

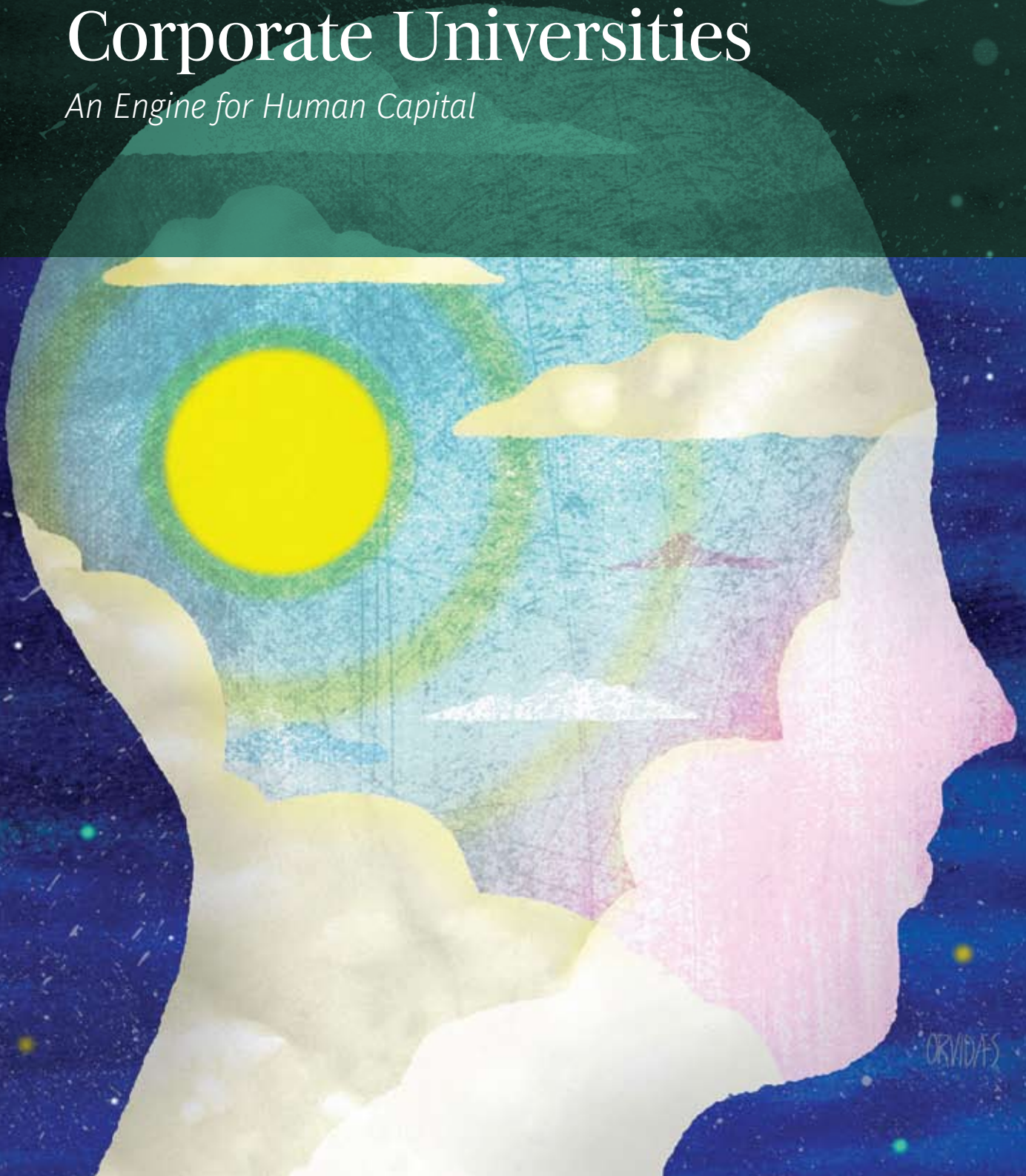
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TOGETHER.
YEARS

Corporate Universities

An Engine for Human Capital



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Corporate Universities

An Engine for Human Capital

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AT A GLANCE

As talent becomes the primary source of competitive advantage, companies must excel at attracting, developing, and retaining the talent they need. Corporate universities are emerging as a major vehicle to confront shrinking talent pools. To guide businesses in fortifying their existing corporate universities and to provide a roadmap for organizations looking to bolster their existing training organizations, BCG conducted a major study to identify trends and best practices.

SIX BUILDING BLOCKS

The success of a corporate university is grounded in six strategic building blocks. Two address the highest level: a clear definition of the corporate university's vision and objectives, and the scope of its activity. The remaining four are audience and curricula, an optimal learning environment, appropriate governance and structure, and compelling branding and strategic alliances.

KEY SUCCESS FACTORS

Virtually all the respondents to our survey of executives at 23 companies cited seven key success factors, including a close relationship with the CEO and curricula tied to corporate strategy. But many reported significant shortfalls. For example, only 32 percent reported that their corporate university had developed such a relationship.

THE ENGINES OF ECONOMIC growth are shifting from financial to human capital. In the past, capital-intensive physical assets drove competitive advantage in many sectors of the industrialized world. Today the sources of advantage are changing quickly from plants and machines to the people who make businesses work. In this postindustrial society, talent scarcity is looming as the next major corporate challenge.

In the coming years, businesses will face a graying workforce, the high expectations of Generation Y, globalization's unique demands on leadership, and growing employability gaps in emerging markets. Corporate universities are emerging as a powerful vehicle to surmount these challenges.

