1.1 Theoretical Background of the Topic

Management education, a decidedly American innovation, is secure in its spectacular success. Certainly all of the senior academicians have been generously sustained by its endlessly variegated growth. Despite the business school’s slightly de classe status within academe, the professoriate’s emoluments remain among the most munificent on campus and its priesthood enjoys pervasive influence: Drucker, Prahalad and Kotler for the profane and Jensen, Merton, and Engle for the more ethereal.

An ever increasing fraction of businesses and not-for-profits, are led by graduates of premier business schools, and these alumni by and large acknowledge the value of their experience in full and part-time MBA programmes, non-degree executive education and undergraduate business programmes. They continue to send their progeny and protégés to these programmes, and they participate actively in the affairs of business schools. Donations are another measure. Business schools attract gifts like no others in academe with the possible exception of medical schools where the quid pro quo enjoys a terminal quality.

The success of the American business school is hardly disputable and yet applications to full-time and Executive MBA programmes have gone off a cliff since 9/11. At more renowned schools, applications to full-time programmes
are down a third to a half and even more, and class sizes, ratios of selling-to-sticker price and standard measures of student quality are falling as individual schools adapt to shrinking demand. Cushioning the decline of full-time and executive MBA programmes has been the brisk demand for less expensive part-time, one-year and on-line programmes, and undergraduate business programmes too. However, non-degree offerings, both customized and open enrolment have been in decline adding yet another negative.

Wealthier schools have weathered the budgetary consequences with little apparent discomfort, but the less affluent are squirming. Recent concern about a shortage of PhDs -- the number of U.S. produced PhDs in business has been in decline since 1992 -- has been trumped by budgetary stringency. The previously irrepressible trend to higher faculty compensation has been arrested, as well. Clearly, the industry has hit a soft spot and no one seems comfortable in predicting its duration.

1.2 Teaching of Business Ethics at Business Schools

Virtually all of the leading business schools have made recent efforts to address the teaching of business ethics. The quality of these efforts varies widely to be sure, just as offerings in marketing and finance differ. But all deans have heard the popular criticism and nearly all have responded, some with dedicated Ethics and Corporate Governance courses, some by integrating these subjects into other coursework. Some have their students visit incarcerated white-collar criminals, and others have welcomed felons to their schools as speakers. Business school responses to allegations of ethical insensitivity
have been forthcoming, variegated and occasionally imaginative. But whether such teachings are effective remains an open question. Whether such teachings have any connection with the demand for management education is still more doubtful.

**The Market for Management Education**

The market for management education, especially that provided by the top 30 or so U.S. business schools, has been in turmoil since 9/11\(^1\). This upheaval indeed has been the warrant for the recent spate of criticisms. What then are the factors explaining the declining applications and class sizes among the top 30 business schools? And are these in any way related to the accompanying decline in executive education delivered at these same schools? At the outset, it may be useful to summarize the facts. An interpretation and some very limited prognosis follows.

- The number of GMAT test takers has been flat to down moderately since 9/11.

- Total MBA degrees granted in the U.S. are likewise flat at approximately 125,000 per year.

- Applications per applicant to full-time MBA programmes are down from about five to three, but this decline took place mostly before 9/11.

- Applications to top 30 full-time MBA programmes in the U.S. are down 35 to 65 percent from peak levels in 2002.

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\(^1\) Stuart I Greenbaum, “Management Education and Its Contemporary Critics”, (Paper presented at the *Financial Management Association Convention, Chicago, Sep 2005*)
✓ Full-time MBA intakes (class size) at top 30 business schools in the U.S. are flat to down as much as 40 percent from the 2002 peak.

✓ Schools striving to maintain their MBA intake (class size) have experienced moderate declines in student quality, on standard measures of GMAT, GPA and work experience, and more dramatic declines in selling prices. Nominal tuition has interestingly continued to rise in the face of more aggressive discounting. Not surprisingly, a declining fraction of increasingly disgruntled students pay the nominal tuition.

