

# Developing Leaders

Executive Education in Practice

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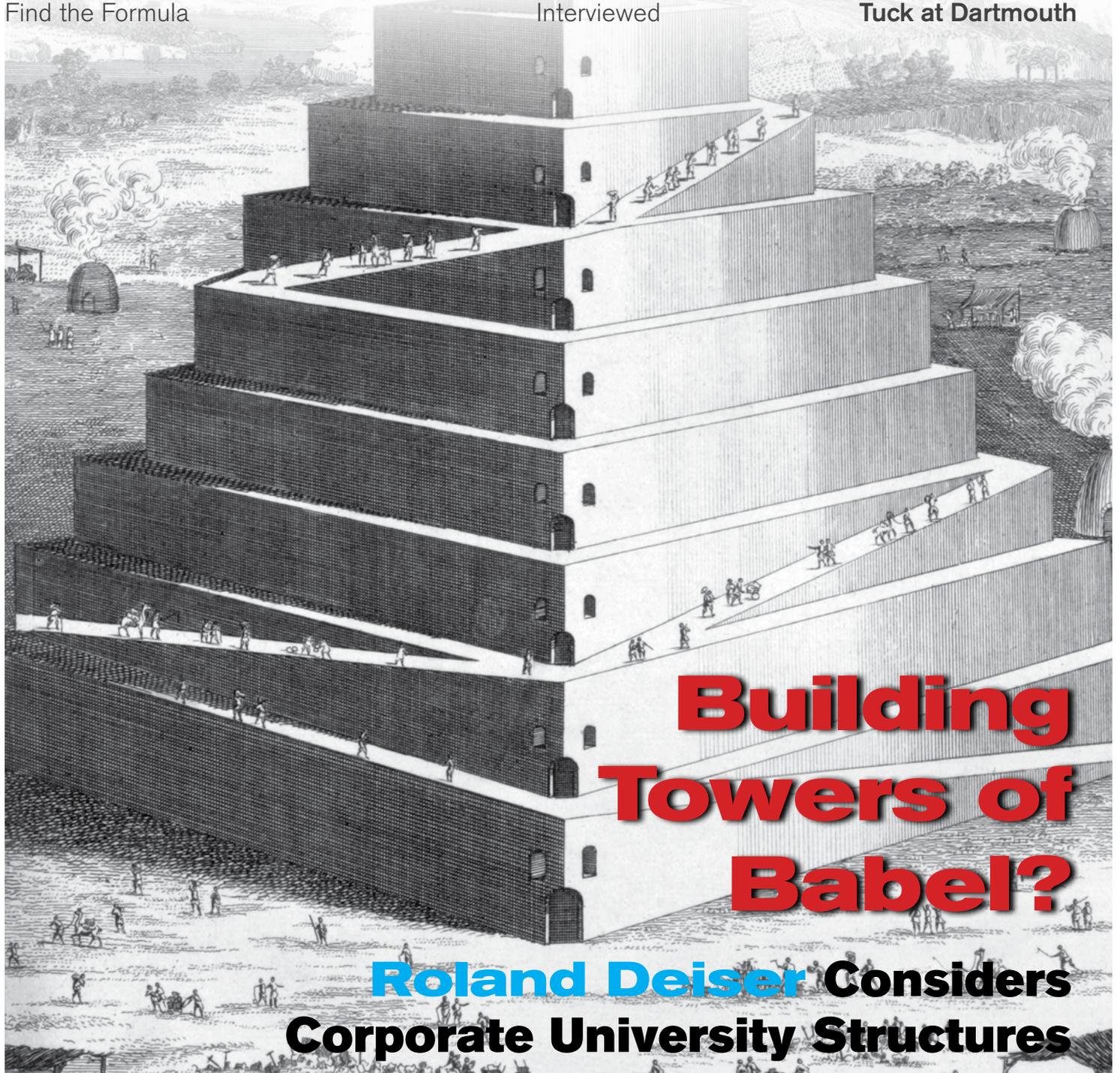
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Tuck at Dartmouth