- *A Graying Workforce.* By 2050, the dependency ratio of those 65 and older will more than double in most G7 countries and in the BRIC nations (Brazil, Russia, India, and China).¹ With the exception of India, these societies will be “grayer” than even Japan, currently the country with the oldest population.² Although many companies face an aging workforce, few offer lifelong learning opportunities to keep skills current. Corporate universities are primed for this role.
- *Generation Y's Expectations.* Many in this generation place a higher value on development opportunities than they do on cash bonuses.³ Lack of development opportunities is the major reason given by Generation Y employees for leaving a company.⁴ Corporate universities are turning their attention to attracting and developing the members of this generation.
- *Globalization's Demands on Leadership.* As dispersed global operations integrate, leaders must have keen cross-cultural skills and the ability to adapt. Corporate universities have a track record in developing global leadership skills and creating a culture of common values across borders. Equally important, corporate universities are becoming strategy partners in developing the talent, skills, and behaviors needed to drive strategy creation and execution.
- *Emerging-Market Employability Gaps.* In the BRICs and many other emerging countries, the percentage of prospective employees with sufficient education and skills, especially in middle management, will be a fraction of what is needed. In a 2012 study, we found that only 15 to 30 percent of university graduates in the BRIC countries are immediately employable.⁵ Corporate universities are stepping in to fill the emerging-market skills gap.

In this postindustrial society, talent scarcity is looming as the next major corporate challenge.

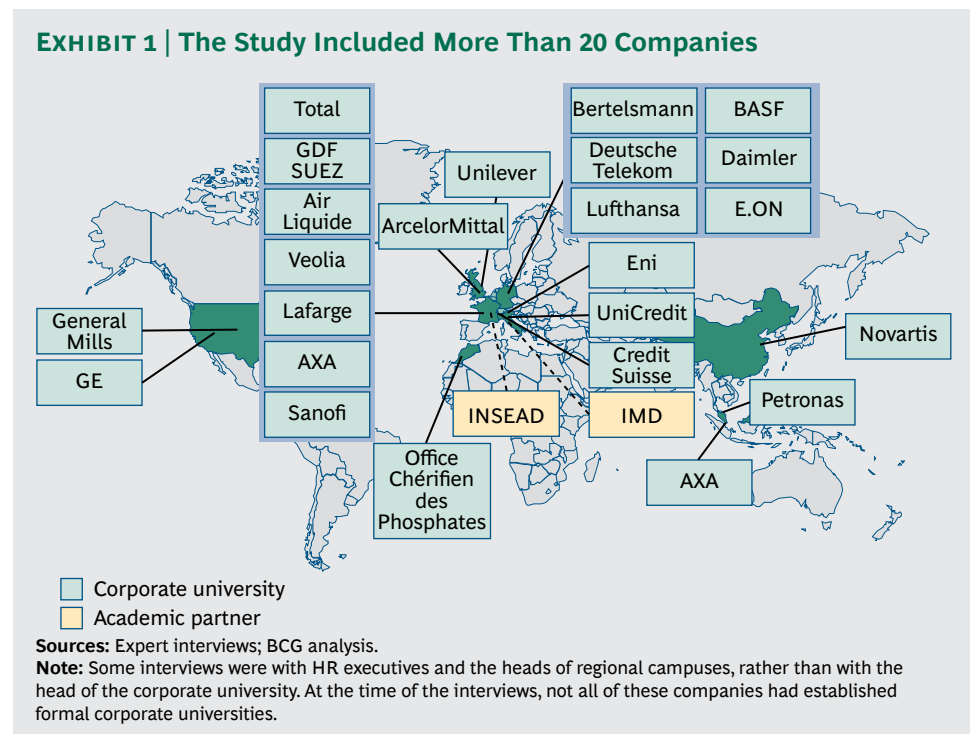
Corporate Universities Are on the Rise

Supported by professional organizations and certification programs, corporate universities have been on the rise for decades. In the United States alone, their ranks doubled between 1997 and 2007, from 1,000 to 2,000. Worldwide, there are estimated to be more than 4,000 companies with formal corporate universities.⁶

The growth of corporate universities reflects significant corporate training and development commitments. In 2012, for example, BCG estimated that companies in the G20 countries had invested nearly \$400 billion in training. These investments have been driven by a few developed countries such as the U.S., Germany, and France, but investments in China and India are expected to grow in the wake of employability gaps.

Capital markets are rewarding these investments. In our 2012 global HR research study of nearly 4,300 executives in more than 100 countries, we found that organizations known as “people companies” delivered higher returns to shareholders and outperformed their industry’s average in eight of the previous ten years. Investments in training also translate into revenue: companies with strong capabilities in leadership development, talent management, and performance management experienced revenue growth up to 3.5 times higher than the average, and their profit margins ran as high as 2.1 times the average.⁷ These people-company capabilities lie at the heart of what corporate universities provide.

This report is based on a global study that included in-depth interviews with senior human-resource executives at 23 companies ranging in size from 8,000 to 300,000 employees in a wide variety of industries (See Exhibit 1 and the sidebar



“Facts and Figures at a Glance.”) To complement the executive interviews, we consulted faculty representatives from two major academic institutions. Our research was designed to help companies that are considering a corporate university, as well as those looking to bolster the effectiveness of their existing training organizations.

