceived as a tiring, mechanical exercise with no experiential learning is now seen as an opportunity of acquiring new skills; people see training as a continuous, unstoppable activity in order to ensure a consistent value addition in their work. Additionally, the growing attrition rate and a stiff market competition have necessitated imparting training to talented employees in order to retain them, thus bringing training closer to the process of aligning with the business strategy. Learning and Development (L&D) systems are evolved to organize training events and ensure a close integration of training with the business strategies of the organization. These systems are monitored by a Learning Management System (LMS) which is more like a knowledge platform, a reservoir of all types of training activities consolidated, aligned and configured according to the business strategies and integrated with other corporate functions.

Training is also seen as an investment and not expenditure. According to American Society for Training and Development (ASTD, 2003) reports, US organizations spend \$126 billion annually on employee training. Another survey, *Great Place to Work*, (Goreman, 2014) reports that training and employee development is a top area of focus of 100 Best Companies who participated in the survey. The survey also predicts for the year 2015 that organizations with "high-impact learning" will register profit three times greater than their competitors only because they have built up a learning culture and kept their employees "current and skilled." Hence this survey echoes the need for a continuous learning in an organization rather than an intermittent, need based training.

## A PARADIGM SHIFT

Organizations thus now experience a paradigm shift in training and have evolved Learning and Development (L&D) systems to organize training events. The L&D identifies, designs and develops training resources for organizational development and for the achievement of the organization's strategic goals. It ensures a close alignment of training activities with the business strategy where employees collaborate together under the same strategic style. (Future Think LLC, 2009) L&D has already acquired a significant place in most organizations as reported by a benchmarking study by the Brandon Hall Group (Grebow, 2014). The report lists a few characteristics of such learning organizations viz. a well-structured learning strategy, learning objectives aligned with goals and strategies of the organization with performance benchmarks; a centralized learning function and a Chief Learning Officer.

The American Society for Training and Development report (ASTD, 2003), states that organizations are linking learning to performance only to create a highly skilled, knowledgeable workforce to meet their business

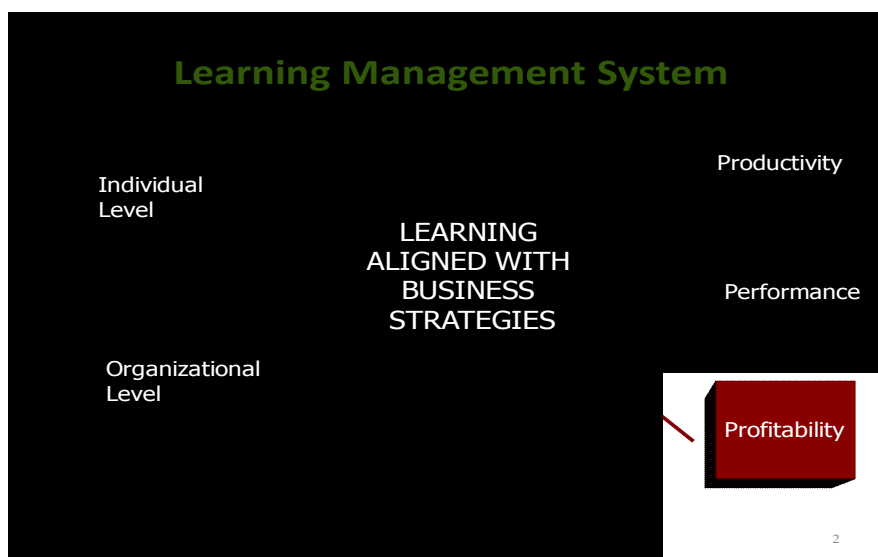
strategies. Forbes Magazine, (Myler, 2012), in another report, discovers that a few organizations, that prefer to be called learning organizations, have implemented innovative L&D systems instead of traditional training systems. These organizations provide coaching and mentoring as well as specific training and performance support tools as per their strategic requirements. Likewise, in another report (Clarke, 2014) states that important ingredients in the making of a Learning Organization are the experiences of their managers and L&D experts who facilitate the growth of other employees in the organization, instead of just keeping them confined to their own limited past experiences. All these reports are further evidence of the fact that that employee learning and development has gained unprecedented strategic significance in organizations. Bhatia & Kaur (2014) perform a literature review based study and their major findings reveal that HR and training strategies in organizations are aligned more with business strategies and corporate governance; that the training needs are directly linked with business goals; that learning facilitation is strengthened; and that training is not just a mechanical activity but aims at providing learning and improving business performance by creating a learning environment. This study very aptly discusses the transition of T&D into L&D as a matter of organizational need in the changing times. Stuart (2015) of CIPD survey team also observes that since L&D is usually incorporated within the HR department, its attributes are the same as that of T&D like in-house training and development programmes, organizational health surveys, on-the-job training, coaching and mentoring by peers and like.

