Research on Corporate Universities

Summary

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Objective of the research

Corporate universities (CU) are spreading mainly among global companies in Europe and the U.S. On CUs including the ones in Japan, however, only fragmentary information is available with technical periodicals occasionally providing featured articles. And also, the development of CUs is related to a variety of factors such as the conditions of the economy and employment, companies' management strategies, human

resource development, and vocational development. We will multilaterally delineate CUs as a system for human resource development based on management strategies and as an efficient method for human resource development through systematic education and training, and examine CUs' possibilities in the future vocational development. We believe this will contribute to the discussions on how human resource development should respond to changes in the economic and industrial structures and on preparation of a system for vocational development in Japan.

For this research, we established a study group to attain information from members and to exchange views. We then conducted a literature survey, and also interviews with persons of companies providing education and training as well as those who have for many years worked in the field of vocational development. The CUs described in this report, therefore, mainly reflect the information that was available at the meeting of the study group in 2003.

This is a research conducted at the request by the Human Resources Development Bureau of the Ministry of Health, Labour and Welfare in 2003.

Outline of the research results

1. Concept of CU

Corporate universities (CU) have been examined from a variety of angles in technical periodicals. In the report of the "Study Group on Labor Market Policy for Supporting Career Development" published by the Human Resources Development Bureau of the Ministry of Health, Labour and Welfare in 2002, the concept of the CU was described as follows:

"In the U.S., the CU is spreading as a form of corporate training. For example, about 40 percent of Fortune 500 companies (ranking of the nation's 500 largest companies by Fortune magazine on the basis of the year's revenue) have a CU. There are apparently about 2,000 CUs in the U.S. Some of the well-known CUs were established by companies like Nestle and Motorola.

"CUs were originally established with the purpose of integrating educational sections within a company that were scattered in different departments for cost saving and better quality of education. The number of CUs rapidly increased when they were given new goals of developing leadership, reinforcing recruitment, and improving retention of employees. Among these is a CU called Global Wireless Education Consortium jointly established by wireless industry companies in different countries. It has partnership with 66 universities and colleges worldwide, attempting to provide knowledge and technology on wireless and complements the industry's lack of human resources.

"Some Japanese companies have also established CUs. It is hoped that many companies would consider establishing CUs in the future."

Changes in the CUs in the U.S. since their inception can be described as shown below.

Corporate education and training has been changing significantly during the last several decades since the end of the 20th century. In addition to education and training of candidates for company executives and leaders, a wide variety of efforts have been made, including adult education for employees that takes on an element of social service, education for complementing school education, and efforts to secure definite results efficiently and in a short period by departing from the traditional methods of education and training. Some companies provide the level of education equal to or higher than provided by higher education institutions on matters intended to improve productivity and performance. Within this context, some companies before the 1980s established the so-called "corporate colleges," which were educational institutions officially

sanctioned to confer academic degrees. Companies that were successful in effectively utilizing these institutions gained attention, and other companies independently upgraded their educational and training programs by copying such institutions and developing their own programs that were suited to their corporate strategies. Therefore, CUs of different companies vary widely in the entities that provide training, their objectives, educational and training methods, and organizational structures, and it is now difficult to describe them under a single concept. CUs are different from education and training provided as part of traditional personnel management. They are projects or functions that take on the form of education and training that is carried out as part of a corporate management strategy. Therefore, CUs are not simply the buildings and facilities that form the exterior.

In light of the above, the study group held a number of meetings. As a result, it was decided that, in consideration of public support, the concept and the range of CUs would be limited to those described below for this research. At the same time, in dealing with the fields described below, we will first capture the general trends and mechanisms of CUs that have succeeded in providing an impetus for creating a management system that is adaptable to change by way of preparation of global corporate strategies and reinforcement of international competitiveness,.

(1) Core concepts

1. CU as part of a management strategy
2. CU as a means to realize management strategies through education and training
3. CU for helping candidates for senior management posts in large companies and for management posts in small- and medium-sized companies understand their corporate philosophy and management strategies and for stimulating their participation in corporate management.
4. CU for training individuals in a high level of practical business skills
5. CU that is "open" to society and promotes "collaboration" between the industry and academia where necessary (hereafter called the "externally open CU").