FACTS AND FIGURES AT A GLANCE

Corporate university size	Average	Number of respondents
Number of training days	42,023	12
Total participants (FTEs)	14,268	11
Target group (FTEs)	931	13
Number of program offerings	448	7
Number of corporate-university FTEs	20	19
Target group as percentage of total employees	10.1	13
Key financial indicators		
Total budget (€millions)	15.8	13
Budget per participant (€ per FTE)	1,498	10
Budget as percentage of learning and development spending	16.2	6
Governance indicators		
Direct reporting line to board (%)	32	19
Central campus (%)	22	18
Cofinancing model (%)	42	12
Company characteristics		
Employees (thousands)	124	20
Revenue (€billions)	55	19

Six Building Blocks: Trends and Best Practices

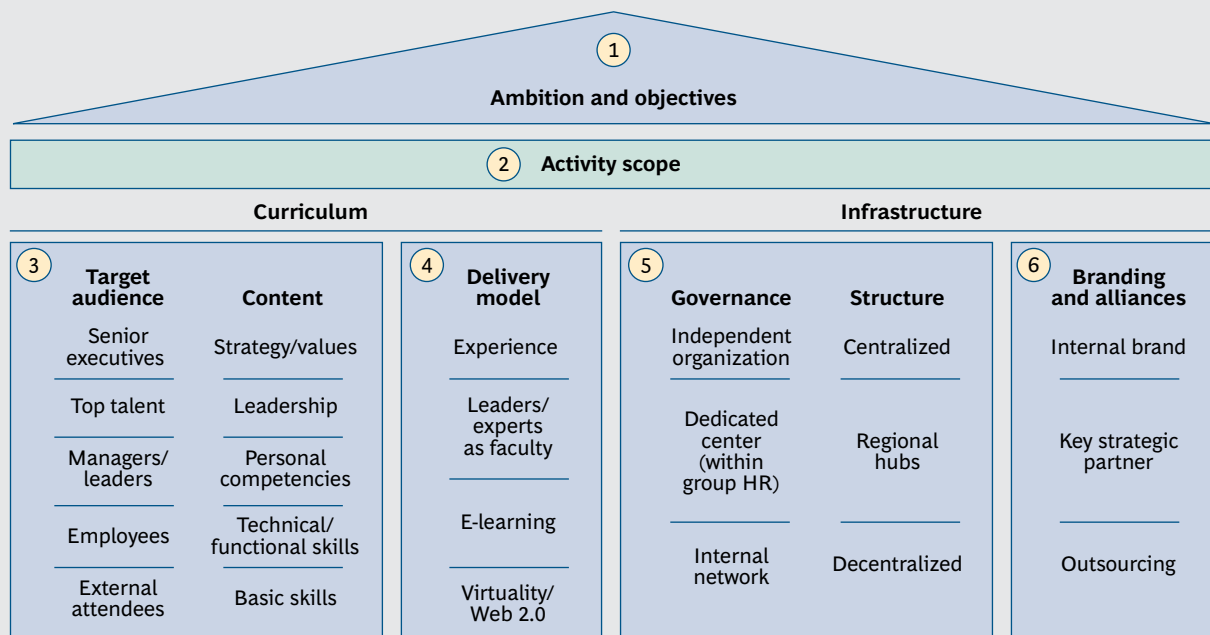
We identified six strategic building blocks that form the foundation of a successful corporate university. (See Exhibit 2.)

1. *Ambition and Objectives*: distilling the purpose and vision of the organization
2. *Activity Scope*: building a structure to realize the company's strategic role and vision
3. *Target Audience and Content*: designing high-level curricula for each constituency
4. *Delivery Model*: providing a learning environment that supports the company's needs
5. *Governance and Structure*: managing reporting relationships, finances, and facilities
6. *Branding and Alliances*: creating a strong brand and forging new partnership pathways

AMBITIONS AND OBJECTIVES

In the past, corporate universities focused on training design and delivery. Now their role is expanding to support overall corporate strategy and culture. Although corporate universities define themselves in different ways, we found that they are

EXHIBIT 2 | The Strategic Building Blocks of a Successful Corporate University



Source: BCG analysis.

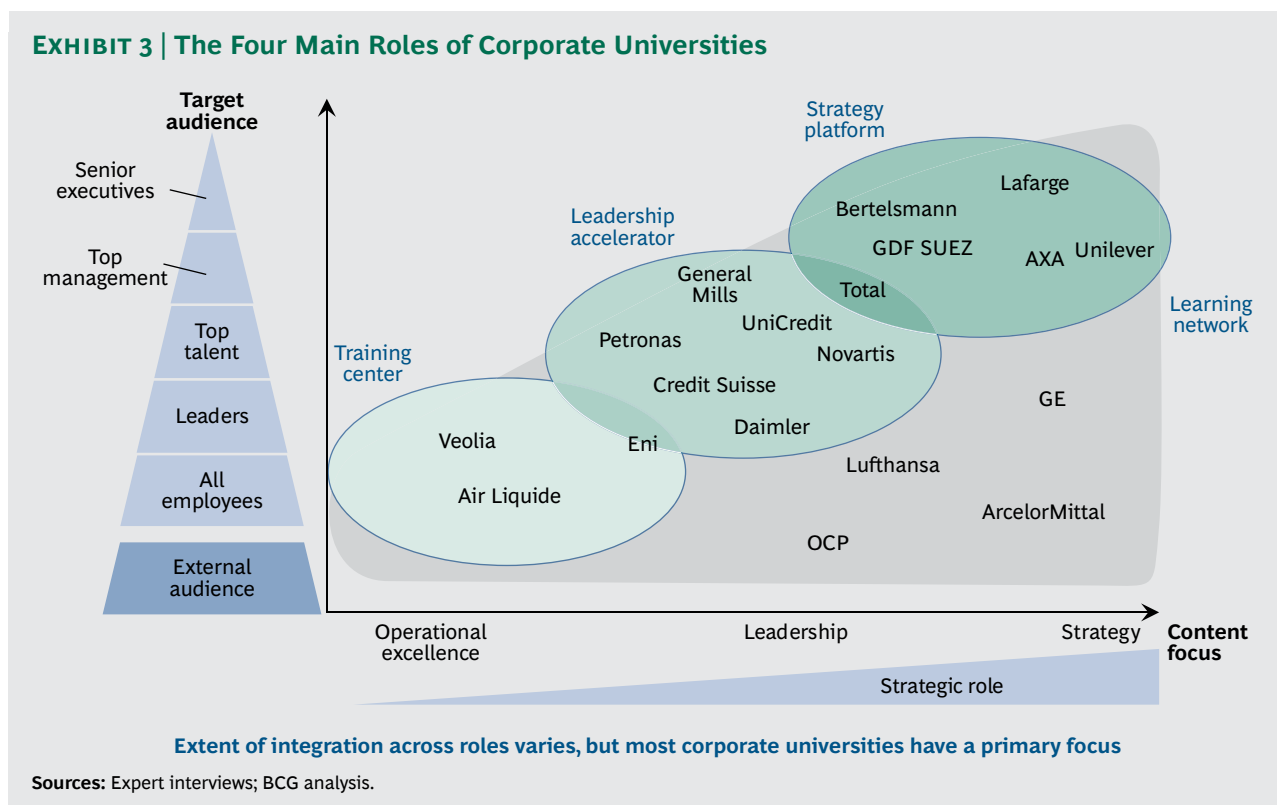
generally dedicated units acting as partners with senior leadership to develop strategic skills and capabilities. They serve as platforms for strategy development and execution. “Our corporate university is designed to be a bracket over our strong divisions and hold them together across all borders,” says Christine Scheffler, head of Bertelsmann University.