However, L &D setups seems to have taken a few advanced steps as reflected in their use of technology, e-learning courses, KPOs and similar knowledge portals on the organizational Intranet, giving L&D a more academic appearance. L&D specialists, also known as T&D specialists, are responsible to design, and deliver training programs to improve employee performance and ensure organizational profitability. These specialists develop and implement new training materials such as manuals, training videos and slide show presentations and also conduct surveys with focus groups, instructors, managers and experts in the field. Palmer (2010), for instance, designs a business case for L&D for the Kenan Flagler Business School in which she cites evidences showing how organizations “retool” their L&D programs to generate corporate profits. She recommends exploring the strategic priorities of an organization in order to understand how the L&D function can contribute to and support these priorities. In the same vein, a few recent studies (Fibírová & Petr, 2013; Mesch and Comolli, 2015)) have found out that organizations expect their employees to continuously learn, unlearn and relearn through a learning-centered intervention. This is required not only to maintain consistent employee productivity, these studies opine, but also to prepare a well equipped, manpower adequately trained in resolving live strategic issues. These studies have also stated that organizations are becoming more knowledge dependent and therefore shifting to knowledge-based products in a knowledge economy and so rightly called Learning Organizations. In these organizations, training or learning thus is seen more institutionalized through such models like ‘company as a university’ or a corporate university model of learning, which is discussed later in this paper. Moreover, creation of leadership institutes within the organization, in-house certification programs and last, but not the least, the presence of a Chief Learning Officer (CLO) in many of these organizations are a few reasons to believe in the institutionalization of learning by these organizations.

## **LEARNING MANAGEMENT SYSTEM**

A unique and fully dedicated Learning Management System (LMS) is also created in such organizations to organize and streamline their learning activities. Goldstein & Ford (2002) find that training, having transformed into a kind of strategic activity, requires a LMS with a view to enhance performance of both the individual and the organization, which is also the core principle of a learning organization which states that both individual and organization must develop shared thinking and ‘a unified corporate vision’ (Senge,1996). Such a vision facilitates organizations to stay ahead of their competitors by bringing innovation/ reinvention of their training measures and emphasizing on organizational change through change in planning, designing, strategy or processes (Harigopal,2001; Ghoshal, Piramal & Barlett 2002).

Organizations where LMS is installed, acquire a ‘knowledge platform’ with their own infrastructure and a learning database strategically aligned to the products and processes of the organization and monitored centrally (Watson & Watson,2007) Such an LMS also integrates itself with corporate functions other than training and learning at all hierarchical levels which enables it to keep a close watch on the training requirements of each individual in the organization. The main objective of any LMS is to direct and monitor any individual or organizational training and integrate it with business strategies of the organization leading to strategic benefits like productivity, performance and eventually, profitability. (Figure 1.1)



**Figure 1.1** Concept of a learning management system in an organization

Eventually a LMS prepares a strategically focussed manpower that is fully trained and empowered to enhance business performance in terms of productivity at employee level and profitability, at the organizational level (Wentworth, 2014). Wentworth draws attention to serious issues that both employees and employers face to maintain levels of productivity and profitability; however, also offers a solution in the form of creating a learning environment in the organizations where talented individuals are identified and trained for strategic tasks to ensure profitability for the organization. The introduction of a LMS in current circumstances has made learning a business priority. Moreover, if there is a learning environment in the organizations, training automatically becomes a continuous, unstoppable activity that will keep the employees always on the alert, to look for new learning and acquire new skills and knowledge as their job may demand. These studies and surveys, as discussed above, thus support the creation of a corporate university, a model that is beyond the traditional training system. In this model training and the business strategy are so integrated that training does not aim at only imparting knowledge and skills but also making individuals understand business strategies, support systems and leadership styles.

