

The Changing Shape of Corporate Universities

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About seven years ago, technological innovation gave rise to the e-learning industry and the growth of corporate universities. Early in the evolution of the industry, corporate universities represented a reasonable deployment of learning technologies. They enabled companies to deliver the right content to target markets (e.g., employees, partners, and customers) and to reduce training costs by substituting technology for labor. Recent trends, however, suggest that human resource (HR)-based corporate universities have lost some of their luster. Chief financial officers (CFOs) and business managers are exercising more influence over the use of learning technologies in core business operations by employing enterprise, organization, and workflow models.

In this article, we describe changes in the e-learning industry and corporate universities that serve to embed learning into the explicit activities of the workplace.

Evolution of the e-Learning Industry

In the late 1990s, innovations in computer hardware, computer software, and Internet technologies generated a wide array of education products that launched the e-learning industry. The number of vendors that offered software-driven, Web-based digital solutions exploded. Technology vendors aggressively segmented the industry, carving out defensible niches within the traditional production function of education ([Exhibit 1](#)).

Some vendors introduced course management solutions and synchronous/asynchronous delivery tools to augment the work of instructors (e.g., Blackboard, eCollege, and WebCT). Others offered course-authoring tools (e.g., Trivantis and OutStart/Trainersoft). Countless vendors produced prepackaged course content (e.g., DigitalThink, Mindleaders, SkillSoft, Thomson, and ThinQ) with novel business models (e.g., Dialog, Harvard ManageMentor, MeansBusiness, and Ninth House Network). Innumerable instructional design and multimedia firms specialized in custom-authored training materials (e.g., Avalanche Multimedia, Cosmic Blender, and Redmon Group).

Other vendors took education programs online (e.g., BlueU, Element K, Jones International, Unext/Cardean, eMind, and Unext), whereas a segment of learning technology vendors specialized in evaluating how much students know (e.g., ACT, Brainbench, Thomson Prometric, QuestionMark, SkillView, and Vue Testing). A group of vendors specialized in Internet protocol- and satellite-based communication tools for corporations (e.g., Arel, Centra, HorizonLive, One Touch Knowledge Systems, PlaceWare, Polycom, Raindance, and WebEx).

Some of the largest software vendors offered learning management systems (LMSs) to enable clients to track students' educational needs and experiences (e.g., Click2Learn, DK Systems, Docent, GeoLearning, Knowledge Planet, mGen, Pathlore, Plateau Systems, Saba Software, and ThinQ). Indeed, the industry crystallized around the LMS as an industry-specific reference model for the design of software. A perception took hold that vendors had to deliver an LMS to compete in the upper echelon of the industry. A 1999 *PC Magazine* contest, "Distributed Learning Management Shoot-out," fueled this perception; Gartner's [Magic Quadrant report](#) perpetuated it as well.

At the same time, segmentation in the industry left vendors in a position of delivering piecemeal solutions. An LMS or authoring tool did not constitute a complete learning technology solution, remote hosting could not

fully replace in-house training, and many startup ventures lacked the experience and resources (e.g., labor and capital) to deploy software and deliver ongoing professional services.

Competition forced learning technology vendors to refine their business models and better leverage the Internet to deliver greater value to corporate clients. Vendors learned that "online" does not in itself constitute a credible business model, as dot-com strategies do not guarantee revenues and profits. They also discovered—owing to the 2001-03 technology recession—that they had to follow well-conceived business models, expressly design products for corporate clients, generate sustained streams of revenue, and operate as efficient, well-run businesses. Many learning technology vendors did not meet these standards, and profits consequently remained elusive.

The e-learning industry began to consolidate in 2001. Winners distinguished themselves through technological leadership and reasoned business models; they demonstrated their ability to weather the storm. More than 50 firms closed their doors or became takeover targets (e.g., Experient, gForce, Headlight, LearningByte, Peer3, Pensare, and SmartForce). Many startups remain vulnerable, hoping for an economic rebound and infusions of capital. Many firms with good names and credible products will continue to fail due to overcrowding in the industry—requiring corporations to remain circumspect when selecting suppliers.

Corporate Universities

Corporations used innovations in learning technologies to bring online educational programs in-house. They launched corporate universities—defined here as centralized corporate learning initiatives under the purview of human resource staff divisions—separate from core work processes and based upon a traditional one-to-many learning model. Meister (1998) reported that more than 1,000 corporations had established HR-based universities prior to the turn of the 21st century.