# Building Towers of Babel?

**Roland Deiser** Considers  
**Corporate University Structures**



# Business Models Galore

## The Colorful and Diverse World of Corporate Universities

*"It would appear from 15 years of data that a corporate university is whatever a corporation decides it is."*

By Roland Deiser

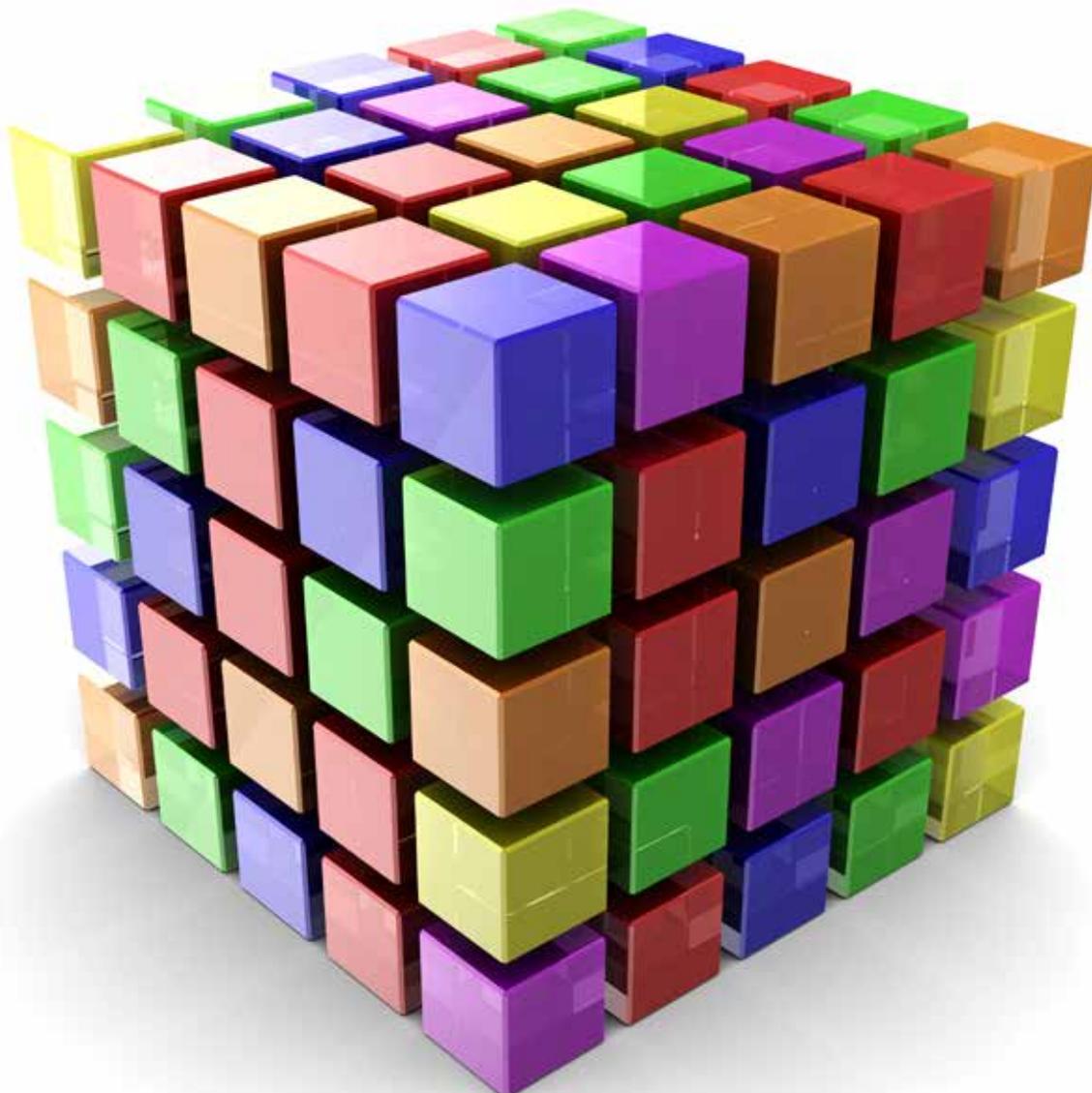
This fall, a delegation of 15 executives from major Russian corporations will visit Germany in the course of a learning expedition to find out about great examples of Corporate Universities (CUs). The delegation is led by Russia's largest bank, Sberbank, who is especially ambitious here; they recently opened a flagship university near Moscow that serves not only internal purposes but provides a visibly branded educational institution for Russian society at large. A similar project has been launched by Qatar Petroleum in an effort to strengthen the conglomerates' capabilities and, at the same time, position the Gulf country as a hub for the knowledge economy.

