“Platform of Platform” Business Model for Corporate Training in China

By

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ABSTRACT

With the advent and fast development of science and technology, especially that of the internet, enterprises in the 21st century are facing the most severe competition in the human history, and meanwhile are witnessing numerous new opportunities. Products and services are being wed out and created every day. In such an environment, every enterprise must clearly understand its core business strategies, and identify the core competencies needed by its organization to support such strategies. The core competencies of an organization are embodied by every individual employee at different function and position, and need to be systematically planned and developed. While in the past only big companies could afford to build up sophisticated internal training systems, the development of online education technology has made it possible for companies of all sizes to leverage the abundant external resources to meet the companies’ training needs, with higher quality and at lower costs.

This thesis analyzed the ongoing changes in the macro environment relevant to the enterprise competition, revealed the indication of such changes to the overall corporate training strategies, reviewed the traditional resources for corporate training in China, explored the emerging new resources for corporate training based on online education technology, and in the end discussed the possibility of a new business model for an external vendor to provide integrated customized solutions to the enterprises for their corporate training.

The research methodology used for this thesis mainly includes document review and primary market research interview.

Thesis Supervisor: Jim Dougherty
Title: Senior Lecturer
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Chapter 1 Market trend for corporate training in China

1.1 Demand for corporate training will keep increasing in quantity and quality

In the past two decades, the world has witnessed the rapid economic development in China, which has become the second largest economy in the world. As backbone to the economy, the overall competitiveness of Chinese enterprises has become an important part of the national competitiveness. The competitiveness of enterprises is determined by their organizational core competencies, which are embodied by the competencies of their employees. Traditionally, it has been commonly believed that a company should retain its employees for as long as possible, so as to continuously leverage and benefit from the accumulated knowledge and experience of the employees. Employees also embrace such arrangement because they can secure stable jobs accompanied by increasing salaries by simply staying longer, with comparatively less pressure to maintain or increase their competitiveness on the labor market. The assumption behind this model is that one’s expertise and experience will naturally increase over time, and such increase can be interpreted into one’s continuous competency in the same field in future because the expertise and knowledge accumulated over time will always be relevant to a certain level. Such win-win situation used to be true when the time span for major technological breakthrough was by decade, but the situation has been changing and will continue to change, with the ever faster technological development in the human history.

1.1.1 Increasing job changing frequency in the world

For most companies in the world, employee loyalty has long been considered as a great attribute during applicant review, and many companies also created “employee retention” programs to encourage employees to stay with the same employers for as long as they could. But things have been changing in recent years. According to the Bureau of Labor Statistics in the United States, the average worker currently holds ten different jobs before age forty, and this number is projected to grow.¹ Forrester Research predicts that today’s youngest workers will hold twelve to fifteen jobs in their lifetime.² This means one will have to go through the job search process every year or two.

Why do people change jobs faster than before now? I think there may be two main reasons.
On the one hand, with the fast development of the new technologies, many human jobs will be taken over by the computers. Even if the automated systems are initially very expensive as investment, they will pay for themselves for the long run because companies do not need to pay salaries or provide health care and vacation time to the machines. For example, the Artificial Intelligence (AI) systems can increasingly learn on their own, make decisions and understand human behavior. In 2017, Fukoku Mutual Life Insurance Company, a 94-year-old company based in Tokyo, is planning to replace 34 human workers with an IBM Watson artificial intelligence-based system, ABC News in Australia reported. The report also stated that the company expects to increase productivity by 30%, while saving $1.65 million on employee salaries. Fukoku Life will spend $2.36 million to install the system and about $177,000 in annual maintenance costs, meaning the new system should pay for itself in less than two years, ABC News said. Similar stories are happening in the manufacturing industry. In 2016, Foxconn, the world’s largest contract electronics manufacturer, reduced 60,000 workers from 110,000 by introducing an automated assembly line in its factory in Kunshan, China. According to the statistics provided by the Kunshan Municipal Government, at least 35 companies had invested more than 4 billion CNY in 2015 on AI technology. According to Forrester Research, by 2021, intelligent systems and robots may take up to 7% of U.S. jobs. Smart systems, chat bots and humanoid robots could take over jobs that range from hotel employees and customer service reps to truck and taxi drivers. A year ago, the World Economic Forum, a Geneva, Switzerland-based organization focused on analyzing and improving the state of the world, pointed out in its report that 7 million jobs will be lost mainly due to the disruptive technology development during 2015~2020.

Of course, while replacing old jobs, the development of new technologies also creates new jobs. The forum also stated that at the same time, 2 million jobs would be created in the fields of computer science, engineering and math. It’s also expected that technology will create new jobs that will further replace the ones that smart systems are taking over from human beings.

On the other hand, the new generation of work force in many parts of the world have different views about life and work. Compared with their parents’ generation, the millennials were born and grew up in peace. They did not suffer from hunger, poverty or physical threat brought by wars. From the psychological perspective, they feel more secure compared with the older generations, and are more willing to take manageable risks to experiment with the possibilities in life. “They don’t have time to waste in a job that doesn’t satisfy them, and employee loyalty
is all but gone. Far from being bored in their work, millennial job hoppers are ambitious and eager to find their place in life – one that fits around their social commitments and, in time, their family life. 7

No matter whether people proactively choose to change jobs or are forced into that due to macro environment change, the constant and effective talent training will become more and more critical for the sustainable development of any enterprise than ever.

1.1.2 Talent development becomes critical for competitiveness in China

Living in a globalized world, China surely cannot escape alone from the flush of the technological development wave, and the younger generations in China also seek for more freedom and fulfillment in life and work compared with the elder generations and feel more comfortable with changing multiple jobs in their lifetime. But besides that, Chinese enterprises are facing additional pressure for talent training while the country’s economic development is going through a critical turning point.

1.1.2.1 Shrinking labor competitiveness

In 2016, China’s economic growth has dropped below 7% and is at its lowest level in the past 25 years. A major contributor to this change is the slowdown of the manufacturing industry, which is facing pressure from the constantly increasing wages, shrinking labor and appreciating currency.

For about two decades, China has well leveraged its great advantage of the cheap labor and quickly developed into the world’s second largest economy by pouring the “Made in China” products around the world. The enormous pool of cheap labor used to be a critical fuel for the country’s economic development, but the situation is changing now. Just like what happened in the U.S. and Europe in the last century, the labor costs keep rising in China.

Figure 1 below shows the increase of wages in Manufacturing in China from 1978 to 2016. The average yearly wages in the manufacturing industry has increased from 597 CNY/Year in 1978 to 55,324 CNY/Year in 2015. 8
Figure 1: China Average Yearly Wages in Manufacturing

Source: www.tradingeconomics.com, National Bureau of Statistics of China

Figure 2 below illustrates the manufacturing labor costs per hour between China and the other countries. As the chart shows, compared to the other Asian countries, China is no longer a very cheap place for manufacturing. After adjusted for productivity, for every dollar a Chinese worker makes, a Thai worker makes 40 cents, and an Indonesian worker makes 8 cents. According to consultancy BMI Research, China’s labor costs are nearly four times those in Bangladesh, Laos, Cambodia and Myanmar.

Figure 2: Manufacturing Costs per Hour*

Source: Boston Consulting Group, the Wall Street Journal

*Manufacturing labor costs are adjusted for productivity, www.truewealthpublishing.asia
The shrinking labor force is another challenge facing the country’s continuous economic growth. Figure 3 below shows that the number of working-age people in China fell by 4.9 million in 2015, according to the data from the National Bureau of Statistics. The record annual drop brings the number of people aged between 16 and 60 to 911 million, and illustrates a trend in which fewer young workers are entering China’s workforce, while the number of retirees grows. This trend means that labor costs will continue to increase, and it will be harder for companies to hire talents in China.

Figure 3: China’s Working-age Population is Shrinking

![Graph showing the shrinking working-age population in China](https://www.theatlas.com/charts/41CiKvtoI)


Adding up the impact from the increasing labor costs and the shrinking labor force, Chinese enterprises will have to find new ways to maintain their competitiveness on the global market instead of the cheap labor in the past.