Related Factoids

The following factoids have emerged as a result:

✓ MBA programmes have proliferated in Europe, Australia and Canada too.

✓ New programmes include part-time and executive designs and full-time programmes as well.

✓ Taken as a group, these newer programmes are less expensive than their more established U.S. counterparts, and often offer the degree in less time.

✓ Online programmes have grown significantly. Again, these are offered at less cost and time.

✓ Lower-cost part-time programmes have shown modest growth in the United States. More expensive executive MBA programmes have shrunk even as new programmes have been introduced.
Undergraduate interest in management education is undiminished. Indeed, more renowned programmes seem to be going from strength to strength with rising applications and rising measured student quality.

Management Education is Professional Education

Uppermost is the need to recognize that management education is quintessentially professional education. Therefore, the demand for MBA education in particular and all manner of management education in general, is tightly bound to the conditions of the job market. The demand for management education is derived. It is an investment with an unabashedly pragmatic rationale.

Moreover, the market for newly-minted MBAs has still not fully recovered from the dot.com collapse of 2001. The downward spike has been reversed, but the frothy heights attained around the turn of the millennium are still the loftiest peaks in sight. During this boom, the highest paying and largest employers -- investment banks and consulting firms -- experienced unprecedented demand for their services and were therefore able to charge their customers premium prices. Indeed, since the prices of consulting services were often quoted as multiples of direct cost, employers made precedent setting offers to new hires with abandon, even glee.

Similarly, investment bankers were doing IPOs, mergers and all manner of financial restructurings in record numbers and profitability. With available capacity strained and opportunity costs skyrocketing, the pursuit of talent was
relentless. To exacerbate matters, the more prominent business schools, the primary source of professional labour for the investment banks and consultants, were experiencing a new source of demand for their graduates that effectively reduced supply available to their more traditional employers. The dot.coms themselves were taking an increasing share of the talent produced by more prominent business schools. This was the dawning of the age of entrepreneurship at business schools. Programmes proliferated and many of the most creative students either started their own businesses, went to work for embryonic enterprises or venture capital and private equity firms that provided both financial and human capital to younger firms. Stock options were the coin of the realm and the stories of almost instantaneous wealth creation excited the blood of the young and ambitious. Aspiring private-sector bureaucrats neatly morphed into budding entrepreneurs. The flight to risky businesses had an international flavour as well. More than a few of those attracted to more entrepreneurial endeavours chose not to stop at Silicon Valley and continued west to China, India and other still more exotic venues.

The growth of entrepreneurship among U.S. business schools was a major development that has survived the dot.com bust, but during the boom the movement effected a diversion of talent away from business schools’ traditional employers. This redirection imparted powerful upward pressure on MBA compensation packages and fuelled the flow of students to MBA programmes of every stripe.
The bursting of the dot.com bubble was matched only by the breathtaking ascent it punctuated. The dot.coms instantly switched from frenzied hiring to wholesale disgorgement. In effect, they became a major net supplier to an already congested labour market. Collapsing equity prices among the dot.coms essentially closed the IPO and “deal” markets creating a surfeit of investment bankers. In addition, with surplus labour, paucity of cash and devalued equity, the demand for consultants evaporated in a flash.

Business schools that in 2000 and 2001 had 90 percent or more of their MBAs placed at graduation were looking at numbers like 50 percent only a year or two later. Deans who earlier passively opened their doors to ravenous hordes of employers were now busily soliciting jobs among their alums. Even temporary or part-time jobs were sought to address a full-blown crisis among outspoken graduates with expectations of assured employment at no less than 110 percent of the previous year’s representative compensation package.

This was the employment situation for MBA’s in 2002. Full-blown crisis may sound hyperbolic, but for those involved the experience was traumatic. The stories of employers “reneging” on job offers were disseminated widely. The falling number and value of offers became known to most and inevitably damaged the perceived value of the MBA degree. While the job market has rebounded from its nadir, it has not recovered sufficiently to mend the damage.
Indeed, this is not simply a perceptual problem. Starting salaries for MBA’s have been essentially flat for the past five years and even though real tuition has been declining, sticker prices continue to rise. Moreover, the opportunity cost of attending full-time MBA programmes has risen as well further eating into the expected return to attending a high-cost full-time MBA programme.