Corporate universities represented a reasonable deployment of emerging technologies. Justification existed for the formation of corporate universities to deliver business-critical, time-sensitive, proprietary, or firm-specific content. They constituted the preferred "make versus buy" decision if sufficient demand existed within the firm to justify authoring courseware and the material was not available or too costly to obtain from external vendors.

Corporate universities offered a low-cost alternative to traditional training programs and utilized facilities, trainers, and travel budgets more efficiently. They cut classroom time, kept employees in the field, accommodated student schedules, and delivered a product more closely matched (in size, content, and time) to the needs of employees, partners, and customers. Corporations reduced training budgets (i.e., labor costs) by moving from instructor-led training to electronic delivery of courses, but labor cuts were necessarily limited. "Online" training did not accommodate all learning needs, and the cost-cutting benefits of e-learning inevitably stopped. In their own time, corporations advanced toward an optimal mix of technologies, with an anecdotally reported end point of about 50% asynchronous online courses and 50% traditional instructor-led training.

Dynamics of Supply and Demand: Moving Forward

Corporate universities assisted in maintaining workforce readiness, but not without problems. Over the last several years, corporations have become more discriminating consumers of learning technologies and content, and vendors have refined their business strategies. Vendors jockey for positions and respond to market demand for better value. Supply-demand conditions in 2002-03 offer insight into corporate deployments of learning technologies.

A primary problem on the demand side was that corporate universities served to isolate learning. They tended to consign learning to HR departments, separate from core business operations. Trainers viewed learning as something that occurred in the classroom rather than as an integral part of work. They began

from the assertion, "I have to do something for you to learn," while their customers remained passive recipients of education. This stilted conception of learning equates to previous corporate miscues of relegating innovation to research and development departments and delegating strategic thinking to corporate planning departments.

Corporate consumers of learning technologies redressed this problem during the 2002 calendar year. Many corporations stayed away from the general Internet technology (IT) and learning technology markets; IT budgets stagnated. Some corporations approached the learning technology market timidly; they pursued piecemeal strategies of selecting a software component (e.g., authoring tool, LMS, or collaboration solution) and they cherry-picked content libraries.

A few corporations (described by vendors as "big wins") came to the market as sophisticated consumers with high standards for performance from learning technology vendors. They required vendors to deliver solutions that integrated learning into business operations, improved top- or bottom-line performance, and addressed real business problems. CFOs and line managers emerged as key decision makers. A survey commissioned by the Foundation for the Malcolm Baldrige National Quality Award illustrated the phenomenon (Gilman [2002](#)). According to the survey, the top four applications of learning technologies were customer and channel education, product launches, sales force readiness, and regulatory compliance; conversely, general business and professional skills training delivered through corporate universities declined as a business priority.

Numerous changes occurred in the supply landscape. Sun Microsystems, PeopleSoft, and Siebel (i.e., enterprise application vendors) entered the industry. Traditional e-learning vendors filled out technology platforms with content management, communications, and assessment tools and refined their business models. They began 2002 by emphasizing "blended solutions" in their marketing campaigns. Vendors promoted the ability to deliver content, broad technology platforms, and professional services to comprehensively meet corporate learning needs. The message fell flat, however, and sales stagnated in the industry. Corporations either did not trust vendors to deliver or did not want vague and budget-busting interventions. Over time, vendors have clarified where they deliver value to corporations by adopting enterprise, organizational, and workflow models.

Enterprise Solutions

The entry of Sun Microsystems, Siebel Systems, and PeopleSoft redefined the top tier of competitors in the e-learning industry. These tech giants far eclipsed traditional learning technology vendors in size, with annual revenues ranging from \$2 to \$12.5 billion. In comparison, Saba reported 2002 revenues of \$55.6 million. Except for PeopleSoft, the new entrants lacked experience and interest in selling software to HR departments. These vendors designed learning solutions for corporate-level deployment and mounted sales campaigns to win larger enterprise contracts. Sun showcased its Enterprise Learning Platform, while Siebel and PeopleSoft added LMS components to their customer relationship management ([CRM](#)) and enterprise resource planning ([ERP](#)) software applications.