It seems that despite economic turmoil, the concept of CUs is quite alive; it may even face a renaissance. Over the last year or so, activity has also picked up in Western Europe, where CUs have been around now for about 15 years. Major players such as BASF, Bayer, SAP, or ABB, who so far have held back and refrained from joining the club, are currently huddling over blueprints for innovative learning architectures that they hope will help address their complex capability challenges. That three of these four companies have new CEOs may be a coincidence, but it is probably not.

Corporate Universities or academies became fashionable in the late 1990s, which has resulted in thousands of companies adopting the idea. Recent estimates by various analysts and consultancies suggest the number of CUs worldwide has grown from 400 to more than 4000 over the last 15 years - a compounded annual growth rate of about 18%. With developing countries adopting the concept, the trend is most likely to continue. But much of this is still a fad, and as with all fads, it is wise to approach them with a little caution.

The rationale behind creating a Corporate University is pretty clear. In times of disruptive change and volatility, tectonic demographic shifts, a radically changing leadership paradigm, an ever exploding knowledge economy, and an ongoing war for talent - just to name a few drivers - learning is not an option but a strategic imperative. CUs are an answer to this imperative as they are supposed to provide a framework for incorporating a 'DNA of learning' into the business processes of a firm. If designed as integrated, holistic learning architectures, CUs provide not only a tool for developing leaders and assuring the right skill set; they bridge boundaries, drive a culture of continuous learning, collaboration, and innovation, assure the generation and dissemination of strategically relevant knowledge, systematically develop and nurture core competences, and more. In short: they raise the overall 'strategic capability' of an organization.

Notwithstanding this rationale, many companies launch CUs by just relabeling their existing training departments with that apparently sexier moniker, without substantially redefining the learning function in relation to their overall corporate architecture. Others



set out with the ambition to foster strategic and organizational learning and create an agile and resilient corporation, only to give in when facing the massive challenge of changing mental models and overcoming political resistance. Some have decided to focus on creating leadership bench strength, while others drive social media utilization and trust the dynamics of self organized informal networks. In other words: if we dig a bit deeper and look at the specific manifestations of CUs, we find a wide range of models, ranging from traditional training centres to truly innovative organizational learning architectures.

Let us have, for instance, a brief look at what has been and is happening with regard to Corporate Universities in the European energy sector:

- In 2004 E.ON, the German utility giant, proudly announced the creation of a Corporate Academy which quickly became an internationally renowned benchmark for its consequent design of functional sub-academies. Earlier this year, E.ON Academy shut down as the company faces major disruption because of Germany's exit from nuclear power.
- While E.ON academy closes its doors, Enel - an Italy based competitor - is moving forward with a major investment. The company, which has become a major global player over the last few years through a number cross border acquisitions, is about to build a new state of the art corporate learning facility to provide a long desired physical home to its 13 year-old Corporate University.