(2) Structure

While externally open CUs will be the main subject of our survey, all CUs, including self-contained corporate CUs, will be categorized according to the items shown below.

1. Trainees and their objectives. With respect to externally open CUs, trainees who are not employees of the firm and their objectives will also be included.

2. For CUs that provide education and training in collaboration with higher education institutions, the names of those institutions, methods of collaboration, description of education and training, degree of collaboration, and conferment of academic degrees.
3. Patents, copyrights, and other intellectual property rights on educational and training programs, etc. owned by CUs
4. Training programs for nurturing candidates for senior management posts in large companies and for management posts in small- and medium-sized companies (NVQ levels 3-4)

(3) Functionality

1. CUs having the functionality for conferment of academic degrees, formation of educational and training programs that are recognized also by other companies, and development of vocational development programs that benefit a number of companies
2. CUs having the vision or the functionality for lifelong vocational development of employees
3. CUs having the functionality for nurturing general skills that are sought in the labor market, rather than skills that are specifically required in particular companies.

In addition to the above, we will also take up CUs' distinct functionalities if they are useful for the future. For example, in addition to in-house systems for selecting and training employees, there may be functionalities for attracting competent people from outside a company. As a reference, we will also make an outline of other major functions that characterize CUs.

2. Corporate colleges

A report published in the U.S. in 1985 describes the Corporate colleges (CCs), a precursor to CUs, as a new type of educational institutions, which are established principally by companies and officially sanctioned to confer academic degrees, and is increasing in number. The number of cases where CCs established by individual companies and industries outside existing school organizations are allowed to officially grant academic degrees is on the rise. These institutions are required to meet certain conditions, as other existing higher education institutions, in order to have their degrees recognized.

CCs differ considerably from the traditional educational institutions in that in addition to education provided on campus, they have highly advanced systems of distance learning. These systems are particularly useful for carrying out technical education.

When compared with regular higher education institutions, the following features are unique to CCs:

(1) They offer a wider range of subjects to choose from, trying to optimize education and training.
(2) They provide advanced levels of education and training. The quality required of students is also high.
(3) They are run corporately with an emphasis on effectiveness and efficiency.
(4) Students can acquire specific expertise required by businesspeople.
(5) "Academic degrees" are positioned as a measure of the results of education and training.
(6) They bridge the gap between education and practical business, a role that was not filled by the traditional educational system, and provide education that is useful in practical business.

3. Spread and evolution of corporate universities: their potential as a mechanism of continued development of "vocational abilities that generate competitiveness"

In the face of various changes in the environment, the missions, objectives, and structures (specific mechanisms) of CUs continue to evolve or change. Some, on the other hand, become stagnant or even disappear. Based on these assumptions, if we were to define the essential functions of CUs, which are set apart from both corporate colleges (CCs) of the past and the traditional corporate training (training systems and facilities), we may define CUs as "a mechanism to rapidly update the vocational abilities for generating competitiveness."

Vocational development now stands at a turning point. With the advancement of information technology (IT), diversification of employment, and fluidization of the competitive structure, the required vocational abilities are now highly sophisticated in any industry and occupational field. Rapidly transforming the foundation of vocational abilities from one based on the ability to reproduce to one based on the "ability to adapt to change" and building a basis for continued development of capabilities is a common challenge globally. Moreover, it is becoming increasingly difficult to prepare this basis for continued development of abilities without linking it to

corporate business strategies.

This linkage of continued vocational development and business strategies means that employees will use their abilities in accordance with business strategies decided by the management. Moreover, the linkage is very significant in that employees who detected change in the field communicate that change to the entire organization to encourage updating of the business strategies. Advanced CUs are now moving towards setting up a mechanism for vocational development that has this two-way function. They are equipped with a mechanism for achieving organizational capabilities to generate competitiveness, for enhancing individuals' abilities as a result of this, and motivating individuals to continuously develop their abilities as a foundation for medium- to long-term competitiveness. And within this mechanism, individual employees acquire and exercise distinct abilities of the company they belong to as well as acquire universal abilities for adapting to change and controlling changing knowledge and skills.