1.1.2.2 Upgrading industrial structure

But the increasing labor costs is not the only bad news. As a highly relevant result of the constantly increasing labor costs, many manufacturing enterprises have been moving out of China to other countries either with lower labor costs or higher labor productivity.

Below are a few examples:

- In 2009, Nike closed its shoe factory in Taicang, Jiangsu and moved to Southeast Asia.
- In 2011, the Italian underwear brand La Perla moved the production of its mass-market Studio La Perla label from China to Turkey and Tunisia, and moved sourcing of its nightwear from China to Portugal.

- In 2012, Adidas closed its factory in Suzhou, Jiangsu and moved to Southeast Asia.

- In 2016, Fuyao Glass, a leading international manufacturer of automotive and industrial glass in China, invested over $1 billion for a factory in the Ohio town of Moraine, US.

Figure 4 below depicts the development tracks of three major manufacturing industries in China and other Asian countries from 1980 to 2010. The apparel and footwear industries in China started to decline in about 2008 and kept declining afterwards.

**Figure 4: How China Is Changing Its Manufacturing Strategy**

**Trying to Hold the Line**

China has seen low-margin manufacturing move abroad, but not nearly as fast as did some Asian nations that preceded it in industrializing like Taiwan and South Korea. The percentage of global exports in three traditional labor-intensive industries for China and two developing regions:

<table>
<thead>
<tr>
<th>Industry</th>
<th>China</th>
<th>Developing East Asia &amp; Pacific ex-China</th>
<th>Developing South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Apparel</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Footwear</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: The Wall Street Journal, data from World Bank/UN Comtrade

As a counter measure to this trend, Chinese government tries to push the economy to move up the global value chain to create higher value-added products, just like what Europe and United States did. This not only means that Chinese manufacturing needs to transfer to higher value-added products, but also that services and consumer spending shall account for bigger portions
in the whole economy. In 2016, the sector of services (health care, financial and information services, professionals, etc.) accounted for more than half of China's economy. The manufacturing sector's portion of economic output fell two percentage points to 40.5%.9

1.1.3 Talent development for competitiveness
Combining the above mentioned global trends and changes happening in China, it is more important than ever for Chinese companies to develop effective strategies and measures for talent development, so as to keep competitive in the business. On the one hand, the constantly increasing average labor costs means that every headcount is precious. The only way for companies to keep the overall labor costs down is to hire fewer employees and keep everyone’s productivity as high as possible. On the other hand, while moving up the value chain together with the whole country’s economy, the companies cannot avoid experiencing rapid self-iterations all the time. It is not realistic to keep firing old employees and hiring new ones, so the best way to face this challenge is to train the current employees. According to the 2017 Quarter 1 “China Monitor” Report released by Mercer, “Cost control”, “Talent recruitment”, “Efficiency enhancement” and “Talent development” have been listed in the top 10 HR focus areas in 2017. This is the first time in the history that “Talent development” has been listed in “Top 10” by Mercer as displayed in Figure 5.12

Figure 5: 2017 Focus of Human Resources Work in 2017

Cost control (32%), Performance management (18%), Talent recruitment (24%), Employee engagement (16%), Compensation management (22%), Organization development (16%), Efficiency enhancement (20%), Building/enhancing employer brand (14%), Leadership development (19%), Talent development (12%)

Source: 2017 Q1 China Monitor Report, MercerChina
https://mp.weixin.qq.com/
1.2 Market size estimation

In the background of the changing world trends and Chinese economic environment, more and more Chinese companies are aware of the importance of effective “talent upgrade” for the sustainable competitiveness of the company, and the strategic necessity to make investment in it. All the 30 companies interviewed for this thesis expressed their needs for more effective and economical corporate training resources, regardless of the company size.

Regarding the total market size of the corporate training in China, different methodologies lead to different results. So far, the corporate training has been disproportionately concentrated at the side of the large and medium sized enterprises, and the large number of small enterprises have been left out as a long-tail market underserved. However, with the development of online education technology, the potential of this long-rail market has been unlocked, and therefore should be included in the total market size estimation. While the large and medium sized enterprises begin to experiment with outsourcing part of their employee training to the external training platforms, small enterprises have also begun to consume this service thanks to the cost reduction and efficiency increase brought by the online education technologies.

To estimate the total market size of the corporate training in China, I used some data about Chinese industrial enterprises, because till the date they still represent a big portion of China’s economy. According to the report of Statista, which quoted the data from the website of National Bureau of Statistics of China, there were in total 383,148 industrial enterprises in China in 2015, amongst which, 2.5% are large enterprises, 14.1% are medium-sized enterprises, and 83.4% are small enterprises. If assuming on average large enterprises send 100 employees for external corporate training at the expenses of 10,000 CNY per person per year, medium-sized enterprises send 25 employees at the expenses of 8,000 CNY per person per year, and small-sized enterprises send 5 employees at the expenses of 5,000 CNY per person per year, the total addressable market size would be 28 billion CNY for industrial industries in China in 2015. The detailed numbers and estimation logic are specified in the Figure 6 and Table 1 below.
Figure 6: Number of Industrial Enterprises in China in 2015, by Size

Source: Statista, data from National Bureau of Statistics of China

Table 1: Estimation of Total Addressable Market (TAM) for Corporate Training in China

<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th>No. of Enterprises</th>
<th>Assumption on No. of Trainees per Year per.enterprise (persons)</th>
<th>Assumption on Yearly Expenses per Trainee (CNY)</th>
<th>TAM Estimation (Million CNY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-sized industrial enterprises</td>
<td>9633</td>
<td>100</td>
<td>10,000</td>
<td>9,633</td>
</tr>
<tr>
<td>Medium-sized industrial enterprises</td>
<td>54,070</td>
<td>25</td>
<td>8,000</td>
<td>10,814</td>
</tr>
<tr>
<td>Small-sized Industrial Enterprises</td>
<td>319,445</td>
<td>5</td>
<td>5,000</td>
<td>7,986</td>
</tr>
<tr>
<td></td>
<td>383,148</td>
<td></td>
<td></td>
<td>28,433</td>
</tr>
</tbody>
</table>

1.3 Conclusion

With the irreversible trends of the technological development across the whole world, the composition and nature of human jobs will witness dramatic changes in many industries. While freed from the repetitive or dangerous work like manual data processing or mining, people will face new challenges to constantly upgrade their knowledge structure and skillset to meet the requirements of the more creative and sophisticated jobs. As a result, employers will shoulder
bigger responsibilities in keeping training their employees, for the benefits of both the employees and the companies. Besides, the younger generations of employees will value more elements in making their career decisions, and are more willing to change jobs to maximize their overall life experience, which further increases the necessity of effective corporate training for all the companies in the world.

As part of the global economy, Chinese enterprises bear the impact of the above-mentioned two factors, and meanwhile face additional challenges imposed by the increasing labor costs, aging labor demographics and changing economic structure in China. All these added up has made the corporate training not only necessary, but even critical for the maintenance and enhancement of key competitiveness for Chinese enterprises in a foreseeable future. In other words, there will be huge opportunities in China for outsourced corporate training services in the next few decades.
Chapter 2 Traditional corporate training in China

2.1 Traditional resources for corporate training in China
In China, three types of education & training resources have been commonly adopted by big companies for employee trainings, which are respectively university degree programs, external training workshops and corporate internal training programs. Each of these three resources have its advantages and disadvantages, and is suitable for different type of enterprises.

2.1.1 University degree programs
Sponsorship for university degree programs is common for certain industries where the companies’ success is highly dependent on the individual competencies of their employees, who shall not only master in-depth expertise in certain fields, but also demonstrate excellent transferable skills like critical thinking, creative thinking, communication, leadership and so on. For example, it is a common practice for consulting firms to sponsor their employees to acquire MBA degrees after serving the firms for several years. In exchange for the full reimbursement of the tuition fees and even living expenses sometimes, the employees must serve the firms for at least two years after graduation. Similar arrangement can be found in legal firms, accounting firms and high-tech companies.

In other industries, such sponsorship is less common, and is usually restricted to the talents at higher-level management positions. Usually only part-time programs are sponsored so the employees can continue to work for the companies while studying. Besides, the companies may not reimburse the tuition fees at full value, and the requested service periods are typically longer than two years.