## Viewpoint

- RWE - another European energy giant - decided against the launch of a formal in-house university. However, two years ago, the company created a corporate "Development Centre" to establish a framework and more transparency for the then 7500 uncoordinated individual learning activities, and reign in an out of control army of 1400 training providers. In an effort of continuous improvement, the Centre has already been restructured twice since its inception.
- EnBW Academy – founded in 2000 as the corporate learning platform of a regional, comparatively small German utility player – employs dozens of change management consultants who are not only used for internal transformation projects but also offer their services to the external market. The Academy was instrumental in developing a new shared vision for the company by facilitating workshops with hundreds of stakeholders.
- Union Fenosa, the Spanish utility company that recently merged with Gas Natural (now named Gas Natural Fenosa), pioneered Corporate Universities in Spain. They retrofitted a whole village near Madrid into a lush university campus that can host up to 600 participants at any given time. After the merger, the university is now under new leadership, and its concept under evaluation.
- France-based EDF, the world's largest electrical power corporation, founded its Université Groupe EDF in 2005 as a learning discourse platform to reflect on fundamental issues concerning the energy industry. The mission evolved constantly, and in 2011, the company decided to open up its university to all of the Group's managers around the world - from front-line managers to directors - increasing its target group from 1,000 to 12,000.

It is notable that these wildly differing stories are from one single industry, with all players facing more or less the same environmental dynamics and similar capability challenges. Still - we should not be surprised by this variety. After all, the distinctive features of a particular Corporate University model are the result of a complex amalgam of the CEO's strategic intent, conceptual blueprints "how to set up a CU", impressions from benchmark visits and case studies, the approach of the chosen consultancy (if any), the history of the company, the maturity of the learning function, current management fads, the specific business model and industry environment of the corporation, the reputation and relationship network of the "Chief Learning Officer", and the sometimes politically highly charged dynamics of internal stakeholders. Most of these variables are soft and irrational. They do not follow a scientific, objective logic, and their combination constitutes a unique configuration. It is therefore hard to define what is right or wrong when it comes to the design of a perfect Corporate University.

To better understand this colourful territory it is useful to take a look at the scope of functions that Corporate Universities can serve. Without claiming to be exhaustive, the design of CUs may include business models as diverse as the following:

### **The CU as Comprehensive Learning and Development Institution**

This model is probably the most ambitious and often comes with



*Sberbank Corporate University design, Moscow (Image courtesy of Erick van Oort)*



*RBS Business School, Edinburgh*



(in Egeraat)



## How to realize leadership potential



1. Recognize Organizational Problem



2. Call for Help



3. Address the Issue



4. Apply Resolution

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a significant number of fully employed experts, trainers and consultants who design, orchestrate, and in many cases also deliver professional and functional training, executive education and development, change management services, and strategy process support – across all businesses and often throughout all levels of the organization. It requires significant financial and organizational commitment. Examples are IBM, whose global learning function includes more than 1800 people, or General Electric, with a Learning and Development budget of about 1.2 billion dollars.

#### **The CU as Centre for Senior Executive Education and Development**

This model often features virtual leadership learning architectures that are closely linked with Talent Management and that leverage strategic partnerships with business schools and other external service providers. The primary role of this type of CU is to orchestrate the external partners and internal stakeholders in a way that assures alignment with the strategy and culture of the company. Novartis is a good example, where a small team of learning professionals works with more than 400 partners that include top universities such as Harvard, Stanford, Wharton, Berkeley, Babson, INSEAD, IMD, and the London School of Business.

#### **The CU as Professional Training Centre**

Here the focus is on assuring functional expertise in areas that are relevant for the industry. This is actually the origin of some very early corporate universities, when the educational system just could not produce enough or sufficiently qualified engineers, accountants, project managers, and so on. The previously mentioned E.ON Academy served as a benchmark for this model, with 12 dedicated functional academies that included power generation, grid & distribution, marketing & sales, energy trading, IT, HR, procurement, and more. Other examples are Siemens' Global Learning Campus or the Technical Academies of Bosch or Umicor.

#### **The CU as Dialogue Platform for Top Management and Top Industry Stakeholders**

In this model, CUs are a hub to reflect and possibly also address key issues of business and society. When the French power company EDF launched its CU in 2005, it initially hosted high level global think tanks with Nobel Laureates to discuss industry related issues of global importance and relevance, such as global warming, or the future of energy. Similarly, Swiss Re, the global reinsurance company, uses its Centre for Global Dialogue to bring together global business and thought leaders to better understand emerging global risks. While this model is not so much related to customized learning and development, it serves the purpose of branding and stakeholder relations and comes probably closest to the traditional notion of "Universitas" (literally "the whole", "the universe", "the world").