On the other hand, we will also look at externally open CUs, which is another interesting aspect of the CU phenomenon, and how collaboration with other types of educational institutions and public institutions is making companies' vocational development contents available to society. CUs' essential functions are significant for workers and society outside the particular companies. Providing opportunities for acquiring and maintaining up-to-the-minute vocational abilities to society at large is essential for improving the quality of the labor market and increasing the competitiveness of the entire industry. In this respect, "CUs can promote burden sharing and cooperation in continued vocational development in society."

The uncomplicated image of CUs as "a mechanism for selecting and nurturing candidates for corporate managers" and "a mechanism used by large companies to procure education equivalent to higher education curriculums of universities and graduate schools" only explains one aspect of CUs. When CUs are seen as a link between a company's sustained development and individual employees' continued vocational development, the potential of CUs as a promoter of continued development of "vocational abilities that generate competitiveness" in and outside companies will become clear. We call this type of CUs "socially open CUs" that "liberate individuals' ability to adapt to change" and that "promote society in which abilities are transparent both in and outside of companies" and propose some points for these CUs to be advanced in Japan.

4. Changes in the social role and responsibility of CUs in the U.S.

CUs have shown a remarkable growth in the last couple of decades in the U.S. This

growth was brought about by changes in the business environment, sophistication of technology, changes in the demographic trends, and new growth of demand in the education market. In recent years, however, CUs have increasingly shifted its focus on improving individual sponsor companies' performance, and have not played the expected social role that was proposed at the beginning of the 1980s of upgrading the infrastructures for a wide range of skills. The reason they have not played this role is that intensification of competition has changed companies' policies on personnel and training and that there has been difficulty in collaboration with other educational institutions. At the same time, the mechanism through which CUs will play the social role has not been made clear. It is expected that CUs will largely remain as corporate strategy driven, however, they may play a greater social role such as some of the CUs or some frameworks put into practice that are being observed in the U.S., though small in number. For example, some CUs have expanded their program to cover not only their sponsor companies but also the industry as a whole; some are trying to bring about a synergy effect for regional development through collaboration with regional public institutions and small- and medium-sized companies; and others are trying to participate in national programs in an effort to contribute to raising the level of skills of the entire nation. The role and functions of an educational institution take on a different form depending on the intentions of those entities (companies, individuals, industry groups, government, etc.) that bear the costs. By identifying the reasons for which each entity invests in education, the type of education they support under certain conditions, and to which entity the skills acquired by individuals through education belong, it is possible to determine each entity's investment targets and range. Using such a framework as a guideline, we will examine how investment by companies and individuals in CUs and public support for CUs should be, the effective implementation and establishment of CUs for social contribution, and prospect for continued management of CUs.

5. Analysis on strategic human resource development: the concept of the "foundation of practical business skills"

Strategic human resource development forms the foundation for stimulating the Japanese economy and reinforcing each company's competency. Therefore, the government is implementing a variety of measures for assisting the industry and for nurturing high-caliber personnel toward the strategic human resource development. The business community is also making an effort in nurturing high-caliber individuals through the introduction of CUs. On the other hand, it has been pointed out that

Japan needs to introduce human resource development modeled on a human resource structure in Europe and the U.S. that is made up of three strata of "high-caliber individuals, a reserve group of high-caliber personnel, and field staff," as a condition for nurturing high-caliber personnel in Japan. For stable and planned turnout of high-caliber personnel regardless of companies' size or business type, a large "reserve group of high-caliber individuals" should be fostered as soon as possible.

In conducting our research on CUs, we looked at the "foundation of practical business skills" that is expected to form the basis for nurturing a reserve group of high-caliber individuals. In this regard, we examined the results of empirical experiments of engineers' training in the IT industry as samples. Reviewing the "foundation of practical business skills" in small- and medium-sized companies that supported the Japanese economy, we made an outline of human resource development and support based on such a foundation.