Compared with the other resources for talent development, the university degree programs have several obvious advantages. Firstly, the education quality is better guaranteed. University degree programs are professionally and systematically designed and delivered. The faculties are not only professional teachers, but are also academic researchers, who can leverage the academic research results to enrich the class teaching, and effectively help the students build up knowledge structures in certain fields within short periods. Besides, the students must meet
certain criteria to be admitted, which ensures better peer learning experience. Secondly, strict discipline is adhered to such school programs. By holding the rights to grant degrees, the universities have the authoritative power to urge the students to attend the classes, finish the homework and pass the exams. The compulsory input of these efforts by the students can very well guarantee the achievement of the education targets compared with the potential learning effectiveness of each student.

At the same time, it also has its limitations in the following ways.

First of all, it is comparatively expensive, no matter whether full-time or part-time, on-line or off-line programs. Table 2 shows the 2017 tuition fees of MBA programs in several major cities in China, and Table 3 the average monthly salaries of these cities in 2016. Besides, most Chinese Business Schools have not started to launch on-line MBA programs except for China Europe International Business School (CEIBS), which means the cheaper option of online versions does not exist yet. The feature of high tuition fees determines that such university degree programs are not accessible to most people if not sponsored by their employers.

<table>
<thead>
<tr>
<th>City</th>
<th>University</th>
<th>Full-time</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>Tsinghua University</td>
<td>198,000</td>
<td>278,000</td>
</tr>
<tr>
<td></td>
<td>Peking University</td>
<td>188,000</td>
<td>298,000</td>
</tr>
<tr>
<td>Shanghai</td>
<td>Fudan University</td>
<td>269,800</td>
<td>339,800</td>
</tr>
<tr>
<td></td>
<td>Jiaotong University</td>
<td>248,000</td>
<td>328,000</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>Zhongshan University</td>
<td>70,000</td>
<td>180,000</td>
</tr>
<tr>
<td></td>
<td>South China University of Technology</td>
<td>70,000</td>
<td>155,000</td>
</tr>
<tr>
<td>Tianjin</td>
<td>Nankai University</td>
<td>86,400</td>
<td>108,000</td>
</tr>
<tr>
<td></td>
<td>Tianjin University</td>
<td>73,000</td>
<td>/</td>
</tr>
<tr>
<td>Nanjing</td>
<td>Nanjing University</td>
<td>185,000</td>
<td>225,000</td>
</tr>
<tr>
<td></td>
<td>Southeast University</td>
<td>/</td>
<td>98,000</td>
</tr>
<tr>
<td>Changsha</td>
<td>Hunan University</td>
<td>62,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Zhongnan University</td>
<td>60,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: official university websites accessed on April 01, 2017
By contrast, the average monthly salaries in these cities are much lower. Take Fudan University in Shanghai for example, an average Shanghainese needs to spend 38.5 monthly income to pay for the tuition fees of its part-time MBA program. The tuition fees for the full-time program is lower, equal to about 30.5 average monthly salaries in Shanghai. However, tuition fees are not the only investment into such MBA programs. The total investment will be doubled if considering the opportunity costs of income loss during the 30.5 months. The contrast in other cities are less drastic but still considerable. For example, the tuition fees for the MBA program of Zhongnan University in Changsha is equal to 10 months of average monthly salaries in the city.

Table 3: 2016 City Average Monthly Salaries in China

<table>
<thead>
<tr>
<th>City</th>
<th>Average Monthly Salaries (CNY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>9,240</td>
</tr>
<tr>
<td>Shanghai</td>
<td>8,962</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>7,409</td>
</tr>
<tr>
<td>Tianjin</td>
<td>6,178</td>
</tr>
<tr>
<td>Nanjing</td>
<td>6,680</td>
</tr>
<tr>
<td>Changsha</td>
<td>6,186</td>
</tr>
</tbody>
</table>

Source: 2016 Ranking of City Average Salaries in China Sohu News
[https://m.sohu.com/n/461600287/](https://m.sohu.com/n/461600287/

Secondly, the university degree programs require high commitment of time with fixed schedules for 2 to 3 years. Not everyone can afford to stop working for 2 to 3 years for study, or keep working in the daytime, doing individual and group assignments at night on weekdays, and going to campus for classes on weekends for such a long time. Such a high commitment of time also determines that it is not suitable for most employees in most companies.

Thirdly, it has limited capacities. For most university degree programs in China, physical gathering of lecturers and students at the same location at the same time for classes is still a main approach. It is not uncommon to see MBA students commute across cities every weekend for classes, especially in those prestigious universities. The traditional way of teaching in
classrooms determines that the capacity of each class is limited, which partially justifies the high tuition fees, because only the students sitting in the seats can share the costs generated.

2.1.2 External training workshops
Another common resource for corporate training is external training workshops. The lecturers are professional trainers with knowledge and expertise in certain fields, and can come to the company to deliver the trainings for short periods, like for a few hours or for a few days. Two great advantages of such external training workshops are including high flexibility and low costs, both in time and money.

But the limitations are also obvious.

Firstly, compared with the university degree programs, from the perspective of quality, such training workshops are much less systematic and in-depth. The downside accompanying the benefit of low input in both time and money is that the trainees gain less nutrition from such “fast food”. Without the virtuous cycle between the teaching and academic research as in the universities, the training workshops delivered by the external agencies on the market tend to be similar, and are constantly criticized to be more suitable for team building, where the learning effectives is of less priority.

Secondly, from the perspective of effectiveness, such workshops seldom request students to do mandatory preview beforehand or homework afterwards. According to many studies, people forget a large portion of the newly learnt knowledge within a short period if no measures are taken to fight against this tendency, although different approaches lead to different specific conclusions on numbers. The Figure 7 shows one widely acknowledged version of the forgetting curve published by Hermann Ebbinghaus in the 19th century.
The forgetting curve shows that people forget quickly if no effective counter-measures are taken against it. From personal experience, we also know that preparation before classes, homework after classes and even exams at finals can help students to strengthen their memories about the content, deepen their understanding, and internalize their gains. Such arrangement determines that the external training workshops do not provide complete learning experience for the trainees, and thus cannot ensure learning effectiveness to satisfactory levels.

Thirdly, from the perspective of providing a complete solution, it is hard to leverage such training workshops with synergy, unless the company has a comparatively complete list of the various training programs on the market and know enough about the features and quality level of each program. This takes a lot of efforts and resources, and is unsurprisingly a luxurious option for most enterprises, especially for the small-sized ones.

Fourthly, from the availability perspective, like the university degree programs, such training workshops occur in physical classrooms, with the trainer and the students in the same location at the same time, which means one trainer can only serve a limited number of students at one time. Besides, companies tend to choose the trainers in the cities where their offices are located,
because the trainers and/or the trainees will have to travel otherwise. This also may prevent the companies from reaching the better-quality trainers.

2.1.3 Corporate internal training resources

The third type of commonly seen resources for professional talent development is the internal training provided by various organizations themselves.

A common practice in many companies is that for employees at different staffing levels, the company provides different curriculums. Usually the higher the staffing levels are, the more expensive and professional training curriculums will be provided. For multinational companies, internal training programs for the executive-level employees are usually organized by the global talent development teams rather than by the local HR teams, while those for the lower-level employees are usually organized by local HRs and delivered by part-time Internal Trainers. Every year, employees with interests in training their colleagues will be recruited and/or assessed. The selected ones will attend some training sessions on training skills before they can train the other colleagues.

Compared with the previous two types of external training resources, internal training has many advantages. Firstly, they are customized for the company. If properly implemented, the training content can precisely reflect the company’s culture, create synergy with the company’s strategies, and become a great driving power for the company’s success. The training content can be closely relevant to the employees’ daily jobs, and can even be carried out in the company’s special “jargons”. Secondly, the training content can better match the learning needs, which is critical for the learners’ motivation and the training effectiveness. Successful internal training programs can effectively identify the exact skills and knowledge needed by the trainees to succeed at their current positions, or even prepare them for future positions when combined with the Individual Development Plan (IDP). Thirdly, the internal training is more cost effective compared with the external resources. Because they are delivered by internal trainers, the company only need to pay for the regular salaries of both the trainers and the trainees during the training hours.

