A Caution on the Move of Corporate Personnel Training Department to a Degree Granting Institution

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Abstract

Expanding corporate training departments to degree granting institutions may distract corporations from their primary business functions. This paper provides arguments for corporations to resist the trend to elevate corporate training departments to the status of corporate universities. These programs are costly in terms of physical and human resources, without adding value to the firm beyond what is provided by traditional universities. In addition, such corporate degrees are not likely to be as valuable to firms, nor to degree recipients, as degrees from traditional universities.

Introduction

In the current economic environment CEOs are refocusing on their company's core business and restricting and even outsourcing ancillary functions. This article hopes to vaccinate corporate executives against arguments supporting the Corporate University movement to expand training departments into corporate universities.

Outsourcing is an efficient way of controlling costs regardless of the opportunities found by the well-meaning visionaries in these peripheral areas. What the visionaries in these lesser functions see as opportunities, their CEO supervisors should see as needless additional risk. For example, a well-respected nursing college buys an expensive sport gym to attract students and a year later the college, including the nursing program, is out of existence. This excursion into unfamiliar territory causes untold suffering to its alumni and the community the student nurses serve. Thus, one lesson from this type of expansion into unfamiliar areas is to focus on your core business and outsource peripheral functions.

Thomas Moore (1997), a former consultant for an accredited corporate university is an advocate of corporations expanding into degree granting programs. When he proposed this expansion over a decade ago, few, if any, companies signed on. CEOs seemed to understand the inherent conflict between providing short-term training for operational needs and providing long-term general education. However, the movement has taken hold and indeed, attracted many more advocates (Dealtry 2008, Anderson, 2008, Andresen 2007a).

Although the corporate university movement began about 50 years ago (Shah, 2001), there was little growth until the last generation. In 1988 there were 400 corporate universities in the United States and by the year 2001 the movement had grown to more than two thousand corporate departments (Allen, 2002), (Hein, 1999) with 40% of the Fortune 500 companies sponsoring a corporate university (Salopek, 1999).

The corporate university concept has also spread to Europe and Asia. In Germany the first corporate university was started in 1998. The number grew to 47 in three years (Andresen 2007b). The growth has been similar in the United Kingdom with the government's Department of Education and Skills considering making corporate universities degree-granting institutions (Blass, 2005). The growth in foreign investment in China has created a need to train local managers in the objectives and strategies of their corporations. Research is being done to see if the western model of the corporate university can be transferred to this Asian country (Sham 2007).

In our hyper-competitive business environment companies take unnecessary risks when they restructure training departments to duplicate traditional degree granting programs. The use of corporate resources to expand the training function is playing fast and loose with stockholder money; it may risk corporate survival, and it is just counterintuitive to good business management. But can CEOs still gain the benefits promised by advocates of the learning organization if they do not have a large training department? Sure. CEOs are probably already utilizing external resources such as universities and outside training organizations to meet their training needs.

In the past century corporations have been phenomenally successful in raising the standard of living of people throughout the world. Corporations provide a livelihood for hundreds of millions of workers, and goods and services to consumers in all the nations on earth. International corporations have helped to knit diverse peoples together in a tight web of commercial self-interests. However, executives realize that the corporate structure is not the best way to provide every service society needs. They do not attend a for-profit church and they are probably sending their children to elite not-for-profit university, like Harvard, or a great public school like the University of Michigan. Moreover, for-profit militaries do not operate within the boundaries of the United States.

The great success of corporations in the area of commerce has led some corporate trainers to advance the argument that the corporate structure is also superior to traditional university institutions for providing education to society. But success in the area of commerce does not necessary imply that corporations will be equally successful in the area of higher education, nor is it clear that becoming degree-granting institutions is in a company's best interest. Examples such as Motorola University (Shaw 2005, Rucker 1999) and Disney University (Allerton 1997) may be exceptional programs, but they do not establish the viability of corporate universities. Experiments in for-profit universities like the University of Phoenix are interesting and even be successful. However, they are stand-alone businesses and not like the typical training department located within a corporation. Even the successful GM Institute has been spun-off from General Motors and now operates as an independent private university.

So, before CEOs subject their employees to the ambitions of their corporate training department, let's consider the following related issues. First, will moving into the area of education benefit the company, or will it distract it from its core competencies? Second, will the expenditure of resources to expand into degree granting programs add value to the company or merely add unnecessary administrative responsibilities? Third, are training center personnel likely to have the expertise to run degree-granting programs? Finally, how will employees and nonemployees view degrees granted from corporate training centers?