The widening gap between nominal and actual tuition, the sticker-to-selling-price gap, had further entailments. As demand fell, stated tuition rates continued to rise both absolutely and relatively, but spreading discounts in the form of scholarships, fellowships, subsidized loans, stipends, and the like, also increased putting downward pressure on selling prices. Hence, the gap between sticker and selling prices widened. This made visible sticker prices less informative and encouraged shopping. The increased resources devoted to search and negotiation put increasing pressure on margins. The business schools had emulated the pricing policies of the major airlines with increasingly similar results.

1.3 Management Education in India

It is common knowledge that businesses have been evolving. People at the helm of affairs in businesses should evolve too, at least to keep pace. Whether the latter have kept pace with the former is debatable though. But these days businesses do not just evolve – they evolve rather rapidly. This is an indisputable fact. If one examines carefully the circumstances that have led to this state of affairs, one can easily appreciate the need for business education in our country. Business / management education cannot of course
be imparted without there being business schools. Business / management schools cannot deliver and will not deliver unless there is proper oversight. Again, proper oversight cannot be ensured unless and until entities which are appropriately empowered and hence could be expected to shoulder their responsibilities objectively are created. Like most issues that affect the economy of the country and hence the welfare of its people, this responsibility too ultimately devolves on the government or the regulatory bodies created by the government under the statute.

The IIMs were not the ones which pioneered business / management education in India. The credit goes to the departments of business administration or management education introduced in the universities of Bombay, Delhi, Kolkata and Madras. The best known amongst the four were probably the Faculty of Management Studies of Delhi University and the Bajaj Institute of Bombay University. IIMC and IIMA came into being in 1964-65 while IIMB and IIMs at Lucknow, Indore and Kozhikode were established in the 1970s, 1980s and the early 1990s.

An IIM qualification was a sure-fire way of landing a plum job notwithstanding the fact that the newer IIMs had no track record to show against their names. The fact that generous grants were released by the government and IIMs enjoyed enviable infrastructure also added value. Like engineering courses after independence, IIM courses became the most sought after and the youth suddenly preferred the courses to even IAS! While IIMC was hand-held by MIT initially, IIMA was hand-held by the Harvard Business School initially.
IIMB did not enjoy the privilege of foreign collaboration initially. Work experience was a pre-requisite for admission in IIMB.

It is said that institutions are created by people who want to do something but are ultimately captured by people who want to be something. Business education today is no longer the preserve of the chosen few. There are 3,556 MBA / Other Institutes recognised by the All India Council for Technical Education (AICTE) in the country today, offering post-graduate management education. This makes the task easier for those want to pursue business education. The collateral issue arising out of this development is the almost simultaneous erosion in the quality of business education.

Around the time the IIMs started operating from Ahmedabad and Calcutta, the admission criteria had to be laid down. The task became difficult since there was no bachelor’s degree offered in business education at the time. Conventionally, a student would be permitted to pursue post-graduation in that subject in which he had done his bachelor’s degree. After prolonged brain-racking over the issue, a Professor from one of the American institutions (which hand-held IIMA and IIMC initially) suggested: “admit such students as you cannot ruin in two years!” His remarks have proved prophetic. With selective admissions, which devoured the cream of talents, the MBA succeeded not because of management education but in spite of it.

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2 Source: All India Council for Technical Education, New Delhi.
The secret of management is in the prayer: “God! Give me courage to change things I can. Give me patience to bear with the things I cannot change. And kindly give me the wisdom to distinguish between the two!”

It is not as if the output of research, publications and case-writing on the part of IIMs were of a high quality. It was the employment potential that ensured that IIM products stood out and not the quality of its teaching staff. One thing should be said in favour of IIMs though - the teacher-student ratio was healthy. As a matter of fact, for appointment of faculties, research and publications were not given importance in our IIMs. Experience counted and many a time promotion was accorded to retain the experienced faculty without taking scholarship into serious consideration.