But, just like the external resources, corporate internal training also has its limitations. Firstly, it takes a long time and a lot of efforts to build an effective internal training system. If not
properly implemented, in can also fall into vicious circulations. For example, the trainers do not prepare the training content well enough because they are too busy with their regular jobs, and their major KPIs do not include the training effectiveness, so they are neither motivated nor pressured enough to do a good job in this aspect. As a result, the participants find it a waste of precious time to attend such training programs, and the low attendance further decreases the trainers’ motivation for content preparation in future. Secondly, while the familiarity and mutual trust between the trainers and the trainees are advantages in diagnosing the learning needs and developing the corresponding training plans, they also mean less opportunities for new perspectives and unexpected inspirations, not to say best practices of their competitors or from other industries. Thirdly, the company must be big enough to benefit from the economies of scale. If the number of employees to be trained is not big enough, the savings from such training programs are not enough to cover the investment in building up such a training system. In this case, outsourcing is a better choice although there are certain tradeoffs. Combining all the three reasons together, it is not hard to understand that although it is common for big multinational companies to have complete and mature internal employee training systems, it is rarely the same case for small and medium-sized enterprises because it is beyond their competency and affordability. Comparatively, professional external partners are better choices for them regarding level of expertise and economies of scale.

2.2 Common practice and key successful factors

2.2.1 Common practice

In practice, many big companies develop their own employee training programs by combining the resources from different sources, including the university degree programs, external training workshops and internal training programs.

Human Resources Dept. are usually responsible for designing such training programs hand in hand with the department managers. HR Department will provide the guideline and templates to the managers, who will review the yearly work plan of the whole team, analyze the critical knowledge and skillset needed to deliver these target results, and identify the gap between the knowledge and skillset level of the current team members and the target level. With the training needs identified and collected, HR Department will search for the corresponding training resources, internally preferred but also externally. Courses will be added or deleted from the internal training curriculum from last year, and external training providers will be sourced. HR
Department will then apply for the training budget, acquire approval from the management, and then compile the detailed training plans for the whole company, with the specific training schedule and trainees confirmed. Employees will attend such trainings according the schedule, and provide feedback after completion.

For small and medium-sized companies, the employee training is less systematic and is more at hock according to specific and urgent needs. For example, one of the interviewees told me that they would send a Finance Manager to attend the New Tax Regulation Training Program organized by the government after the new tax regulation has been released, or purchase an online course for e-commerce when the company decided to start on-line sales. This approach sacrifices the development of the company’s long-term core competencies, and may keep the company in a reactive mode rather than a proactive mode, which may put the company at a disadvantaged position in a rapidly changing environment.

2.2.2 Key successful factors
The success of such corporate training programs is dependent on several critical elements.

First of all, the concept and awareness of the top management of the company. If the top management considers talent development as an important strategic driver for the company’s long-term success and is willing to allocate resources to this aspect with priority, the most important foundation has been established. The investment to such training programs is huge, which includes:

- Payment to the external trainers;
- Transportation and hotel fees for both the trainers and trainees if they are not in the same city;
- The time of the whole company to communicate and identify the training needs;
- The time of the HR Department to collect the training needs, identify the internal and external training resources, coordinate for the training schedules, prepare for the administration work before the training, and collect feedback after the training is completed;
- The time of the internal trainers to prepare for the syllabus and training materials and deliver the trainings during their busy work schedule;
- The time of all the trainees to attend the trainings during their busy work schedule.
It is a huge commitment of resources. As indicated in Figure 8 below quoted from the iResearch Report in 2015, training has become one of the most popular business travel purposes for 45.8% of the investigated companies, only 11.3% lower than the No. 1 reason of meetings.

**Figure 8: Most Popular Business Travel Purposes among Enterprises in China as of May 2015**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Share of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meetings</td>
<td>57.1%</td>
</tr>
<tr>
<td>Incentive</td>
<td>48.1%</td>
</tr>
<tr>
<td>Training</td>
<td>45.8%</td>
</tr>
<tr>
<td>Event/exhibition</td>
<td>44.6%</td>
</tr>
<tr>
<td>Convention</td>
<td>41.9%</td>
</tr>
<tr>
<td>Sales/products show</td>
<td>36.2%</td>
</tr>
<tr>
<td>Project/business guidance</td>
<td>32.2%</td>
</tr>
<tr>
<td>Team travel</td>
<td>24.5%</td>
</tr>
<tr>
<td>Professional service</td>
<td>22.3%</td>
</tr>
<tr>
<td>Others</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Additional Information:
China; iResearch; May 2015; 998 Respondents

Source: Statista, data from iResearch China, May 2015

Secondly, the HR Department responsible for the talent development needs to be professional enough. Only in the past few years, more and more Chinese companies began to realize that Human Resources is not only about the payroll, benefits, hiring, firing, and keeping up to date with state and federal tax laws, but more importantly about leveraging the powerful driving force of the right talents, designing the suitable organizational structure in synergy with the company’s core strategies, and ensure that proper incentive mechanism is set up to motivate the talents to reach the company’s strategic targets. Nevertheless, such awareness raises
different requirements to the mindset, knowledge and skillset of the HR staff. It is easier to find HR talents for the traditional routine work, but much harder to find HR BPs (Business Partner) who truly understand the business needs at a high level and can support the talent development to meet such business needs with feasible step-by-step plans, not only for the short term but also for the long term. So far, it is not easy for big companies to find and hire such HR talents with overall high competencies combing business acumen and Human Resources expertise, not to say for smaller companies.

Thirdly, the training needs must be effectively identified and corresponding training content needs to be mapped to those needs. In the survey conducted by the on-line education company 24x7 Learning in September 2015, only 12% of respondents said that they could apply the new skills and knowledge from the training they receive to their job. This may be especially true for the small and medium-sized enterprises. Firstly, they may not have enough budget for the purchasing of external training services. Secondly, even if they have some budget, they may fail to achieve the best training effectiveness because on the one hand, they probably do not have competent HR talents to help identify the company’s training needs and the employees’ learning needs, and on the other hand, they may not have enough resources to search for and assess the training programs on the market to identify the most relevant ones to meet such needs.

2.3 Conclusion
The traditional resources for corporate trainings are not enough to meet the rapidly increasing needs by Chinese enterprises anymore due to their respective limitations. There are several key successful factors for a company to successfully run an internal training program. It will not be professional and economic enough for a company to do everything in house, especially for the small and medium-sized companies. Professional training services based on new technology will be needed to solve this tension between the increasing demand and the limited supply.
Chapter 3 New resources for corporate training in China

3.1 Fast-growing E-learning for corporate training
The on-line education in China has been developing rapidly in the past few years. As per the data published by IResearch in 2014 (Figure 9), the total market size of the online education in China reached 99.8 billion CNY in 2014 (about 16.3 billion USD at the exchange rate of 6.119:1 on Dec. 31, 2014), with an expected increase to 204.6 billion CNY in 2018 (about 29.6 billion USD at the exchange rate of 6.906:1 on Apr. 10, 2017). Amongst, the total market size for corporate E-learning was 3.46 billion CNY in 2014 (about 565 million USD at the exchange rate of 6.119:1 on Dec. 31, 2014), with an expected annual growth of 20% to 8.23 billion CNY in 2018 (about 1.19 billion USD at the exchange rate of 6.906:1 on Apr. 10, 2017).15

Figure 9: Chinese E-learning Market Size between 2013~2018

Source: estimation by iResearch data models on basis of market public data, enterprise financial reports and enterprise interviews.