Focusing on core competencies

This paper questions the wisdom of allowing corporate training departments to expand into degree-granting programs when the corporation's primary business function is not education. This does not attack the concept of corporate ownership of stand-alone universities, that is, organizations only in the business of education. However, expanding the role of training department does not seem prudent at a time when dozens of corporate functions, such as internal audit, payroll, collections, and management information systems, are being outsourced. Corporate expansion into degree-granting programs bucks the trend of outsourcing functions.

Moore (1997) uses a highly atypical example to support his argument for corporate universities. He speaks of a corporate university attached to a large management-consulting firm. Since his company is already dealing with cutting-edge management theory, it is not too difficult for him to package cutting-edge courses by using their expensive consultants to teach the classes. But CEOs should consider their own businesses. More than likely, they employ cutting-edge technology and they willingly pay experts to assist them in running their core business, but how likely are they to pay six-figure salaries for trainers? They probably have a limited training department, and they hire local university professors for the more difficult subjects. This is a logical business strategy that shows the folly of expanding into the area of corporate universities when university expertise can be purchased on an as-needed basis.

Changes in technology are inevitable and are certain to contain painful adjustments as senior managers get up to speed. For example, changes in warfare technology forced the Navy to go through the painful transition from battleships to aircraft carriers. The Navy had a crisis when battleship officers transferred to carriers, because junior aviators did not believed these senior managers were prepared to direct them. New technology forced the Navy to change, but new technology is not forcing corporations to move into higher education. So, why should CEOs burden their top management with the task of administering degree-granting education unless they have to?

Learning a business not closely related to corporate executives' core competency means risking the loss of their customers to the competition. For example, how much faith does one have in a doctor who is more interested in stock quotes than in keeping up with medical advances? This physician is risking his/her patient base by diverting attention to improving portfolio returns. In like manner, CEOs should concentrate on the core competencies of their business and not let the complexity of curriculum development and delivery of educational materials distract them. CEOs' core expertise is serving their customers, not in becoming the educator for their employees.

There is a lot to say for not trying to win at another person's game, especially if it comes at the expense of your own. It's already very tough for CEOs to stay on the technological edge of their core business, let alone learn a new field that is only remotely related to their own. Thus, it is usually self-defeating to try something that you may not have enough experience or expertise in running.

When an organization goes through the trauma of entering an unrelated field, it experiences many hidden costs. Likewise, when corporate training departments expand into the delivery of academic degrees, they will also discover such costs. As a result, what seems to be a cost-cutting move can become extremely costly and disruptive for both the training department and for corporate leaders. Top managers may lose their priority to direct the entire organization by concentrating on changing the training department.

There is the potential for turf building if training departments expand into degree-granting programs, although proponents of corporate universities usually minimize this possibility. They believe a few existing managers will handle the whole thing without any additional personnel. They envision these expanded programs being staffed by adjunct professors hired as lone guns and paid on a piecework basis without benefits.

Reality, however, is quite different. Corporate-training staff will inevitably hire more managers to control a more fluid and complex organization, and these managers will increase their influence over the rest of the organization (Brown 2006). Eventually educational specialists will dominate operational managers, who are involved in the real moneymaking processes of the company. More experts in educational curriculum development will be hired rather than production line managers. This hiring of intellectuals rather than expeditors of production and sales could threaten a CEOs organization's survival.

Corporate trainers point to authors writing about learning organizations to support their expansion into degree-granting programs. These authors (Dealtry, 2006, Teare, 2004) claim that investing heavily in corporate training earns premium returns. However, this strategy is not without its problems. A CEOs corporate training department could have trouble controlling the quality of education. Corporate trainers will have difficulty hiring, evaluating, and monitoring educational specialists. Trainers will be unable to properly evaluate the cutting-edge content of their part-time professors. These evaluating and testing functions are what the recruitment, selection, tenure, promotion, and publishing processes in university departments is all about. They are complex processes that would be difficult for corporate trainers to master.

It will also be difficult finding professors willing to work as a part-time instructor at corporate universities when there are many secure positions both within and outside academe. It is intellectual piecework, and the intellectuals will find other jobs in this difficult economy where they have secure benefits. This is certainly true for accounting professors who already are being lured to industry with salaries nearly double academic levels. Thus enticing and securing these educators on a continuing basis will require a substantial outlay of corporate resources.