Across the board, the executives we interviewed cited two important reasons to develop a corporate university:

- *Tying Leadership Development to Corporate Strategy.* Developing talent and leadership is the most important objective—cited by 22 percent of executives. Building a common corporate culture and identity was considered important by 16 percent. Promoting the company’s culture across borders was critical to 12 percent.
- *Supporting Strategy Development.* Creating networks and opportunities to develop and disseminate strategic direction was central to 14 percent of the interviewed executives. Developing a platform for the agenda of the CEO and the board of directors was cited by 10 percent.

ACTIVITY SCOPE

Corporate universities are already carving out new roles to address talent shortages. We found that they tend to focus on one of four primary roles, depending on the target audience and strategic objectives. (See Exhibit 3.)



Corporate universities are continually adapting their models to meet the demands of new strategies and market volatility.

- *Training Center.* In this role, the corporate university provides training to regular employees and company leaders. The goal is to achieve operational excellence and drive alignment around key business processes and standards. The corporate university at environmental-services provider Veolia, for example, trains more than 200,000 employees and offers various credentials in areas important to the business. Providing training for the broad employee base is a strategic differentiator. In addition, Campus Veolia provides corporate learning programs that address high-potential employees and senior executives. As Isabelle Quainon, director of learning and development, points out, “We focus on all employees from the moment they join the company.”
- *Leadership Accelerator.* Targeting middle and top management to foster a companywide leadership culture is the focus of this role. By bringing together diverse groups of company leaders, these programs create networks that connect participants long after formal training is completed. For example, the Petronas Leadership Center (PLC) was launched in 2011 to focus primarily on leadership development. For Yasir Abdul Rahman, the PLC’s CEO, 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.”
- *Strategy Platform.* These programs target senior and top management with content directly relevant to the company’s strategy. The goal is to tie professional development to specific challenges and embed the learning process in strategy development. (See the sidebar “The Corporate University as Strategic Player.”) GDF SUEZ University, for example, develops top talent to act as internal consultants and has established think tanks to address the company’s main growth challenges. “Our corporate university is the engine for accelerating change and strategy,” says Alice Tagger, program director.
- *Learning Network.* Creating a learning culture and ongoing learning opportunities beyond the classroom is the charge of these programs, which target a broad base of management and employees to fortify functional, technical, and management skills. To foster global learning, for instance, ArcelorMittal’s corporate university offers a comprehensive curriculum in 17 facilities to lay the groundwork for knowledge creation. The company has also established functional academies and cross-company programs to build skills in areas such as project management. Most recently, ArcelorMittal built a network of training centers to focus on shop floor employees. As Brian Callaghan, vice president of leadership development, puts it, “The corporate university is a force for change to solidify our culture among a broad employee base at a newly formed company.”

Expanding Impact. Corporate universities operate in dynamic environments. They are continually adapting their models to meet the demands of new strategies and acquisitions and market volatility. Corporate universities rarely remain permanently restricted to any of the four primary roles described above. Our study found that they follow two primary paths to increase impact.

Broadening the target group is the first and most common. Many corporate universities began by focusing on small populations, such as senior or top management.

THE CORPORATE UNIVERSITY AS STRATEGIC PLAYER

As companies strive to improve their strategic capability, corporate universities are becoming catalysts for developing and embedding business strategy. The corporate universities of UniCredit and GDF SUEZ, for example, focus on leadership and strategy development. High-potential leaders from across the companies convene in groups to work on specific projects. These projects expose participants to new business thinking and build strategy development and collaborative working skills. For example, UniCredit's UniManagement recently developed a program focused on "the branch of the future." At the end of each program, participants pilot new ideas developed during the training.

The corporate universities at GE and Unilever have likewise built platforms to spread and embed new strategies. Senior and middle managers attend

conferences and symposia to discuss and debate strategic options. The corporate universities develop learning experiences and communication programs to spread the word and secure buy-in to new strategic directions.