### A CORPORATE UNIVERSITY MODEL

The term ‘corporate university’ is interchangeably used with the terms like Academy or Institute or Centre of Excellence. It is set up by a corporate organization as an in-house educational entity to serve as a strategic tool for achieving its objectives. Corporate universities originated in the late 1980s in the form of Learning Institutes, Academies, Centers of Excellence, primarily as an improvement over traditional training departments. However, General Electric is known to have opened the first corporate university, in 1956. Boston Consulting Group finds that formal corporate universities in America alone is over 2,000 and worldwide its number is more than 4000 corporate universities; with the most famous Corporate University being .” (retrieved from [www.economist.com/news/business](http://www.economist.com/news/business))

In this knowledge millennium and an era of digital innovation, updated knowledge and continuous learning is very significant to both individuals and the organization. Clinton, Merritt, & Murray, (2009) suggest that an organization must provide its workers with the ability to “retool their skills and knowledge continually” and train themselves with skills beyond on-the-job training, which is deemed effectively possible through a corporate university model. A corporate university offers employees the opportunity to add value to their knowledge and skills, and in return, to give back to the organization their output “through innovation, efficiency and productivity”. Truly speaking corporate universities were created only to produce knowledge workers and develop the intellectual capital in every organization. It is also discovered that ever since the corporate university movement gained momentum, employees have shown more efficiency in their job performance, they have learnt new skills and also earned degrees and certifications that would boost up their careers. Corporate universities are currently striving to develop such programs that are clearly linked to business objectives and organizational strategy. (Schultz,2010)

Lui Abel and Li (2012) conducted a survey of 210 North American corporate universities . Based on a factor analysis, the survey findings reveal that corporate universities follow a few processes for their establishment namely: (1) alignment and execution, which supposedly involves a thorough audit of the current knowledge and skills of the employees of the organization, without which the organization cannot determine its strengths; (2) to develop such knowledge and skills that support business needs and help the organization to gain

competitive advantage; (3) the use of appropriate technology to support the learning function, (4) learning and performance evaluation, enabling organizations to assess and scrutinize their employees' learning levels, (5) and finally partnership with academia. According to the authors, these five processes can help to understand a corporate university phenomenon.

Similarly, Noe (2010) outlines top five organizational goals of corporate universities viz., "to improve customer's service and retention, improve productivity, reduce costs, retain talented employees, and increase revenue" Noe also opines that these goals can be achieved only through training functions organized by a university model, that must have a wide range of programs and courses in its training curriculum and that, like good teaching practices in a traditional university, a corporate university too must adopt "best training practices" across the company. Dutkowsky, (2014), in another study, emphasizes that in order to yield a high return of investment (ROI) organizations must recognize the value and significance of their employees and make their training and learning more competitive and profitable. A corporate university model enables the organization to achieve this objective but, the author emphasizes, its main focus must be to align the "human capital" with the business requirements and long term vision of the organization.

Several other studies have discussed the benefits of training and development provided by a corporate university model. According to one study a corporate university helps in "synergistic cost advantages, better implementation of organizational strategies, and competitive advantage" (Clinton, Merritt, & Murray, 2009) Another study (Gould, 2005), suggests that a corporate university assists the employees to develop and implement appropriate business and marketing plans in order to "add value to business and in some cases generate revenue;" Noe (2010), too, finds that corporate universities prove a great "aid in knowledge transfer," customer retention, productivity enhancement, cost reduction and profits. As a result, following the corporate university model, employees can develop skills and capabilities that are specific to understanding business problems and business strategies such as goal-setting, personal decision making, business analytical skills, stress management, leadership and team building time management, and emotional intelligence – all of these are essential determinants for understanding the business strategy and also which can consequently have a positive impact on employee productivity, organizational performance and profitability. When all such things exists, it is the ideal situation to see the transition of the Training and Development into a Learning and Development (L&D) system and creation of a corporate university model.