There are, however, alternative ways for corporations to effectively use their training dollars. Providing time for on-the-job training is an efficient means of training. Engineers or outside consultants can prepare training manuals and managers can require workers to use these manuals for on-the-job training during slack times. Many large Japanese firms use this method to minimize or eliminate training departments. Second, on-the-job training also sends employees the right message about the company's work ethic and the importance of company time. That is, company time is precious, therefore use every minute. Employees do not have to be idle when production is down or stretching jobs to have something observable to do. They can always study the manuals provided them by their management professionals. Their supervisors are also forced to keep up technologically, or be embarrassed by their trainees as being technically incompetent.

It is also possible to have corporate training done by outside companies specializing in this area. They are usually less expensive than management consulting firms. Alternatively, such short-term training can be outsourced to traditional university departments. And these are not the only alternatives. A corporation can forego investment in training with an active policy of recruiting individuals who already have the needed skills, or offer incentives to employees inside the company to obtain training on their own.

In the last approach just mentioned, the risk that employees will successfully learn new skills is transferred from the company to the employee. Employees are given an incentive to succeed because they are rewarded for performance after they have invested in their training. They are not paid for training they may fail at. Under this approach the employee can obtain the reward, i.e. a promotion, only through successful learning. Only the individual's willingness to learn is in doubt, and control over this is transferred from the corporation to the employee.

Adding Value to the Corporation

Investing resources into the risky venture of granting university degrees is based upon at least two assumptions. First, universities are inefficient because they are nonprofit or governmental units. Second, corporate training departments can provide a superior product at less cost. These assumptions must be challenged in evaluating the corporate role in higher education.

Are universities inefficient because they do not have a bottom line? Universities do have budgets that are reviewed by state governments, faculty associations, prospective parents, government auditors, and university directors. In our experience, universities are more careful about providing resources than businesses. Universities are just as likely to be as lean as corporations in running their businesses.

Corporations usually do not have to answer to the public about its internal operating efficiencies. However, the public and the media feel free to comment on state and locally funded schools. The public even takes aim at private universities because of their tax-free status. Nonprofit universities file with the IRS and public universities open their records to state and local legislatures, and the general public. For example, salaries of employees and administration are public knowledge and thus subject to public criticism. Extravagant salaries of college presidents have come under sharp criticism not only from the public, but also from the IRS. It is incorrect to say that universities have little accountability and thus are overwhelmed with inefficient bureaucracies because they have no profit motive.

Finally, we would argue that today's students, a university's customers, are as assertive as any corporate customer. Students have more access to university deans and presidents than consumers have to corporate executives. They are just as willing as other consumers to complain if they believe they are receiving inferior service. Furthermore, students are willing to pick up and leave if complaints are not addressed. Since most universities need to keep a balanced budget, concerns about lost revenue from student attrition is quickly becoming paramount at many universities. Such level of customer accountability may not be equaled in the corporate world.

Training Centers will move beyond their area of expertise

Traditional universities have been providing education for over 1000 years. Universities are robust institutional structures that have been able to grow and change to meet the changing needs of society. It is unlikely that corporate training departments will make many inroads on academe. Students, be they corporate employees or not, will overwhelmingly opt for traditional universities which deliver quality education.

Corporate trainers argue that university professors charge corporations for cost and efforts unrelated to teaching classes to corporate employees. They argue that professors at most universities, other than the elite research institutions, waste too much time in research that will never make a contribution. Corporations end up paying for these empty academic papers when they send their employees to these schools.

Corporate training departments, so the argument goes, can place all their effort in teaching more classes per week, thus increasing their efficiency.

Proponents of expanding the role of training departments believe the research functions should be left to a few elite schools. They point out that in the esoteric sciences; only a few extremely brilliant scientists make seminal breakthroughs.

However, there are many essential, if mundane, research activities that require more effort than is available at a few elite institutions. The truth of this fact can also be seen in the business world. IBM and Intel have brilliant computer scientists working to make fundamental breakthroughs, but they also employ thousands of researchers to handle research application and dissemination. In addition, breakthroughs in the social sciences, such as accounting, are much more evenly distributed among schools than are breakthroughs in esoteric subjects like astronomical physics.

Universities support many types of research: purely theoretical, applied and educational. It is not just the seminal studies that are important. The collective efforts of many research studies form the body of knowledge that is transmitted to the public. The university structure monitors this process to ensure that what is presented as new knowledge can be tested and scrutinized by experts before it is presented to the public. These efforts benefit all of society including your corporation.