Source: 2015 China Online Education Research Report, iResearch

3.2 Existing E-learning solutions for corporate training
There are mainly three types of business models which provide professional online training courses in China.
3.2.1 Business Model 1: B2C non-sequential

The first type of business model adopts the B2C model. Learner can review the large inventory of online courses and choose the most relevant ones by themselves. EaseNet Cloud Classroom and Hujiang are the leaders in this market segment. The courses provided on these 2 platforms are categorized by knowledge field or skillset, for example, Microsoft office software, programming language, film post production and so on. The target customers are expected to know what professional knowledge and skills they want to learn. Multiple courses on the same topic delivered by different content providers can be found on the same platform. Learns watch the demo videos, review the ratings and feedback from previous learners, and make purchasing decisions on their own. Prices and course hours on different topics vary distantly. Take the courses on Hujiang Platform for example, the prices range from ¥108 to ¥26,000 per course, and ¥10 to ¥148 per course hour. The course hours also vary distantly, ranging from 6 to 481 course hours. Amongst all the categories, in-depth training courses on professional skills like design, art creation, film post production and IT/Internet are the most expensive regarding total course price, average price per course hour and time commitment (total course hours), while those on personal hobbies and interests are the cheapest. Table 4 provides more details.

Table 4: List of Courses and Prices on Hujiang Online Platform

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of courses</th>
<th>Price upper range</th>
<th>Course hours</th>
<th>Average price per course hours</th>
<th>Price bottom range</th>
<th>Course hours</th>
<th>Average price per course hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office software</td>
<td>17</td>
<td>5,003</td>
<td>134</td>
<td>37</td>
<td>385</td>
<td>11</td>
<td>35</td>
</tr>
<tr>
<td>Workplace soft skill</td>
<td>15</td>
<td>2,035</td>
<td>65</td>
<td>31</td>
<td>108</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Profession accrediting examination</td>
<td>30</td>
<td>12,800</td>
<td>481</td>
<td>27</td>
<td>384</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Design &amp; Creation</td>
<td>10</td>
<td>26,000</td>
<td>176</td>
<td>148</td>
<td>1,399</td>
<td>39</td>
<td>36</td>
</tr>
<tr>
<td>Film post production</td>
<td>9</td>
<td>24,400</td>
<td>182</td>
<td>134</td>
<td>1,270</td>
<td>22</td>
<td>58</td>
</tr>
<tr>
<td>Painting arts</td>
<td>13</td>
<td>24,000</td>
<td>428</td>
<td>56</td>
<td>459</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>Hobbies &amp; interests</td>
<td>15</td>
<td>2,174</td>
<td>200</td>
<td>11</td>
<td>120</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>IT/Internet</td>
<td>2</td>
<td>24,400</td>
<td>176</td>
<td>139</td>
<td>21,000</td>
<td>176</td>
<td>119</td>
</tr>
</tbody>
</table>

3.2.2 Business model 2: content package with accreditation

The second type of business model also adopts the B2C model and provides training content on practical professional knowledge and skills, but the courses are compiled into content packages with accreditation, rather than the non-sequential individual courses like in business model 1. The market leaders in this field are China Europe International Business School Business Online (hereafter referred as “ECEIBS”) and Yingsheng. Compared with the non-sequential courses in Business model 1, such content packages with clear orientation are especially helpful for leaners who do not know enough about certain functions or positions, and do not know how many different courses to take to fill the knowledge or competency gap comprehensively.

On such platforms, the users do not search for courses by knowledge field or skillset, but by job function, position level and/or professional ability. Rather than diagnosing what courses need to be taken for enhancing which capabilities for which positions, such platforms directly provide the solutions. The courses have been combined into content packages and presented as integrated solutions, with the target of building up complete knowledge structures as in traditional degree programs, but with clear and strong orientation towards personal career development, and provide accreditation certificates after completion. After completion, the platform may help recommend students’ resumes to certain companies, and the accreditation certificates can be conveniently posted to all the major job search websites in China. The prices of such courses are higher, ranging between hundreds to thousands of CNY.

For example, the courses on Yingsheng.com are organized by functions (HR, Admin, Marketing, Customer Service, etc.), by position levels (entry-level staff, supervisor, manager, director, GM, etc.), by the combination of “function” and “position level”, and by “ability systems”. Table 5 provides more details on this.

<table>
<thead>
<tr>
<th>Course Packing Logic</th>
<th>Function packages</th>
</tr>
</thead>
<tbody>
<tr>
<td>By “function + position level”</td>
<td>Function</td>
</tr>
<tr>
<td>• No. of course packs: 150</td>
<td>• Human Resources</td>
</tr>
<tr>
<td>• Price: ¥ 9.9~360</td>
<td>• Financial Management</td>
</tr>
<tr>
<td></td>
<td>• The Internet</td>
</tr>
<tr>
<td></td>
<td>• President class</td>
</tr>
</tbody>
</table>

Table 5: List of Courses and Prices on Yingsheng Online Platform
On the platform of ECEIBS, the courses cover 8 major management fields, consisting of over 60 course modules including over 400 courses. Individual learners or enterprises can select courses by management fields or course modules according to their needs and acquire quotations from ECEIBS for different combinations. Table 6 shows more details.

### Table 6: List of Courses on ECEIBS Online Platform

<table>
<thead>
<tr>
<th>Fields</th>
<th>Course Modules</th>
<th>No. of Course hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>• Vision and leadership</td>
<td>• 7</td>
</tr>
<tr>
<td></td>
<td>• Management style</td>
<td>• 3</td>
</tr>
<tr>
<td></td>
<td>• Authorization</td>
<td>• 6</td>
</tr>
<tr>
<td></td>
<td>• Teamwork for problem solving</td>
<td>• 3</td>
</tr>
<tr>
<td></td>
<td>• New to command</td>
<td>• 6</td>
</tr>
<tr>
<td>Professional quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrated management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

By “ability system”

- No. of course packs: 22
- Price per course:
  - Low (2): ￥88, ￥120
  - Medium (18): ￥186–526
  - Medium average: ￥366
  - High (2): ￥1,688, ￥4,980
- No. of learners:

- Supervisor
  - Manager
  - Director
  - Deputy General Manager
  - General manager
  - Chairman of the board

- Wechat E-commerce
- Mid-level management
- Successful & happy career woman
- Public speech
- Office software
- Team management
- Sales manager
- E-commerce
- Human resource manager
- Shop manager
- Entrepreneurs for first pot of gold
- How to create workplace glamour
- E-commerce on Taobao
- Transformation of enterprise & team with the internet
- From career rookie to master
- Founding team
- New media operating system
- Wechat channel marketing
- Character password application
- Internet Marketing
| Team performance management  | 4 |
| Building efficient team      | 5 |
| Constructive conflict management | 4 |
| Effective horizontal management | 5 |
| Focus on diversity           | 4 |
| Cross-cultural management    | 6 |
| Change management            | 9 |
| Enhance team execution       | 3 |
| Build impact                 | 2 |

<table>
<thead>
<tr>
<th>Self-management</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-awareness</td>
<td>2</td>
</tr>
<tr>
<td>Basic communication tool</td>
<td>8</td>
</tr>
<tr>
<td>Effective communication skills</td>
<td>6</td>
</tr>
<tr>
<td>Communication in management</td>
<td>2</td>
</tr>
<tr>
<td>Enhance your persuasiveness</td>
<td>7</td>
</tr>
<tr>
<td>Efficiently time management</td>
<td>3</td>
</tr>
<tr>
<td>Improve daily work efficiency</td>
<td>3</td>
</tr>
<tr>
<td>Stress management</td>
<td>4</td>
</tr>
<tr>
<td>Stress and performance management</td>
<td>3</td>
</tr>
<tr>
<td>Increase your self-confidence</td>
<td>2</td>
</tr>
<tr>
<td>Network expansion and management</td>
<td>4</td>
</tr>
<tr>
<td>EQ management</td>
<td>6</td>
</tr>
<tr>
<td>Efficient meetings</td>
<td>5</td>
</tr>
<tr>
<td>Effective public speech</td>
<td>4</td>
</tr>
<tr>
<td>Achievement orientation and action</td>
<td>6</td>
</tr>
<tr>
<td>Enhance the learning capability</td>
<td>3</td>
</tr>
<tr>
<td>Problem solving</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human resources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful recruitment</td>
<td>5</td>
</tr>
<tr>
<td>Objective management</td>
<td>2</td>
</tr>
<tr>
<td>Effective incentive</td>
<td>5</td>
</tr>
<tr>
<td>Successful staff conversations</td>
<td>3</td>
</tr>
<tr>
<td>Staff assessment</td>
<td>4</td>
</tr>
<tr>
<td>Compensation management</td>
<td>2</td>
</tr>
<tr>
<td>Staff skill development</td>
<td>5</td>
</tr>
<tr>
<td>Managers coach</td>
<td>6</td>
</tr>
<tr>
<td>Be a good temporary trainer</td>
<td>5</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>1</td>
</tr>
<tr>
<td>Iron triangle for organization capacity development</td>
<td>12</td>
</tr>
</tbody>
</table>
An upgraded version of such content packages is online degree programs like the “Mini MBA” provided by ECEIBS, with mandatory content packages designated. Learners are required to complete a fixed series of courses, finish the homework and pass the exams before receiving accreditation certificates after completion. With the systematic curriculum design, comprehensive content coverage, longer course hours and higher requirements for learning effect assessment, the credibility and value of such accreditation certificates are also higher than the non-sequential courses and independent content packages on the job market but still cannot be compared with the degrees acquired from the traditional degree programs on campus.