To cite a few examples of the corporate university model, one may refer to the corporate university of Gas Natural Fenosa, an organization in Spain. According to a report published on their website, this corporate university maintains strong alliances with academic institutions both in Spain and around the world. Moreover, like any traditional university, it has an Advisory Council comprising the Universidad Polit cnica de Catalu na, the Universidad Polit cnica de Madrid, the Monterrey Technology Institute, the IESE and ESADE Business Schools, and Boston Consulting Group, that alongwith the internal units of Gas Natural Fenosa, ensures a permanent connection between the company strategy and the training programmes carried out. The training or learning model adopted by the Corporate University responds to training requirements in terms of both skills and technical knowledge, and does so via the Leadership Institute and the Technical Institute, respectively. According to the report, this corporate university had conducted a total of 832,144 training hours in 2015 (42.9% online), with 165,987 participants in 14 countries. 34.5% of the training hours were provided by the 164 internal experts.

Another example can be cited of Shell, the American oil company, which has institutionalized the learning process. This organization can rightly be called a 'Learning Organization' as it fosters learning and attempts to develop a skill-mechanism embedded in their employees that would give them enough competence to face any kind of challenging situation. Such a deliberation was seen much better than designing and implementing a training plan impromptu when the need arises. In other words, employees are trained proactively to face any kind of situation. Their preparedness is a sum total of the slogan that Shell has raised : "Planning while Learning" which equips the employees with all types of innovation, perseverance and also capacity to face any kind of changes and unpredictability in the world oil markets. To sum up, the planners of training in Shell prepare their employees for any uncertainties in the environment. (Senge,1996)

There are a few other examples like Energy University sponsored by Schneider-Electric Inc, which offers training programs and practical learning courses covering markets and industries that represent 72% of energy consumption worldwide. This university functions globally and is not confined to any one organization. Likewise there are universities like Arcelor Mittal, a truly global university whose mission is to "learn, grow and connect" through skills development and improving personal performance; the university helps people reach their personal potential and develop their individual talents. FINEOS Corporate University, set up by FINEOS Corporation a Dublin based software company, is another example of a corporate university that runs courses using a consultative approach aiming at maximizing business results; it develops necessary skills set to individual employees in the organization helping them to quantify their knowledge levels and perform efficiently.

## CONCLUSION

The remarks of Jack Welch – Former CEO GE—are very apt in the context of training and learning. Jack Welch states that any organization that is capable to learn, and transfer its learning into results has a competitive advantage (Gloeckler,2014). Peter Drucker also stated the maxim: “Education can no longer be confined to schools. Every employing institution has to become a teacher” (Drucker,1987) Drucker was thus hinting at the need and importance of continuous learning or lifelong learning, which every organization must adopt in order to remain competitive.

Learning is thus becoming an outcome of training in the workplace. A few organizations have even developed an inbuilt learning mechanism in the form of a learning institute, a kind of a corporate university wherein employees attend customized courses and excel in their areas of expertise. Such organizations have now started talking about learnability as a unique skill of their employees and prefer to call themselves a Learning Organization. Training in these organizations is thus redefined and restructured as organizational learning. What was earlier considered as administrative function or a necessary tool to ensure that employees possessed necessary skills to carry out the assigned job was transformed into a kind of organizational learning. Such organizations have started calling their employees as intellectual assets or intellectual capital or knowledge workers who now collectively work for achieving organizational goals and objectives. Such organizations are thus people’s organizations where intangible (intellectual) assets are more important than the tangible ones. If such a workforce is to be available to a nation, the corporate university model is the only potential method to built this workforce.

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