A corporate training department that focuses on corporate goals could not and would not support these research efforts. Training departments focus on delivery of training, while the research on how best to deliver this training is part of the academic's domain. There is much to be learned about how to effectively train employees and how to integrate technological advances into the training process. Historically speaking, the traditional university has focused on research in this area. Training departments should work on implementing the results of this research.

Corporate training departments are designed to provide training. Their role is to administer training programs developed by other educational experts. They provide brief seminars on developments in technology or computer programs or using the new office telephone systems. The emphasis is on procedures, not theories, general integration of concepts, or critical thinking skills. There is no guarantee that management skills are transferable from short-term training needs to general education, from teaching specific procedures to teaching general theory.

The fundamental point is that educators do more than just training. Educators do research and study the latest developments to maintain expertise in their field. The results of their work can be popularized for the general public, including corporate trainers. Academics also transfer their knowledge to students through courses they teach at traditional universities. Corporate trainers, on the other hand, may not have the education to perform these functions well. They may not be on the cutting edge of new knowledge, but are more suited in delivering knowledge that has been pre-packaged for them by other people such as academics.

Employees' view of degrees from corporate training centers

Providing university training to employees only compounds a CEOs motivation problem. First, the employee will not value the corporate degree as highly as a degree from a traditional university. University degrees give the employee value beyond training for specific corporate tasks. Employees are attracted to the portability of a university degree that is not available from corporate training courses. Corporate training programs are less valuable because the skills are firm specific, and are taught in a way that promotes corporate goals and objectives (Eccles, 2004, Hall 2001, Laff 2007, Merrill 2003,). This makes these training programs less valued by other potential employers.

For example, General Motors may not want to hire a person with a Ford management degree in lieu of an available Michigan State University MBA. Second, grades from a corporate training program are going to be suspect. What corporate trainer is going to flunk a senior vice president who could outsource the whole personnel department if irritated?

Corporate training departments are not designed to foster the free exchange of ideas. Training is provided in the context of the corporate culture. The free exchange of ideas is tempered by corporate politics and the corporate roles of those participating in the training session. Participants in corporate training programs know they are still within the corporate environment and innocent comments made in class may become distorted in the company's gossip mill.

Employees in a corporate sponsored degree program would feel the same constraints. They would not feel free to participate in discussion about business strategies or corporate ethics for fear their comments could be taken out of context and be negatively interpreted by their supervisors. So no real discussion will happen in the classroom, wasting dollars meant to develop employees' critical thinking skills.

Remember, employees do not want to use their personal time to earn a degree from their company's Corporate University. They feel they work hard for their employer, and their additional education should not turn out to be doing something extra for the company. They do not want to go to a company college where they will have to dress up, watch what they say, be observed by everyone else, and not be able to make contacts with students from other companies.

Furthermore, employees see a corporate tuition reimbursement plan as part of their benefit package. It may be possible to pay them less in salary than competitors who do not provide such benefits. In addition, some employees may never take advantage of corporate subsidy for their traditional university degree. Your corporation will save tuition payment in this situation, although you may not realize the person's full potential as an employee. However, cost savings do not materialize if the corporate training department offers these degree programs.

Conclusion

Corporations should be cautious about moving into degree-granting programs. Training departments should concentrate on their primary function of training employees to improve their job skills. Expanding the role of the training department will add unnecessary cost to corporate operations and distract executives from their core business responsibilities.

Corporate training departments do not represent a more efficient method of delivering degree programs. Trainers are hired to teach employees how to apply new technology, or procedures in the workplace. The developing, testing, and validation of new knowledge are tasks performed by traditional universities. Expanding corporate training departments into degree-granting programs will not replace the value traditional universities provide to society. Training departments will focus on their corporation's goals and objectives and neglect the pursuit of knowledge that may benefit society as a whole.

Employees view traditional university degrees as a way of improving their personal capital, and employers who pay for this education are providing additional compensation to their employees. Corporate degrees are designed primarily to promote the goals of the corporations so employees view the corporation as the primary beneficiary of this type of training. Thus the degree from corporate training centers will have less value in the marketplace than degrees from traditional universities.

The bottom line for CEOs should be to keep corporate training in perspective. CEOs should ask themselves some key questions before taking the plunge into higher education. How does training promote the goals and objectives of their corporation? What are the costs and benefits to expanding the role of their training department into degree-granting programs? What is the risk that corporate training will distract upper management from their core business? Why should CEOs move into competition with traditional universities when cooperation has been so effective in the past?

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