Table 7 shows the prices for some content packages and online degree programs provide by ECEIBS are as below:
Table 7: List of Content Package and Prices on ECEIBS Online Platform

<table>
<thead>
<tr>
<th>Name of course/program</th>
<th>No. of course hours</th>
<th>Price (CNY)</th>
<th>Price per course hour (CNY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platform strategy</td>
<td>8</td>
<td>3,600</td>
<td>450</td>
</tr>
<tr>
<td>Iron triangle for organization capacity development</td>
<td>12</td>
<td>3,600</td>
<td>300</td>
</tr>
<tr>
<td>New Manager Development Camp (including 3 offline sessions)</td>
<td>18</td>
<td>2,400</td>
<td>133</td>
</tr>
<tr>
<td>Mini-MBA</td>
<td>48</td>
<td>7,800</td>
<td>163</td>
</tr>
<tr>
<td>High-performance Manager</td>
<td>24</td>
<td>2,800</td>
<td>117</td>
</tr>
</tbody>
</table>


3.2.3 Business model 3: customized enterprise solution for corporate training

The third type of business model adopts the B2B&2C model, and provides customized solution to enterprise customers for corporate training. Both ECEIBS and Yingsheng have started exploring this field. Although these two platforms provide different content, with ECEIBS more focused on general management knowledge and capabilities and Yingsheng more focused on practical professional knowledge and skills, the basic concepts behind their business models are the same, which is to leverage the large inventory of their online courses and content packages as external resource pools for the enterprises to conduct their employee trainings. The users are still the individual learners, who under such circumstances are the employees of the customer enterprises. However, each enterprise can step in and decide which courses their employees should take, so the enhancement of employee capabilities will be aligned with the companies' strategic needs for the organizational core competencies. With the large scope of cost sharing with millions of other 2C individual customers and 2B enterprise customers, enterprises get access to a much larger number of online courses with higher quality at significantly lower costs compared with the scenario in which they internally develop all the training materials. Even if the enterprise-specific content still cannot be covered, such platforms are good solutions on the general content.

The enterprise solution provided by Yingsheng is named ‘Yingsheng On-line Business School’. The enterprises open individual accounts for their employees, who can then get access to the digital library of all the online courses on the Yingsheng platform. Employees will log onto a special webpage with their company’s logo. The enterprises can also upload their own training materials onto this platform. These materials are not accessible to the general non-employee
users. By getting access to the vast collection of 4,394 videos for 1,220 courses covering 93 positions in 10 functions, many enterprises can share the scale of economies and benefit from the professional training content.  

A similar solution provided by ECEIBS is named “Customized Solutions”, which covers the following aspects:

- To help the enterprises to build online employee training programs on the cloud platform of ECEIBS;
- To provide talent competency assessment tools to help the learners identify their learning needs;
- To customize solutions to help enterprises diagnose the organizational development and talent development needs, and provide tailored solutions.

3.2.4 Advantages and limitations of the existing solutions

Compared with the traditional resources for corporate training, the new models demonstrated obvious advantages, three of which are especially suitable for corporate talent development.

Firstly, flexible time and location. Students can study anywhere with devices and access to the internet. While this is a great convenience for anyone, it is of special value to the busy corporate employees. In the survey conducted by the on-line education company 24x7 Learning in September 2015, 64% of respondents preferred to undergo training at the workplace, highlighting the growing importance of maintaining an appropriate work-life balance. It would be too demanding for most corporate employees to travel for 1~2 hours one way to a university or training agency at the other side of the city for night or weekend classes. People can save this time for family, exercises, friends, relaxing or just more learning.

Secondly, no limit to capacity. Theoretically, an unlimited number of students can take the same on-line course at the same time without affecting the others with the virtual servers in the cloud.

Thirdly, reasonable prices. Once a course has been developed, the marginal cost for showing it on the internet is zero. This means many more people can get access to the high-quality courses lectured by famous trainers without paying high prices. The costs for the development
of courses are shared by a much larger number of people compared with traditional education programs.

Of course, there are also several commonly acknowledged disadvantages of online courses compared with the traditional education approaches. Firstly, it is harder to stay through the entire course. While self-paced study provides great flexibility, it also raises the requirement for self-discipline for the learners. Without a mechanism to follow up on attendance, homework completion and exams, many people find themselves prioritizing other tasks above on-line courses and not coming back to the schedule afterwards. Secondly, it is less engaging. In the classroom study, a teacher or trainer will talk to students and respond to questions and comments, and students can discuss the topics with the other classmates in an atmosphere of group learning. All these are not available while watching the online courses alone. The lecture is one-way, and there is no interaction. Thirdly, it may be less effective without sufficient pressure of discipline. Without the strengthening counter-measures like regular homework and exams, people forget a large amount of the newly learnt knowledge shortly afterwards.

Some online course providers have realized these constraints compared with the traditional education, and are trying to find innovative ways to improve the learning effect. For example, EaseNet hosts irregular live-stream Q&A sessions by the lecturers before or after the course opening, organizes regular Q&A sessions by the teaching assistants on social media platforms like WeChat or QQ chatting groups in-between the courses, and provides regular Q&A webpage for learners to raise questions, to which the teaching assistants will provide answers within 24 hours. But generally speaking, the majority of the training content is delivered via video-recorded lecturers and bear the above-mentioned disadvantages compared with the traditional education approach.

3.3 Conclusion
Online education has been developing fast in China, and has been applied to providing external training services for enterprises. So far, there are mainly three types of business models in this field, with significant advantages compared with the traditional education programs, but also with imitations from the perspective of learning effect. There is room for a better business model to be developed, which can better leverage the advantages of online education technology without compromising the learning effectiveness.
Chapter 4 New model of “platform of platform”

To meet the increasing demand for more effective and economical corporate employee training programs, with the fast development of education technology, a new business model may appear soon, which will better incorporate the merits of both traditional education, while effectively leveraging the benefits brought by the online education and new education technology.

In this chapter, I would like to introduce a new type of business model, which I call “platform of platform”, abbreviated as “PLP” hereafter. As an upgraded version to the integrated solutions provided by ECEIBS and Yingsheng, the PLP model is also based on an online platform, but targets at providing integrated learning and training solutions to the enterprises with more than one course provider. The core value of this model is to provide the learning consultancy service to precisely identify the training/learning needs of the customer enterprises, and meet such needs with the most relevant content.

4.1 Working procedures
The working procedure for the POF model shall include 5 steps:

4.1.1 Business needs clarification
In China, most companies understand the importance of well-defined business goals. However, it is not common yet for companies to clearly identify the core competencies required at the organizational level to reach these business goals, not to say to further break them down to the knowledge and skillset of each position in the company. It is also not uncommon to see that companies do not have clear strategies in designing their organizational structure, which sometimes may not be consistent with the business strategies, and cannot well support the realization of the business goals. For example, if a company targets at fast expansion across different geographical locations, a decentralized management approach may hinder the fulfillment of such a target.

Therefore, as step 1, the following questions should be asked to the customers:

- What are your key business goals?
• What skills and knowledge do your organization need to reach them?

After reaching absolute clarity on the business goals together with the customers, PLP can work backward to break these core competencies identified to each function in the company’s organizational chart, and then further down to each position. It is important to keep in mind the short-term, mid-term and long-term business goals at the same time, to ensure that the design of training strategies in step 3 will leave sufficient room for future evolution.