6. CU and the public sector

In the public sector, in order to meet the changing demand of the times, public vocational development centers are developing and operating educational and training systems and programs corresponding to a wide range of jobs and different levels of knowledge and skills. For instance, some centers offer specialized and applied courses for advanced vocational training to meet the needs of companies and industry. Other centers have set up a system of advanced vocational training equivalent to that of higher education institutions, and have developed and provide advanced programs for companies. Still others have developed joint research programs to promote a wide range of collaboration with companies. Therefore, on one hand, departing from the human resource development of the past, there are CUs that have a function to select and train employees for the practical and specific purpose of realizing corporate and management strategies. On the other hand, the public sector, with its accumulation of diverse expertise in education and training, are fully capable of cooperating with CUs in the task of training high-caliber individuals.

The relation between CUs and the public sector is examined below.

(1) Possibility for advanced human resource development by the public sector

The public sector has developed and operates educational and training systems and programs to cope with changing job category, various knowledge and skill requirements to meet the changing demand of the times. On the other hand, it is still difficult for individual companies to undertake the three-tiered human resource development (for

high-caliber individuals, a reserve group of high-caliber individuals, and field staff) on their own. Therefore, it is important, for efficient and effective human resource development, that the public sector, with the cooperation of companies and the industrial world, promotes training of the reserve group of high-caliber individuals who are in common demand in a wide range of fields.

To address the problem of mismatch in the labor market and to facilitate fostering of individuals who will assist high-caliber individuals and who themselves will become the next generation of high-caliber individuals, there is a need to standardize the kind of abilities that are required by the majority of companies and to promote vocational development with a system for both evaluating and certifying such abilities.

(2) Assistance for lifelong vocational development (including CUs)

The public sector is required to provide information widely to Japanese companies (particularly small- and medium-sized companies) and their employees. Such information should include the importance of and the methods for achieving the autonomy of the individual and career development in the new age, new trends in education and training including CUs, and institutions of education and training including higher education institutions. It should also provide information and assistance for human resource development throughout an individuals' professional life by fully making use of its public nature as well as its reliability and stability in regional communities.

The concentration of various resources in the public sector will also allow qualitative and quantitative improvement in education and training within regional communities, which would be difficult for individual companies to achieve. This will also allow creation of systems that are advantageous from the standpoint of economic efficiency.

(3) Support by way of providing information on CU's strategic education and training

As epitomized in the "accredited junior colleges for vocational development," which are also called "intra-corporate junior colleges," Japan has developed outstanding corporate policies on human resource development, and companies in Japan have made an earnest effort in training their engineers and skilled workers. Against this backdrop, it is not altogether difficult to promote the development of distinctly Japanese CUs. While a measure of progress has been made in strategic education and training of engineers and skilled workers, that of white-collar workers is still underdeveloped. As the boundary between blue-collar and white-collar workers will become increasingly obscure in the future, the importance of preparing strategic education and training

predominantly for white-collar workers will increase. As the development of CUs will result in the refinement of multiplex education and training centered on comprehensive training programs for core personnel and in the development of general-purpose systems and programs, the public sector may be able to collect, develop and provide practical, general-purpose information, systems, and programs on education and training of white-collar workers as public assets for supporting a large number of companies (particularly small- and medium-sized companies) and workers.

(4) Standardization of "abilities"

As progress in CUs and other efforts to promote advanced education and training are made, it will be possible to identify all-around abilities that are required by a number of companies or by an entire industry. The public sector may be able to standardize these abilities as indices to be used in the external labor market.

In the future, moreover, these indices on standardized abilities may be used to assess companies that endorse the concept of corporate social responsibility (CSR) by setting down the minimum level of abilities that companies must guarantee their employees will have. The public sector may, based on CSR, evaluate and certify companies that promote human resource development over the medium to long term and that develop individuals' abilities by taking their careers into consideration. The public sector could widely publicize such efforts made by companies and promote and assist model cases.

