Do companies need corporate universities?

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The size of the circle indicates the number of universities in a city. Since our sampleconsists only of companies from UK, Germany, France, Spain, and Italy, cities from theother countries are not highlighted on this map. Credit: Petr Parshakov, Elena Shakina

Researchers at the Higher School of Economics, International Laboratory of Intangible-driven Economy (IDlab), have examined the

role of corporate universities in developing human capital and improving performance. Their findings were published in the *Journal of Intellectual Capital*.

The hypothesis that a corporate university can create competitive advantages for a company was tested on data provided by Russian and European public companies. The sample included some 2,500 companies located in Russia, France, Germany, Italy, Spain and the United Kingdom. The Russian market was chosen as an example of a developing economy, while the European market represented a developed economy. Research indicated that a mere 2.4 percent of Russian companies have corporate universities, compared to 28 percent of European companies. It is worth noting that both in Russia and in Europe, most corporate universities are located in capital cities, with the exception of Germany.

The study found that a company's capitalisation correlates negatively with the probability that the company will found a corporate university. This is true in the case of both Russia and Europe, and may be due to negative investor expectations of returns on such assets, given the high associated risks. Consequently, businesses seeking to attract investors may be less likely to invest in a corporate university.

"Corporate universities create risks for companies. It appears that successful companies tend to consider less risky ways of investing in employee human capital," explains Petr Parshakov, co-author of the study and research fellow at the International Laboratory of Intangible-driven Economy at the HSE campus in Perm.

Another interesting finding concerns proximity to leading classical universities in Russia and in Europe. In Europe, geographical proximity to a conventional university increases the likelihood that a company will found its own corporate university. The opposite is true in Russia, where

the likelihood of a corporate university drops by 2 percent if a conventional university is located nearby.

In addition, the study reveals a common trend—a short-term positive effect of investing in a corporate university is not always sustainable in the long run. Other variables being equal, the capitalisation of a company with a corporate university is, on average, €271 million less than the capitalisation of a company without one. However, at the same time, positive synergy has been observed between corporate and conventional universities in developed economies over an extended period of time.

The findings of the study are useful to companies considering founding a corporate university as part of a human capital development strategy. Risks can be mitigated significantly by conducting thorough prior analysis, planning and assessment of such investments. Russian companies are advised to focus on smaller-scale investments and work on improving the performance of already-existing corporate universities. The authors of the study plan to continue this research by examining investments in corporate universities using non-financial performance indicators, such as their impact on company image and employee retention.

More information: Petr Parshakov et al, With or without CU, *Journal of Intellectual Capital* (2017). DOI: 10.1108/JIC-01-2017-0011

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