Lufthansa's corporate university is strengthening its strategic role through timely revisions to the curriculum. These revisions ensure that professional development is in sync with new strategic directions. By tightly integrating curricula with the challenges at hand, the corporate university also assumes the role of strategy mouthpiece, turning company leaders into strategy messengers. "A close link to strategy is a critical success factor," says Ulrike Schlosser, head of Lufthansa's School of Business.

However, a large number are expanding their outreach to middle management to create network effects among different management levels. Furthermore, many companies realize the strategic importance of middle managers, who have not been the focus of professional development.

Changing the business model is the second path. A common approach is to expand beyond delivering training to providing expertise on program development. In its expanded role, the corporate university acts as an internal consultant for business units and regional or local learning departments.

Although not a primary path for expansion, supporting change is another means of increasing impact. Corporate universities can develop specific content and programs to support organizational change and transformation.

Field Example: Daimler. Daimler is a prime example of how the focus of a corporate university shifts as new strategic challenges emerge. Like many corporate universities, Daimler's began as a vehicle to help integrate the global enterprise. Later it turned its attention to developing senior management and connecting its offerings to existing professional-development processes. The corporate university

now addresses all leadership levels and functions, striving to create a “one touch, one feel” environment for all employees. The corporate university also plays a change management role by supporting business units in the development and implementation of strategy and culture change mandates.

TARGET AUDIENCE AND CONTENT

The curriculum should match the corporate university’s objectives, scope, and target audience. It should also be updated to ensure that it is in line with business objectives and needs. In emerging markets, balancing the content demands of different target groups is especially important. (See the sidebar “The Triple Challenge in Emerging Markets.”)

In emerging markets, balancing the content demands of different target groups is especially important.

Most corporate universities focus on leadership or strategy development—95 percent of the executives we interviewed cited leadership development as the focus of their curricula. Developing a common company culture was important to 70 percent. Only 33 percent reported that their corporate university concentrates on content for the broader employee base.

In addition, corporate universities need to segment their audience by career stage. The speed of change in business and its increasing uncertainty call for an adaptive

THE TRIPLE CHALLENGE IN EMERGING MARKETS

Corporate universities at multinational companies must tackle a triple challenge in emerging markets—and the same is true for the global challengers emerging from these markets. Each must train three levels of employees: senior leaders, middle managers, and employees at large.

“The competition for talent is especially intense in Asia,” says Hans-Christian Marxen, head of HR at BASF Asia-Pacific. “Development opportunities are crucial to attract and retain talent in this region. That is why BASF is significantly strengthening its approach and piloting global lifelong learning efforts in Asia.”

In our 2012 study, we found that in the BRIC countries, only 15 to 30 percent of university graduates are immediately employable. We also found that a lack of managerial skills is the most

critical challenge in these countries.¹ However, finding and developing talent is only part of the issue. In China, for example, the percentage of employees planning to stay with their current employer is far smaller than in much of the rest of the world: 18.8 percent, compared with 44.9 percent in Germany and 38.2 percent in the U.S. Attrition rates across industries have soared into the double digits.²

Global leadership development is the biggest and most long-standing mandate for multinational companies. We have observed that adaptive leaders who can recognize, shape, and inspire potential talent are a key differentiator in today’s best-run companies.³

Senior leaders in emerging markets must embody an organization’s values and bring those values to bear in constantly changing multicultural

organization with leaders who can react quickly to new challenges. Corporate universities should provide specific developmental opportunities for middle managers at successive career stages to ensure that, as they move up the ladder, their adaptive-leadership skills keep pace. Age can be another important variable. In developed countries, aging workers are staying on the job longer and their skills need to meet demand. Corporate universities must provide lifelong learning experiences to ensure that the capabilities of these workers remain fresh.

Field Example: Content for Top Management. Bertelsmann sponsors the State-of-the-Art Forum for executives and internal subject specialists on the latest industry and strategic developments. The content is designed to keep leaders abreast of the most current thinking and help them develop cutting-edge solutions to pressing business problems.

Field Example: Reaching the Broad Employee Base. Veolia’s corporate university targets the entire employee base. It provides vocational-training certificates in such areas as sewage maintenance, thermal-equipment maintenance, and public-works pipeline construction. The corporate university also offers vocationally oriented high-school diplomas to develop technicians in areas such as industrial equipment and energy services. For its management tiers, it grants bachelor’s and

Corporate universities must provide lifelong learning experiences to ensure that the capabilities of aging workers remain fresh.

settings. These leaders must also have the flexibility to navigate complex challenges while steering a course in line with the company’s strategies.

The second challenge is middle management. For the most part, companies have focused their management training on senior executives and high-potential employees. But the need for effective middle managers in emerging markets is ballooning and can’t be met with expatriates. Locals need to be trained and developed. However, the educational systems of these countries do not focus on developing the interpersonal and managerial skills needed to function in large global enterprises.

Finally, public education is falling short in the development of needed functional and vocational skills. In contrast to Western Europe and the

United States, vocational training in most emerging markets is rare. In India, for example, only 11.3 percent of people aged 15 to 29 receive technical or vocational training.⁴ As a result, corporate universities are stepping in and developing everything from basic office and team skills to technical expertise.

NOTES

1. “When Growth Outstrips Talent: Five Strategies for Emerging Markets,” BCG article, April 2012.
2. Corporate Executive Board Company, *Engagement Trends: Q3 2011 Discretionary Effort and Intent to Stay by Geography, Function and Industry*, October 2011.
3. *Winning Practices of Adaptive Leadership Teams*, BCG report, April 2012, and “The Five Traits of Highly Adaptive Leadership Teams: What Senior Leaders Do Differently,” BCG article, December 2011.
4. TeamLease, *The Geographic Mismatch and a Ranking of Indian States by Their Labour Ecosystem*, India Labor Report, 2009.

master’s degrees in sales, environmental-services management, and environmental-services engineering.