#### **The CU as Knowledge Management Centre**

In this model, the mission of the CU is to assure that the organization has systems and mechanisms to capitalize on the expertise of its members. This includes the provision of enabling technology for communities of practice as well as the creation of a social infrastructure that fosters sharing and collaborative learning. Caterpillar University is a good example, with more than 4000 active communities; or the CU of ENI, which has a major focus on knowledge management. The proliferation of social media technology will naturally further boost these practices.

#### **The CU as Platform for Improving Value Chain Efficiency and Dynamics.**

Quite a few companies use their CU to drive capabilities deep into their supply chain and their customers, and/or to engage in cross-organizational learning processes to optimize



*Telefonica Corporate Universtij, Parc de Belloch (Photo courtesy of Batlle i Roig architects, © José Hevia)*

processes, reduce costs, or foster innovation. A good example is Toyota University, which is a part of the company's sales organization with the mission to assure a high and consistent level of quality of all their dealers. Or the initial model of Cisco University, which focused exclusively on training and certifying engineers *outside* Cisco to assure the professional deployment and support of their technology. And we should not forget to mention GE, who designed the 3<sup>rd</sup> stage of their famous Work-Out program to improve the efficiency and effectiveness of the business relationship across organizational boundaries.

### **The CU as Vehicle for Strategic and Organizational Transformation**

CUs are also a tool for driving change and strategic initiatives. A well designed architecture of dialogue forums, strategy implementation workshops, and cascading seminars can serve not only as a mechanism to communicate information and develop skills and behaviors that are essential for executing new strategies; it helps also internalize the values and philosophy of the "new path" and facilitates the implementation of pilot projects. Probably the most famous example for this approach is GE who used Crotonville in the mid 1990s as enabling hub for eliminating bureaucracy through their Work-Out Program. Another one is BMW, where the Learning Function worked closely with the company's strategy department to explore the future of the automotive industry; based on the results they then developed new values that were implemented through innovative 'exploratory labs'. Also Deutsche Telekom shows ambitions for this model as the company is re-launching a Corporate Academy under the programmatic brand 'Telekom School of Business Transformation'.

### **The CU as Standardization Engine for Core Practices**

Some CUs are primarily designed to assure consistency of quality, knowledge, or culture across a usually global workforce – issues that are often critical for the company's business model and/or brand management. The ultimate example here is Accenture: The world's largest consultancy's business model thrives on hiring young (and inexpensive) college graduates, and shaping and training them at the company's 1200 bed learning campus in St. Charles, near Chicago, so they quickly master the firm's standardized methodology. The model results in a maximum of scalability and allows for the industry's highest ratio



*Infosys Corporate University in Bangalore*

As companies strive to maximize the contribution of their investment in CUs... they need to make strategic and organizational decisions about the focus of their venture

of juniors to partners – a key factor of profitability. Last year Deloitte opened an 800 bedroom facility in Texas for exactly the same purpose. Other examples are McDonald's University which assures through its programs the same quality of burgers and the same management approach for all their 31,000 global franchise restaurants. Or Disney University, whose mission is to make sure that every 'cast member' of the entertainment giant breathes the brand and the culture of Mickey Mouse.