India has more business schools than U.S.A. Still India’s contribution to management literature is nothing to write home about. On the other hand, Indian students pursuing business education in U.S have performed much better in this area. Faculties cannot hope to collect incentives in IIMs although private business schools incentivise their faculties. But their incentive is not for outputs like research and publications but for putting in ‘extra hours’ whatever that may mean! But then the question arises why corporates fall over each other to absorb IIM products. Corporates want these products not for what they are taught. IIM students get to interact with bright classmates. Only the best students hailing from urban and semi-urban backgrounds with good grounding in the English language, written as well as spoken, get selected for

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IIM courses. Students thus get to interact with equally bright classmates. Even on an IIM product, the corporate has to spend around a couple of years to generate productivity. It is perhaps because of this reason that corporates select bright students from economics, commerce and engineering streams too.

The All India Council for Technical Education (AICTE) has been generously according recognition to business schools and the blame for the poor quality, content and lack of values that characterise business education in the country today lies as much with AICTE as with the government. Although AICTE has laid down norms for recognition, poor reporting, monitoring and inspection results in violations going unpunished. AICTE has little muscle to detect these violations; nor does it enjoy penal powers to enforce discipline. Rarely have erring institutions been punished. It is better that this power is vested in an independent board of management experts. Even in the university-affiliated business schools, independence and representation of management experts from outside the university should be ensured. In respect of private institutions, a suitable legislation could be in order - just as the Companies Act takes care of private businesses.

1.4 Evolution of Management Education in India - Early History

The evolution of management education in India and its early history are explained in the following paragraphs.

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IIM Calcutta and IIM Ahmedabad were the first two national institutes set up by the Government of India to offer full-fledged Post-Graduate Programmes in Management in 1961.

Prior to these two institutions, there were other institutions that offered Programmes of study that were related to management of enterprises.

- Xavier Labour Relations Institute (XLRI) in 1949

- Indian Institute of Social Welfare & Business Management (IISWBM), 1953

- Administrative Staff College, Hyderabad, 1957. This institute was set up on the lines of Henley Management College, England

- AICTE was set up by the Govt of India in 1949. Subsequently, this body was given statutory powers under the provisions of AICTE Act 1987

- The Board of Management Studies was set up by AICTE in 1953

1.5 Types of Management Institutions

Management institutions have come up from various backgrounds. Some of them are autonomous, some of them are deemed universities and yet some
are non-government institutes. The following bulleted list furnishes the various types of management institutions operating in India.

- Indian Institutes of Management
- Central & State Universities
- Deemed Universities
- IIT/ II.Sc Schools of Management
- NIT & Engineering Colleges Departments of Management
- Non-Government Institutes
- Specialized Institutes
- Distance Education
- Off-Shore Campuses

1.6 Other Management Institutions

Additionally there are institutes of management run by the government, the defence sector and the public sector; the corporate sector too runs its own management institutes. Management institutes offering specialised courses and sector-specific management institutes are also not uncommon.

1.7 Number of MBA / Other Institutes, by Region

Since management institutions were mushrooming all over the country until recently, it will be informative to ascertain how they have proliferated across the country, by region. The following Table furnishes this information.
Table-1.1

Number of MBA / Other Institutes, by Region\(^6\)

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of MBA / Other Institutes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>South-Central</td>
<td>945</td>
<td>26.57</td>
</tr>
<tr>
<td>North</td>
<td>525</td>
<td>14.76</td>
</tr>
<tr>
<td>North-West</td>
<td>472</td>
<td>13.27</td>
</tr>
<tr>
<td>West</td>
<td>419</td>
<td>11.78</td>
</tr>
<tr>
<td>South</td>
<td>395</td>
<td>11.11</td>
</tr>
<tr>
<td>Central</td>
<td>373</td>
<td>10.49</td>
</tr>
<tr>
<td>South-West</td>
<td>277</td>
<td>7.79</td>
</tr>
<tr>
<td>East</td>
<td>150</td>
<td>4.22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,556</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Figure-1.1

Number of MBA / Other Institutes, by Region\(^7\)

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\(^6\) [www.aicte.ernet.in](http://www.aicte.ernet.in), the website of AICTE.