DELIVERY MODEL

Our interviewees cited three distinct trends in the effort to boost the quality and impact of corporate-university offerings: innovating program content, leveraging Web 2.0, and developing more robust collaboration strategies. But a general strategic gap exists that can significantly diminish the impact of every one of these efforts.

A Strategic Shortfall. The training value chain covers the learning spectrum from assessing needs to measuring the impact of offerings. (See Exhibit 4.) Yet most corporate universities address program development and delivery alone. Only 14 percent address strategic capability by rigorously analyzing workforce demographics, retention levers, and employability issues. Systematic planning is a missing link that is central to relevance and impact. “Workforce analytics are crucial to identify programs targeted to retain specific groups of employees and calibrating pre- and postevaluation results for managers,” says John Paterson, director of talent development and strategy at Credit Suisse in Singapore.

EXHIBIT 4 | A Corporate University’s Training Value Chain

On average, corporate universities spend 75% of their time on program development and delivery

	Training needs assessment	Program development	Program delivery	Evaluation
Key steps	<ul style="list-style-type: none"> Thoroughly analyze: <ul style="list-style-type: none"> Workforce structure Employee survey results HR KPIs (attrition) Development needs Identify needs in close alignment with the business Define KPIs to measure progress against needs 	<ul style="list-style-type: none"> Derive program concepts based on needs assessment or competencies Identify project requirements Steer vendor management Brief all constituents 	<ul style="list-style-type: none"> Administer project initiation setup and delivery Align internal and external partners/faculty Deliver training 	<ul style="list-style-type: none"> Evaluate: <ul style="list-style-type: none"> Delivery satisfaction Knowledge generation Learning application Impact on KPIs (business results) Evaluate programs on their return on investment
Strategic relevance	+++	++	++	++
Outsourcing potential	+	++	+++	+

Assessment of training needs is of great strategic importance to all the following steps

+++ High strategic relevance/ high outsourcing potential + Low strategic relevance/ low outsourcing potential

Sources: Expert interviews; BCG analysis.

The strategic shortfall is also evident in the evaluation process. Most respondents—78 percent—reported that they evaluate participant satisfaction with content, delivery, and facilities. Learning outcomes are assessed exclusively through employee surveys—only 11 percent measure the overall impact of their programs on business outcomes. Caroline Buhagiar, head of AXA’s Singapore campus, describes the difference: “Our activities center less on delivery. We strive to become an architect that designs and develops new modules and monitors their quality and impact on the business.”

Integrating with Employee Development. For maximum impact, corporate-university offerings should be integrated into the company’s leadership and employee-development processes.

At Unilever, for example, the head of the corporate university is part of the leadership development function and reports to the chief HR officer through the head of leadership development. Three key resources integrate training needs with the talent development process. First, individual “passports” —personally customized to employee work and experience—allow all 120,000 employees to register for and track their relevant training. Second, HR facilitates an annual global-demand process. The exercise identifies key capabilities, including general, professional, and leadership needs to drive the budgeting process in the coming year. It also provides insights into future programs. Third, succession planning is linked to development plans that drive the company’s key leadership programs. Development plans are structured as part of all key talent programs, articulating short-, medium-, and long-term development needs. Career aspirations are also included in these plans, which are systematically reviewed by superiors to ensure visibility and alignment.

Learning Innovations and Web 2.0. To create meaningful, company-specific learning experiences, organizations are developing custom case studies that reflect their industry, opportunities, and challenges. The case experience simulates real team-based decision-making processes, and senior managers often serve as coaches. In some cases, participants with specific backgrounds are selected to develop learning experiences for the entire group. Those experiences include interactive role-playing exercises that develop leadership styles. In a similar vein, some corporate universities use actual business assignments to ensure that participants internalize the lessons learned and use them in their work.

On the technology front, 24 percent of the executives we interviewed said that Web 2.0 is a vitally important trend. They expect it to change the face of organizational learning and ground a company’s ability to create the ongoing internal and external connections that are the hallmarks of a learning organization. Although corporate universities are developing e-learning platforms to complement face-to-face programs, Web 2.0 applications are the focus of technology. Still in the early stages of development, Web 2.0 is seen by many as the technology that will foster ongoing knowledge creation through communities of practice and networks of peers and experts.

Best Practice: UniManagement’s Learning Platform. Nearly a quarter of respondents said that becoming a learning organization is a top priority. These

Web 2.0 is seen by many as the technology that will foster ongoing knowledge creation through communities of practice and networks of peers and experts.

organizations want to create dynamic learning processes that overcome the silos among employees, training departments, and company leaders. These processes can ensure that a company is developing the leaders it needs by fostering strategic thinking and leadership capabilities.

UniCredit's UniManagement corporate university has created a learning platform to realize these goals. "It's not about offering training," says Anna Simioni, UniCredit's head of corporate learning. "We are facilitating a learning journey." For example, the company's rigorous, six-month UniQuest leadership program supports its business challenges by engaging top management in projects that address major issues instead of using controlled case studies. The project experience is enhanced with proven tools, including 360-degree performance evaluations. In addition, all participants receive ongoing professional-development plans after they have completed the program. This approach is reflected not only in the curriculum but also in the open and flexible architecture of UniManagement's facilities. "Thinking out of the box does not work in a room that is a box," says Simioni.

A close connection to top management demonstrates that the corporate university is a key strategic vehicle.