#### **The CU as Tool for Cultural Integration**

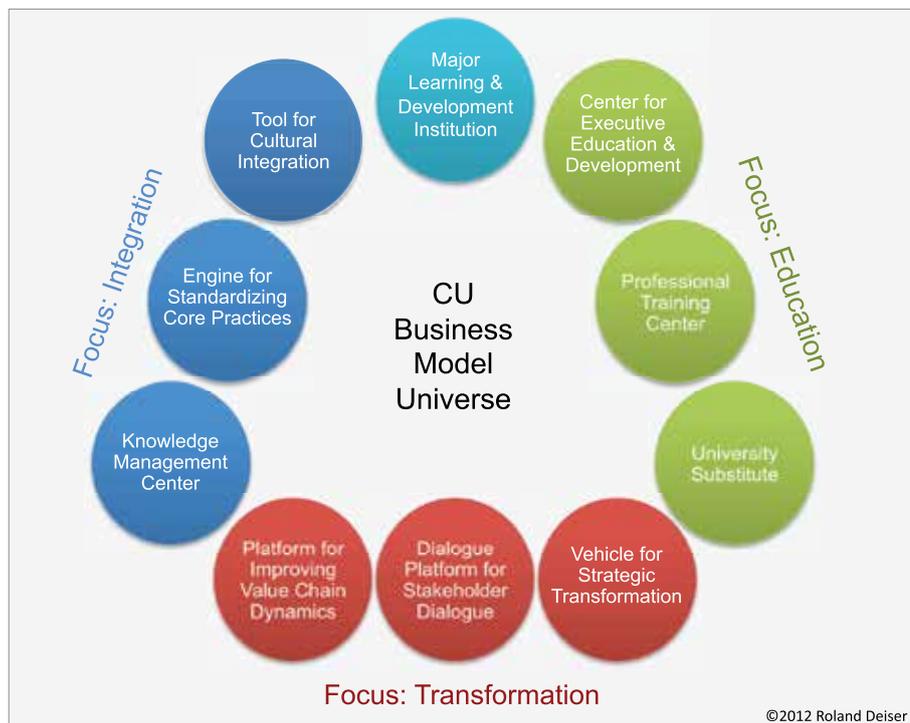
Quite a few CUs serve as a platform for cultural integration by fostering dialogue across functional boundaries and driving values and the corporate spirit deep into the organization. This role becomes particularly important in post merger integration processes where managing cultural integration is often critical for realizing the value of the newly combined unit. A good example is Italy's banking giant Unicredit, that designed its architecturally unique Turin Learning Centre for the primary purpose of fostering intercultural dialogues to digest the many mergers the company went through. Similarly, Daimler used its CU in the early days of the Chrysler merger to drive a new collaborative culture. Samsung, the Korean conglomerate, explicitly states that a key goal of its CU is to 'bring the values and actions of Samsung people toward one direction' and executes on this mission through mandatory 4-week enculturation program at their impressive 1200 bed facility near Seoul.

#### **The CU as University Substitute**

There is also a - small - number of Corporate Universities with classic academic programs that issue certified degrees to close perceived gaps of the public educational system. A unique case in this segment is India's IT giant Infosys. Its Global Education Centre in Mysore, India, the world's largest corporate campus, accommodates up to 15,000 students at a time and serves as a true substitute for a university - less than 1% of its students end up as Infosys employees. Other examples are Italy's oil and gas giant ENI, which offers a Master in Energy and Environmental Management and Economics through its *Scuola Enrico Mattei*, which is part of the company's Corporate University. Or Russia's largest bank *Sberbank*, which serves also a large student population outside the bank to raise financial acumen in the country at large.

Done well, it will yield an institution with significant internal and external impact. It will make the Corporate University a key source for sustaining competitive advantage.

This brief functional analysis is only a first step to structure this highly diverse universe, which is summarized in the diagram below. In reality, most CUs feature combinations of two or more of the above elements, and CUs differ further by geographic scope, the scale they have to serve, the degree of cutting edge technology deployment, the strength of their governance architecture, the role and utilization of physical structures, and more.



As companies strive to maximize the contribution of their investment in CUs – either by revamping existing models or developing a new learning architecture from scratch – they need to make strategic and organizational decisions about the focus of their venture, and all the other variables that can make a difference. They soon discover that there is no real blueprint, and that it is a colourful world of approaches they can choose from. Understanding this universe and the implications of each choice is a first important step for creating a CU solution that makes sense in the evolution of a company. To combine the right elements in an integrated way that is unique to the context of the firm is an art and requires creativity and imagination. Done well, it will yield an institution with significant internal and external impact. It will make the Corporate University a key source for sustaining competitive advantage.



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