Traditional learning technology vendors responded to market and competitive pressures by extending their business models to compete at the enterprise level. Saba reframed its software as a "human capital development and management" (HCDM) solution. While the label "LMS company" carried an implicit tie to HR departments, the new HCDM designation afforded access to other corporate decision makers. The move signaled Saba's intention to compete at the enterprise level and deliver solutions to business problems. Top executives positioned Saba to compete head-to-head with ERP and CRM vendors (Saba [2002](#)). Click2Learn, Docent, and Knowledge Planet followed suit.

Organizational Solutions

Despite efforts to reposition LMS software, product licenses continued to languish in 2002 and early 2003. Vendors turned to service (e.g., maintenance and hosting) and "follow on" sales to bolster revenues. Product

line extensions comprised organizational solutions to promote learning through improved content management, collaboration, and knowledge sharing.

Content management (CM) solutions, for example, addressed a real business problem: delivering the right content to the right people at the right time (e.g., relaying nonroutine aircraft repair procedures from engineers to mechanics at BFGoodrich Aerospace; see Documentum [2003](#)). Learning technology vendors addressed the problem by partnering with mainstream CM companies—Docent with Interwoven, Plateau with Documentum, and Sun with Avaltus. Plateau touted its ability to automatically send content revision alerts, reduce learning cycles, and improve quality control. Saba helped clients author, capture, assemble, publish, deliver, track, and store all forms of content (e.g., text, images, audio, and video). Content management solutions significantly contributed to vendors' top line, accounting for about 20% of revenues at Docent.

Learning technology vendors experienced a surge in competition for knowledge sharing and collaboration solutions with the entry of technology notables such as Autonomy, Genesys, Inktomi, Hyperwave, Raindance, RealNetworks, Verity, and WebEx. Vendors served to support employee groups through managed e-mail, chat rooms, instant messaging, bulletin boards, groupware, and document-sharing tools. Saba's Dialog software, for instance, enabled users to instant message with expert mentors and capture interactive question-and-answer sessions for later use.

Organizational solutions promise to remain a battleground as corporations change the way we work, learn, and socialize. Technologies are emerging to help companies understand what each user knows or needs to know at any given moment. Corporations can identify "knowledge neighbors" who do related work, recommend useful documents through patterns of inquiry, and locate mentors. They can examine patterns-of-use data to identify and support informal communities, map growth patterns among users, and assist employees in searching for knowledge.

Workflow Solutions

The shift to enterprise and organizational solutions represented an effort to redefine the value that vendors deliver to corporations (i.e., efficiencies in workflows versus the administration/delivery of training). Even so, enterprise and organizational solutions promise big and nebulous gains that often go unrealized. Vendors ultimately may need to isolate critical workflows that substantially impact corporate performance and design solutions to relieve the pain corporations feel in the uneven execution of business rules (i.e., waste and mistakes).

Evidence suggests that vendors are moving in this direction by shifting competition to specific industries and tailored solutions. KnowledgePlanet entered into a partnership with Buck Consultants (Mellon Financial) to compete in financial services. GeoLearning targeted the federal government, while mGen focused on the military. Also, Docent partnered with Axentis, a business process management ([BPM](#)) vendor, to offer a compliance management solution in healthcare. They integrated workflow automation, monitoring (e.g., noncompliance incident reporting), performance measurement, and training and certification.

Docent/Axentis illustrates the potential for integrating training into work processes, reporting processes, instruction sets, and business forms. Employees may soon receive instruction as they initiate a job, access a program, pull up a work order, enter a parts order, or retrieve a document, or as a myriad of other events occur. Windows may pop up to help employees complete job forms, comply with regulations, use software applications, install/service technologies, or negotiate mandated work procedures.

Conclusion

Companies are retooling corporate universities to more effectively deploy learning technologies in enterprise, organizational, and workflow models. They strive to tackle real business problems, facilitate collaboration and knowledge sharing, and integrate training into workflows. Vendors will likely continue to design tailored

products for target industries and to partner and compete within industries. Product development practices may involve designing solutions around the workflows of one customer and generalizing to peers.

Corporate trainers remain responsible for centralized learning initiatives (e.g., leadership training and knowledge-sharing programs), but they need to work closely with business units to design intelligent workflows—possibly using BPM tools—and deliver essential content to the right people at the right time. These trainers will require solutions that simplify and accelerate content development and management processes, and administrative solutions that identify and correct backlogs, miscues, and violations of business rules. As the corporate university continues to evolve, learning solutions will inevitably become more geared toward the specific needs of companies and more closely embedded in the explicit activities of the workplace.

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