GOVERNANCE AND STRUCTURE

To a large degree, a corporate university's ability to gain companywide acceptance depends on how well it is integrated into the corporate structure. Reporting lines play a significant role, and CEO involvement is one of the most critical success factors. In leading companies, CEOs ensure that content is in sync with enterprise and business unit priorities. A close connection to top management demonstrates that the corporate university is a key strategic vehicle. "Close CEO and senior-management involvement is what links the corporate university to the strategy process," says UniCredit's Simioni. "Only through this link can learning leave the classroom and become rooted in real work."

Yet only 32 percent of respondents said that their corporate university reports to the board and the CEO. Another 37 percent said it reports directly to the top level of human resources. The remainder said that their corporate university reports to the wider learning and development organization or to other HR units.

Best Practice: Credit Suisse's Learning Advisory Board. Advisory boards that include internal business leaders can ensure close ties to the business. To stimulate strategic discussions, Credit Suisse's Talent Development organization established such a board, which includes the leaders of all businesses and hubs. By working closely with the business, the advisory board creates a tight link between programs and company strategy. In addition, the board's international makeup helps the company adapt programs to meet regional requirements.

Accounting for the Money. Of the executives we interviewed, only 9 percent said that their corporate university is fully financed through a standalone budget. To ensure alignment and accountability, most corporate universities charge for some of their services using one of two models: a full invoicing model (54 percent of respondents), under which nearly all costs are allocated to the business, or a cofinancing model (38 percent), under which the corporate university assumes the costs of program development and charges the business for delivery.

Structuring Options. Over the last decade, globalization has driven corporate universities away from centralized campuses. The trend now is toward decentralized structures where learning programs can be regionalized. (See Exhibit 5.) Local operations also avoid excessive travel costs and underutilized central facilities. In 2000, 45 percent of corporate universities maintained a major campus or facility. By 2012, the number had dropped to 22 percent. As Anne-Juliette Hermant of AXA puts it, “For a globalized company, having one campus does not reflect its ambitions.” Some companies adopt a hybrid model, sharing a major facility with partners and establishing their own regional hubs in key areas.

Best Practice: ArcelorMittal’s Global Campus Network. ArcelorMittal University uses a hub-and-spoke model to align and regionalize its programs and brand. Its main campus, in Luxembourg, designs and delivers corporatewide programs in partnership with top management. The central campus also issues guidelines to regional facilities and functional academies to ensure consistent branding and learning experiences. The regional hubs and functional academies are responsible for delivering programs. “We involve regional teams,” says Brian Callaghan, vice president of leadership. “They can adjust the design and development of programs to suit local context without losing the core messages.”

A notable exception is Asia. In this part of the world, a physical campus still plays an important role. In many Asian cultures, symbols such as a building serve as important marketing vehicles to attract talent. Unilever, for example, is making a significant investment in a major facility in Singapore. Novartis China University, which conducts programs in Beijing, will open a Shanghai campus in 2015, located

EXHIBIT 5 | Examples of Corporate University Campus Structures

Main campus	Major company facility	Regional hubs with dedicated structures	Loose network of facilities
<p>GE</p> <ul style="list-style-type: none"> • Opened in 1956 in Crotonville, New York • Leverages closeness to headquarters to include senior management • 59-acre corporate learning campus with housing • Broadening international activities (interventions in more than 70 countries and regional hubs in 5 countries) • ~ 40,000 participants per year globally; 10,000 at the main campus 	<p>Lufthansa School of Business</p> <ul style="list-style-type: none"> • Opened in 1973; reopened in 2009 • Located in Seeheim, Germany • Conference hotel with 483 rooms • 80 training and seminar rooms; 5 event rooms • 270 employees • Slogan: “Home of Lufthansa School of Business” 	<p>Veolia</p> <ul style="list-style-type: none"> • Main campus opened in 1994 near Paris • 24-hectare campus with 300-room housing facilities • 2 major auditoriums host important symposia • 20 regional campuses in 11 countries with 130 training rooms and 412 employees 	<p>Bertelsmann</p> <ul style="list-style-type: none"> • Different locations for different program offerings • Silicon Valley location for programs with a focus on digitalization and new media • Harvard Business School provides a real “campus atmosphere” at its executive program on mastering new challenges
22	28	22	28
Percentage of corporate universities			

Sources: Expert interviews; corporate-university websites and presentations.

in its new R&D center. And although AXA shuttered its corporate university in France, it still maintains a physical campus in Asia.

Size and Scale Matter. Although the size of a corporate university depends on its scope, our research found that the average staffing level is slightly less than 3 FTEs per 10,000 company FTEs. As a best practice, corporate universities maintain a dedicated staff for administration, direction setting, and curriculum development. A core staff creates a foundation to achieve significant scale effects. Program delivery, for example, can be outsourced or covered by other staff serving as internal faculty, allowing the corporate university to scale up or down easily. In economic downturns, the use of third-party facilitators, even developers, can be reduced to meet financial circumstances without cutting core administrative and leadership resources.

BRANDING AND ALLIANCES

Over the past few years, signature leadership programs with traditional business-school offerings have somewhat fallen out of favor. They are perceived by many of the executives we interviewed as too expensive. The emphasis now is on individually designed offerings, blending customized and open-enrollment programs. Usually the corporate university will build its own faculty network with specialized expertise. Corporate universities often work directly with a particular professor or with more specialized niche providers in their network. As a result, business schools are becoming learning consultants, providing a strong network of specialists and experts to meet a company's specific needs.

As corporate universities become increasingly professional, strong internal brands can provide a stamp of approval similar to that of partnerships with major business schools. Moreover, extensive internal marketing can underscore the message that all training and development activities have a common touch and feel, further strengthening the corporate university's link to the company.