7. Summary and direction of strategic education and training in Japan

In light of the above discussions, we made a summary on the introduction and development of CU functions in Japan as shown below.

(1) Role of large companies

In a situation where employment patterns are flexible and diverse, companies have a greater need to employ and retain individuals with practical business skills. In addition, they need to prepare a highly transparent environment in which evaluation and requirement of individuals' abilities are clarified using indices on abilities that are current in the external labor market. By opening systematically run CUs to the public (it may be limited to making only information public) and by clearly presenting personnel management systems and career formation that are based on management strategies, companies will be able to improve their ratings and attract more competent people. Moreover, retention of individuals may be promoted by allowing employees to develop their abilities through a CU and evaluating and treating them based on such

principles as objectivity, fairness, and transparency.

Large companies and their group companies can apply comprehensive systems and programs and their methodologies they gained through nationwide operation of their CUs in affiliated companies and group companies. This way, it will be possible to efficiently develop highly competent and diverse human resources. Moreover, if the public sector could bring together and provide this expertise and resources, it would increase recognition of such large companies and generate personnel exchange through exchange of information among companies for more efficient and effective human resource development.

(2) Role of small- and medium-sized companies

Small- and medium-sized companies have a different role to play from large companies. As these companies' business is mainly rooted in the regional industry, they have outstanding, original skills, technology, and methods of product development and manufacturing process development. It is, however, very difficult for these companies to conduct continuous education and training to pass down their expertise for further development. In this light, the public sector in each regional community can provide the necessary facilities and prepare a device for regional education and training by commissioning the management of the actual education and training to the private sector. Employing experts as instructors from regional companies (regardless of size) and trade associations should also be effective.

One possibility is to carry out practical human resource development geared to regional development by utilizing comprehensive systems and programs prepared by large companies. The central government and the public sector should bring together and provide large companies' expertise. Increased support by the central government and the public sector will also make it easier for competent businesspersons to provide training for different types of people and contribute to raising the level of human resource development for the regional community as a whole.

For small- and medium-sized companies to have their own advanced skills and technology and to be competitive, the central and local governments, which already have a track record in vocational development, should draw up a basic concept on the design and operation of hardware and programs for human resource development with a vision to Japan's future. This will also be significant in clarifying the views of the government and society on how human resources should be.

Bringing about a change in the mindset of the management and training the next generation of corporate managers are some of the urgent issues facing small- and

medium-sized companies. It is hoped that CUs would also function to provide training for those managers and candidates for management posts. The central and local governments should be actively involved in providing appropriate support for small- and medium-size companies to succeed in human resource development and passing down corporate culture and skills. In particular, they should provide support to pilot plans introduced by alliances of small- and medium-sized companies that lead to upgrading the skills and technology of regional companies and to reinforcing their competitiveness and uniqueness.

(3) Appropriate utilization of systems for evaluating vocational abilities and promotion of career formation

If CUs are to function smoothly to meet the needs of large companies and the regional efforts involving small- and medium-sized companies, there is a strong likelihood that standardized indices on abilities, such as skills standards, and systems for such standardized indices would materialize as a result. Educational and training programs that have currency nationwide are expected to function as indices on clarification of required abilities, evaluation of vocational abilities, and individuals' career formation. When individuals' abilities and careers that are now effective only within a single company become widely current among companies and the entire industry, a general framework and common awareness of abilities and careers will be formed. This may stimulate the appropriate use of systems for assessing vocational ability, promote career formation, and form the foundation of the labor market.

For all stakeholders of the labor market to reach a consensus on this issue and maintain objectivity, fairness, and transparency, the central government will obviously need to play the role of a coordinator in ultimately building a basic framework for abilities evaluation and career formation and a common framework for abilities that can be delivered straight after employment.

The preparation of this basis for required abilities in work, evaluation of individuals' abilities, and career formation will also lead to putting into place a system for lifelong vocational development and to promoting individuals to independently design their careers.

Composition of the report