4.1.2 Knowledge & Skill gap identification

After the desired knowledge and skills have been identified, the second step PFP should do is to assess how much gap exists between the current situation and the ideal situation. The current capabilities of the employees need to be assessed, and the current training plan needs to be reviewed. The assessment of the current capabilities should not be limited to the assessment of the employees’ personal capabilities, but should also cover the overall performance of the whole department and function, so as to examine which capabilities have contributed to which part of the business goals, and what are still missing. The examination of the previous training plan is also helpful. While reviewed together with the identified gap of knowledge and skills, the previous training plan helps to identify which part of the internal resources has been effectively allocated to develop which core competencies, and what resources may need to be added internally or sourced externally.

The key questions to ask at this step are including:

• How is your current team performance?
• How is the performance currently be measured?

4.1.3 Training strategy proposal

After the destinations have been identified, the third step PFP should conduct is to draw a map. This step involves the following two parts.

First, the route and schedule needs to be marked out. With the large and small competency gaps identified, PLP needs to help the customers prioritize which competencies are the most urgently needed by the organization to support immediate growth, and therefore need to be conducted immediately, while the others are critical for the long-term success with less urgency,
and can wait for some time. Also, it is helpful to identify the “quick-win” items. To support the smooth implementation of the whole training strategy, it is helpful to deliver some content first within a short time and with encouraging effectiveness.

Second, the resources need to be planned. What content delivered in which format by whom can meet which training needs at reasonable costs with satisfactory effectiveness? Unlike in the traditional approach, PFP shall firstly seek the resources from the existing online courses, not necessarily limited to those provided by Chinese providers. The rationale behind this is to leverage the benefits of online education as much as possible, to save the training costs, to increase the level of training professionalism, and to avoid unnecessary waste of internal resources. After that, PFP should help the customers to identify which part of the training can be and should be done internally. For example, it may be very hard to find external training resources on company culture or industry specific content. The last resort is the other external resources like traditional degree programs and external training workshops.

The key questions to be asked at this stage are including:

- What are the most urgently needed training?
- Which part can be conducted first to create “quick-wins”?
- Which part of the training can be done via exiting online courses?
- Which part of the training should be done internally, in the form of online courses or offline lectures or workshops?
- What other external training programs are needed to complete the whole training map?

4.1.4 Implementation of training strategy

Similar to the enterprise solution provided by ECEIBS and Yingsheng, the PLP also should provide a platform which can be shared by different enterprise customers. The difference is that the courses on the PLP are not developed by itself, but are purchased from various online course providers. PLP for corporate training courses is like Expedia for airline tickets. Customers can purchase directly from the platforms of various online course providers, or from PLP, where they can purchase at one stop. According to the learning needs identified, employees from different functions at different positions will see different curriculum after logging in the system. They can access the online courses from different online course
providers from the PLP platform, and have their learning data synchronized at both sides, including their learning progress, homework, quizzes, exams and transcripts.

To enhance the learning effectiveness, learning programs on the PLP platform can consider adopting the following features:

1) **Discipline with regular agenda**

Rather than leveraging the great advantage of huge flexibility associated with on-line education, the training program delivered via PLP platform do not have to be completely self-paced. Learners can be requested to commit to two regular study sessions every week for each course, and thus join comparatively stable study groups with the other learners registered for the same course. For example, if a learner would like to register for the course of “Corporate Finance”, he or she needs to check their timetables, choose two fixed time slots according to his or her personal schedule, and participate in the online course at one of these two time slots every week. Attendance to every course will be recorded by the system automatically, which shall be factored into the final grading of this course.

This design intentionally gives up certain flexibility associated with the online education, to impose discipline to the learner’s learning schedule, and create conditions for the next feature of class discussion.

2) **Class discussion**

The on-line courses delivered on the PLP platform can also try to simulate the traditional classroom education as much as possible. Therefore, the courses can be divided into small sections. After each section, learners are requested to participate in the classroom discussion. One of the learners in each section will be designated to be the rotating Teaching Assistant (TA) and shall coordinate for the discussion. Everyone can volunteer to ask questions or make comments, and the system will randomly assign the chance to one of those who volunteered. If no one volunteers, the system can also randomly “cold-call” students. Overall, each student will be given equal chance to speak, and all the others will rate the quality of the comments or questions with a small button on the screen. Such ratings to one’s classroom participation will also be factored into the final grading of the course.
This design is to introduce the merits of the peer learning like in the traditional learning environment. The learning effect will be deepened and intensified when hearing other people’s opinions from different perspectives.

3) Pre-readings
Like in the traditional education programs, PLP can also try to urge students to prepare before every class. Every week before class, PLP can send reminding emails to the learner with links to all the readings. By clicking the link, the learners will be directed to the PLP platform where the reading materials are restored. Several choice questions will be displayed after each reading assignment. By submitting the answers, the reading assignment will be recorded as “completed”, which will be factored into the final grading of the course.

This design is to enhance the priority of the courses in each leaners’ personal schedules. As human beings, we are coded to react to external requests, especially to those we believe to be reasonable or even beneficial to us. Once the learners build the impression that pre-readings are helpful for enhancing the learning effectiveness, a virtuous reinforcing loop will be formed, which will further encourage the learners to complete the pre-readings before every class.

4) Homework and after-class study group
Similarly, homework will be assigned to individuals or groups. Students can reach to others in the same study group to discuss these assignments, and learn from each other. After submitted, the teaching assisting staffs from the PLP can review and grade the assignments like in the traditional education programs, which shall be factored into the final grading of the course.

5) Regular quizzes and final exams
One of the key challenges facing the on-line education is the credibility compared with traditional education programs. Education is a highly result-oriented industry; therefore, the assessment of learning effectiveness is critical. In the survey conducted by the on-line education company 24x7 Learning in September 2015, 64% respondents wanted to be assessed at regular intervals to ensure maximum retention of knowledge. Besides giving the students some pressure to review the lessons more deeply and comprehensively, and thus enhancing the learning effectiveness, rigorous quizzes and exams are also helpful for increasing the accreditation certificate released by the PLP programs.
All the above-mentioned features are designed with the target to merge the most effective elements in the traditional classroom education into the online education, which are including external discipline, peer learning, before-class preparation and after-class digestion.

4.1.5 Effectiveness follow-up

Another value-added serviced from the PLP platform can be constant follow-up. One of the biggest challenges facing many corporate training programs is the lack of effectiveness evaluation. Although PLP platform delivers the online courses and captures all the learning information digitally, there are other offline parts in the whole training program. PLP can help the customers to develop measures to evaluate the effectiveness of these sessions and programs, which can be combined with the digital data captured on the PLP platform and ultimately be used to evaluate the effectiveness of the overall training strategy.

4.2 Business Model

4.2.1 Value creation

The core value PLP delivers is to facilitate more effective matching between the supply and demand on the corporate training market. It will be a two-sided B2B2C model, and the target is to create win-win-win-win circle amongst all the four relevant parties, the companies, the trainees, the education content providers and PLP as a platform.

Figure 10: The Core Value Provided by PLP Model for Corporate Training
1) **For companies**
On the first side, PLP approaches the companies and provides consultancy services to help them identify the training needs for talent development at the company level. It is more economically feasible for PLP to hire qualified HR BP talents and provide consultancy service on a project basis, than for the companies to each hire dedicated HR BPs unless they are big enough to have the economies of scale. Besides, similar to the value provided by the other consultancy services, even if the companies have their dedicated internal HR BPs, they will still benefit from the broader experience of PLP consultants from doing projects with many other companies. After the learning needs are identified, PLP can help the companies to design the training curriculum for different functions and positions, under the overall umbrella of the company’s core strategies.

2) **For employees/learners**
On the second side, PLP provide services to the end-user learners. Upon registration, PLP can request the users to input certain information about themselves and conduct competency assessment. Thus, the learners’ personal learning needs and competencies gaps according to the company goals can be identified.