Best Practice: Unilever and External Partners. This year, Unilever will open a second leadership center, in Singapore, along the lines of its iconic Four Acres facility in London. With 55 beds, the new site has nearly twice the capacity of the London facility, underscoring Unilever's commitment to Asia and the importance of a leadership pipeline to power its emerging-market consumer businesses.

Unilever's leadership curriculum, which currently targets senior management, is evolving to support the goal of doubling the company's size while reducing its environmental footprint and increasing its positive social impact. To meet the mandate, Unilever is working with select partners to complement its current curriculum. The partnerships will bring the "best of outside" inside by providing learning opportunities in conjunction with customers, suppliers, and other key organizations, including NGOs.

For example, Unilever is offering a program exclusively for its female leaders in partnership with INSEAD. It also offers a sustainability leadership program with the University of Cambridge. In these programs, Unilever participants build perspective and learn from select external participants. The offerings support the company's goal of developing leaders with the skills, relationships, and perspectives needed to

As corporate universities become increasingly professional, internal brands can provide a stamp of approval similar to that of partnerships with major business schools.

have an impact on the world around them. At the same time, these partnership programs increase site utilization while creating intimate and innovative learning experiences with other world-class leadership institutions.

Key Success Factors

In addition to the six building blocks described above, seven keys to success in developing a corporate university were cited by nearly all the executives we interviewed.

- *Engage the CEO.* Lacking support from the CEO or the board can result in low organizational acceptance. The corporate university should develop a close relationship with the CEO and enlist him or her to help shape the corporate university's offerings to fit the company's strategic imperatives. Individual board members can be drawn into the fold as sponsors of specific programs.
- *Connect to company strategy.* A tenuous link to the company's strategic objectives will put the value of the corporate university in question. To strengthen the link, learning objectives should support the capabilities required by the company's strategy. A thorough needs assessment is central to identifying the capability and skills gaps that must be filled to support the corporate strategy. In addition, top-talent development programs should prepare participants to forge new strategies.
- *Stay close to the business.* If the business is not involved in curriculum and program development, the corporate university risks falling short of expectations. The corporate university should collaborate closely with the business to thoroughly understand its needs. Representatives from the business should sit on corporate-university advisory boards.
- *Provide high-caliber offerings.* If adequate resources are not available, the offerings will not be competitive. The staff of the corporate university should be restructured to include learning experts who can develop high-quality programs that outperform those of competitors. Business representatives should be engaged to translate business needs into employee capabilities. The corporate university should also have managers who can oversee complex, global offerings.
- *Create links with employee development processes.* Professional development should include relevant programs that are required of employees before they take on new assignments or positions. This will give employees the opportunity to use what they have learned on the job.
- *Measure the value.* If performance and impact are not measured, the corporate university's value will not be clear. Corporate universities should identify the capabilities and skills that the business needs and measure the impact of learning programs against those needs. Business units should be invoiced at full cost so that they can compare the corporate university's value with that of open-enrollment programs.
- *Market internally and externally.* Offering first-rate programs that employees are not aware of will defeat much of the corporate university's purpose. The corpo-

A thorough needs assessment is central to identifying the capability and skills gaps that must be filled to support the corporate strategy.

rate university should enlist top management to advocate for its strategic importance, and it should articulate the role that it plays in the employee value proposition. Both internal and external marketing should use branding that is consistent across audiences.

Assessing the Opportunity

Many executives recognize the importance of lifelong learning to meet the talent challenges of the coming decades. As a first step in considering a corporate university or improving existing training and development efforts, we suggest that executives consider these key questions:

- *Objectives and Strategic Setup*
 - What is the primary objective of our efforts and is there a clearly defined strategic scope and focus in line with overall company goals?
 - What is the primary target group for our curricula and content and how are the latter linked to overall objectives?
 - How are our training offerings strategically linked to our development processes and decisions?
- *Curriculum*
 - How many offerings do we have for each target group and what are the costs (overall and per employee, business unit, and region)?
 - How do we link content development and program evaluation to overall company strategy?
 - Do we work closely with the business to assess its needs?
 - How do our offerings prepare employees for future challenges?
 - Do we deliver content in a way that ensures a lasting effect on our organization and employees?
- *Infrastructure*
 - Do we have the appropriate infrastructure to deliver our offerings?
 - Do we have a clear internal and external branding and marketing strategy?
 - Do we have the appropriate costing mechanisms?
 - Do we have the right number and type of external partners? Do we collaborate well?

- Do we invest our budget in ways that add value to the company and employees?

Developing powerful HR capabilities is essential for success as needed talent becomes increasingly scarce. Corporate universities can become a strategic platform to develop these capabilities and anchor a company's ability to attract, develop, and retain the talent it will need. These capabilities, in turn, build a virtuous circle. As an organization's reputation as a people company is boosted by the professional-development opportunities that it offers, it can attract the most qualified employees and further develop them to meet competitive pressures.

NOTES

1 The dependency ratio is the population aged 65 and over divided by the working population (aged 15 to 65).

2. World Economic Forum and BCG, *Global Talent Risk— Seven Responses*, 2011.

3. PriceWaterhouseCoopers, *Managing Tomorrow's People: Millennials at Work—Perspectives from a New Generation*, 2008.

4. *Creating People Advantage 2012: Mastering HR Challenges in a Two-Speed World*, BCG and World Federation of People Management Associations report, October 2012.

5. "When Growth Outstrips Talent: Five Strategies for Emerging Markets," BCG article, April 2012.

6. Corporate University Xchange, "The Business Case for Creating a Corporate University," September 2011.

7. *From Capability to Profitability: Realizing the Value of People Management*, BCG and World Federation of People Management Associations report, July 2012.

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