PLP can also consider adjusting the proportion of company designated courses to increase the learners’ motivation. For example, the companies can designate 60% of the courses for each curriculum (different by position/function) according to the company’s needs for core competencies, while leaving the remaining 40% of courses to the employees’ free choice according to their personal interests and/or learning needs. By setting up the curriculum in this way, both the company and employees will reach their training and learning targets. On the one hand, the 60% of mandatory courses can ensure that the training content received by the employees is consistent with the core competencies the company would like to develop as an organization; on the other hand, it is highly motivating for the employees to complete all the courses with high quality because the company also pays for the other 40% of courses, which will not only help the employees get more qualified for their current jobs, but can also prepare them for future challenges, either in this company or in the others.

3) **For course providers**
On the third side, PLP can develop partnership with qualified on-line course providers, by collecting and combining the training needs from many companies, and mapping these needs
to the content provided by different on-line course providers. In other words, PLP can take over the business development, sales and marketing work, so the course providers can focus on the generation of high-quality education content. The revenue from the PLP platform should form additional revenue flows to help these course providers grow their business, which could not be realized independently by themselves.

4.2.2 Value capture

PLP can charge from both sides.

To the enterprises, PLP can charge for the learning consultancy services, for the consultants’ expertise on organizational structure design, organizational core competency development, human resources development and change management, to help the enterprises identify what core competencies and organizational structure are needed to achieve their strategic goals, to identify the gap between their status quo and the to-be situation, and to design training plans at the company level and/or at the function and position level.

To the online course providers, PLP can charge for referral fees. For each course PLP helps to sell, a certain percentage of referral fees can be charged from the online course providers.

4.3 Competition strategy

Considering the existing market players like EaseNet, Yingsheng and ECEIBS who have been working in this field for many years and have accumulated considerable amount of talents and resources, it won’t be easy for PLP model to open a blue-sea market. The following competition strategies can be considered to develop a cooperative relationship with the incumbent market players, add value to the whole chain, and avoid severe zero-sum competition.

4.3.1 Differentiation in positioning

Instead of building another platform, developing proprietary on-line courses and at the same time offering spots on the platform for other course providers to sell their products to the mass audience, PLP can position itself as a corporate training consulting company. The key value of its service to the enterprise customers is to help them diagnose the core competencies needed by their organizations to achieve the strategic business goals, split the core competencies at the enterprise level to each function and position, and design an integrated training program for
the whole enterprise including all the key functions and positions. While all the existing online course providers are still following the “basing sales on production” approach, PLP model may provide them with a chance to know their market and customers better, and thus compliment the current value chain from a unique perspective.

4.3.2 Cooperation with less well-known market players
It is a rule in the world of Internet that winners take all. The big players can invest in the brand building via multiple ways like bidding for keywords on search engines, releasing adds on mobile media, providing coupons for discounts, rewarding people for inviting their friends and so on. Funding is a critical weapon in this war. It is hard for smaller player to have sufficient funding to develop their products while building brands and expanding market coverage. This represents a long-tail opportunity for PLP. Instead of passively providing “shelves” to the course providers and charging them the “shelf slot fees”, PLP can selectively choose smaller high-quality course providers and include them into the “product portfolio”, precisely map them to the enterprise customers, and adopt the profit-sharing pricing model. In this way, PLP forms strategic cooperation relationship with many smaller course providers and take over the business development, marketing and sales, so the latter can focus on the content development. Both parties can share the profits when they are generated.

4.4 Challenges foreseen and mitigation plans
Even if the above-mentioned competition strategies are implemented, major challenges can still be foreseen. Even if taking different positioning, the incumbent market players may still view the PLP platform as a new competitor, and may refuse to cooperate or even take competitive actions to contain its development. Below are the two scenarios which may happen, and the possible counter measures PLP can consider taking to mitigate the risks.

4.4.1 Lack of cooperation from online course providers
As a platform, a key success factor for the PLP model is the network effect. Assuming the diagnosis of learning needs can be successfully done, PLP will need to find the most relevant and suitable training content to meet such needs. The more suitable courses available for choice, the higher customer satisfaction is, which will lead to more demand from the customer sides and generate higher revenue and profits, and attract more course providers to join the platform. The existing course providers must agree to cooperate with PLP, allow convenient API
between the two companies’ platforms, and support the data synchronization at both sides. Clear agreement on the Intellectual Property rights must be clarified in advance. Since PLP does not create courses by itself, its business will fully rely on the courses provided by the other online suppliers. It will be a big hassle for the learners if the courses recommended are scattered on different platforms. The learners will not be willing to take the trouble creating multiple accounts on different platforms and logging on and off to complete the learning, and it will be very disappointing if their learning results cannot be displayed at one place. This is also why ECEIBS and Yingsheng have significant advantages in providing solutions to the enterprises in the current market. Based on the large inventory of courses, they can meet the customer needs to a certain level without having to cooperate with other course providers, who are their competitors with direct conflict of interests.

The critical measure to mitigate this risk is to strategically develop cooperation with online course providers phase by phase. Starting from the smaller course providers who cannot gain valid competitive advantage against the big market players by themselves, and sell them to the smaller enterprise customers with limited budget and comparatively modest expectations. After forming the foundation of a reasonable pool of customers and course providers, considering that the course providers will naturally be interested in joining the platform if there are enough customers, PLP should focus its efforts more on the development of customers with its capabilities in the learning consultancy. With customers and orders in hand, it will be easier to attract cooperation from more course providers. The target of this strategy is to step by step build a virtuous circle between customers and course providers. When the number of customers and smaller course providers reach a certain level, PLP can also seek for cooperation with the big market players like ECEIBS and Yingsheng. Like Expedia, if there are only 2 airline companies on the platform, the airline companies will have bigger negotiation power, and their threats to leave the platform will put the latter out of business. But if more airline companies are on the platform, the latter will have more negotiation power, and each individual airline company will be more motivated to cooperate with the platform rather than to leave. It is critical for PLP to successfully build such cooperation relationships with enough number of high-quality content providers.
4.4.2 Joint fight-back by the incumbent online course providers

Another possible threat from the incumbent market players is that they may seek for strategic cooperation with each other and provide cross-platform courses, and thus decrease the unique value PLP can provide to the customers. With their better-established brands and customer bases, it could pose a considerable threat to the survival of PLP.

An important counter measure to dissolve such a threat is for PLP to focus on its learning consultancy service. Even if the incumbent market players form strategic alliance, as long as they do not fundamentally change their business models, it only means that their inventory of online courses have been further expanded, which help to increase the chance to meet their customers’ needs, but almost add no value in identification of the customer’s learning needs. Every company has different core competencies, which shall form their key competitiveness, which takes time to accumulate and develop. PLP adopts the consulting business model, which means the core competencies it needs to develop over time is in-depth understanding about the organizational development strategies of enterprises and the core competencies required to support such strategies at the enterprise level and at function/position level. The effective diagnosis of those needs is a precondition for the successful recommendation of customized training plan. To be able to do so, it needs to hire and train professional learning consultants, rather than educators with expertise on specific fields. By contrast, all the incumbent online course providers are adopting a different business model. Their products are various online courses, so they need to look for high-quality educators, build up cooperation relationship with them (Hujiang, Yingsheng, EaseNet) or hire them (ECEIBS), and develop the courses according to their expertise. By accumulating a large enough number of courses, the platform gets to cover a large enough scope of topics, and meet the needs of different learners through various combinations. Their business model determines that they will address this problem from the perspective of supply, rather than from the perspective of demand.

Besides, even if they want to try to form multi-party alliance against the PLP model, it will be hard for multiple online course providers to reach unanimous agreement with all parties’ interests well balanced. In the end, they may have to create a platform similar to PLP to make it work. If so, it may be much easier to just cooperate with the existing PLP platform and keep one single contact point.
4.5 Conclusion

PLP can be a possible new business model to better leverage the benefits and potential of online education technology for corporate training in China. By creating values for the enterprises, their employees and the online course providers, PLP may create a new value chain to compete with the existing business models, at higher efficiency, with better effectiveness and at lower costs. Just like any other business idea based on a platform strategy, the model of PLP needs to be thoroughly thought through and well planned. But once it works, because of its advantage in the network effect, it will be hard for the competitors to replicate its success.
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