\(^7\) [www.aicte.ernet.in](http://www.aicte.ernet.in), the website of AICTE.
The largest concentration of management institutes is to be found in the south-central region of the country – a whopping 945 out of a total of 3,556. The north and north-west regions follow although the west, south and central regions, in that order, are close behind.

1.8 Worth of an MBA

Having heard and read so much about MBA not all of which is music to one’s ears, one would naturally like to hear straight from the horse’s mouth on the subject. The following are the views of Mr Rajiv Memani, Country Managing Partner and CEO of Ernst & Young India, quoted in the Week, dated Sep 10, 2006. Mr Memani should know what he is talking about since his company recruits the products of India’s top business schools.

“There are no hard and fast parameters to determine the worth of an MBA today. What an MBA brings to the table in a way is a sum of mergers and acquisitions. Merger of motivation, work experience and good learning tempered with extensive research and life project work and acquisition of analytical skills, the ability to dig deep and picture the big story. This combination ensures faster learning on the job and mind that is willing to question status quo. I am a Chartered Accountant tossed into the sea of management as a CEO. I lead an organisation operating in seven cities and workforce of over 2,400. Like me, managers today have to effortlessly straddle divergent shores of businesses in a rapidly globalising India where the boundaries of business are dissolving fast. They have to absorb things, report things, be strong on communication and presentation skills and be conscious of devel-
oping strong value orientation and team work. With increasing globalisation, we need managers who demonstrate the values and capabilities to work successfully in an international environment.

Has the system equipped them well? MBA education today compares with the best (restricted to a few institutes though). The screening process ensures only the very best candidates with diverse backgrounds get through. The quality of faculty, research and facilities available on campus compare with the best. The strong focus on academics, industry interactions and project work enable students to develop superior conceptual and execution skills.

The ultimate worth of an MBA is determined by his experience in the workplace. While hiring at campuses, we look for energy and enthusiasm to learn, adherence to ethics and values, execution capability, analytical and problem solving skills and above all, a positive attitude. The professional qualification helps us determine the technical understanding that the candidate has of the subject / field.

However, what worries me is the mushrooming of business schools in the last few years. Some schools invest enormously in faculty, research, industry interface and infrastructure and produce world-class professionals. But others fall behind on facilities and this has impacted the overall quality of the professionals as reflected in the shortage of skilled manpower versus an industry which is growing at a phenomenal rate.
Can they be the leaders of India Inc in the future? Very much. MBAs respond well to the challenges thrown by India’s competitive business environment which has unfolded new realms of management expertise, like retail. As part of the global fora of young business leaders, like the World Economic Forum’s New Asian Leaders, I can vouch for the leadership potential in many young hands shaping corporate mega deals. It is our responsibility to empower them to experiment, mentor them on leadership skills, push them to discover their limits and enrich their experiences in markets and management.

1.9 Features of Indian MBA

As has already been said, the Indian MBA is often interpreted as a poor imitation of the American MBA and so it is relevant to ascertain the features that characterise our MBA. The following features stand out in our management / business education:

- More than 80 percent of management institutes are private colleges
- Annual enrolment is about 70,000 in 1000 odd institutes
- About 70-90 percent of intake in top management institutes is accounted for by engineering graduates
- Majority of colleges have intakes in the range of 40-60; a few IIMs admit about 300 students

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8 Rajiv Memani, Country Managing Partner and CEO of Ernst & Young India, quoted in The Week, Sep 10, 2006.
- 2-year post graduate programme (after completion of 15-16 years of school and college education)

- Cost of Management Education varies considerably from Institute to Institute, ranging from $1,500 to 30,000 per year

1.10 Admission Procedure

The following written tests are administered for admitting the students:

- CAT (Common Admission Test) for IIMs
- JMET (Joint Management Entrance Test) for IIT SOMs
- MAT (Management Aptitude Test) by AIMA (All India Management Association)
- ATMA by AIMS (Association of Indian Management Schools)
- XAT (Xavier Admission Test) for Xavier Group of Management Institutes
- CMAT (Common Management Aptitude Test) by AICTE

1.11 State Level Tests

At the State-level, group discussions are held, followed by personal interview; alumni participation is ensured.
1.12 Types of Programmes

1.13 Doctoral and Post-Graduate Level

At the doctoral level, one can become a Fellow of IIMs/other Institutes, PhD (IITs, II.Sc and Universities); at the post-graduate level (MBA) the following courses are available:

- 2 year Full Time leading to award of a Degree or Post Graduate Diploma
- One Year Full time
- 2/3 year Part-time leading to award of a Post Graduate Diploma/Degree
- Correspondence Courses leading to award of a Post Graduate Diploma/Degree

1.14 Placements

The success of an academic course is also measured in terms of the placement it can afford to students. It turns out that the major sectors that recruit the outputs of business education schools are:

- Investment Banking
- Financial Services
- Marketing/Sales
- Recruitment Consulting
Average domestic salaries are in the range of INR 100,000 – INR 800,000; average international salaries are in the range of USD 50,000 – USD 80,000.

1.15 The Fundamental Aspects of Business Management

When one talks of management, what one implies is management by objectives. If a business has to succeed, it has to define for itself certain unifying and guiding objectives so it can coordinate all its activities towards the fulfillment of the said objectives. Any business can be only as good as the people behind it. These people should be motivated enough to achieve peak levels of performance. This is possible if and only if they are familiar with the policies, objectives and philosophy of the organisation.

Management of business involves a thorough scrutiny of the fundamental aspects. Business management aspects may differ from business to business depending upon the nature of the business. However, all businesses, irrespective of their nature, should examine certain fundamental aspects to conclude whether appropriate management practices are in place. The following paragraphs explain the said fundamental aspects.

Reluctance to Delegate

Amongst the commonest features that stand out in some of the so-called professionally managed organisations is that people who should be adding value to the organisation by handling precious tasks tend to attend to tasks which
their subordinates can handle with ease. This leads to under-exploitation of valuable human resources. The reason behind this consequence is the apparent reluctance on the part of the senior officer to delegate power and responsibility to his/her subordinate even where it is justified. This reluctance has its roots in the senior’s lack of faith in the subordinate’s capabilities or the senior’s fear that he/she may lose her importance in the organisation.

Relevance of Interpersonal Skill

Interpersonal skill is another area that does not get its due in some organisations. It can achieve more for an organisation than what technical and conceptual skills can collectively achieve. The importance of interpersonal skill can be gauged by looking at organisations which seem to suddenly falter once an individual or two quit the organisation. The presence of people with exceptionally high level of interpersonal skills pervades the organisation owing to its cascading effect on all the others in the organisation. One is reminded of what John D Rockefeller said once: “I will pay more for the ability to deal with people than any other ability under the sun”.

Relevance of Communication

Management warrants adequate communication between the boss and the employees. It is often mistakenly assumed that the higher one goes up the official hierarchy, the more reticent one should become. Nothing can be farther from the truth. This attitude pre-empts the usage of the feedback mechanism. The two-way communication channel between the boss and the employees should always be in the active mode. As Peter Drucker says, down-
ward communication cannot work and does not work. According to him, downward communication can come only after upward communication has been successfully established. Most managers in India do not seem to motivate employees to communicate upwards. If the boss does not listen to the employee seriously, the latter would never attempt to communicate with the boss again. This is a loss to the organisation and not to the employee.

1.16 Problems and Issues Confronting Indian Management Education Today

Management education today has come to mean several things to several people. This huge variance in views has come about because of the lack of consistency in quality and content of the course imparted by the institutions. While examining the possible reasons behind this inconsistency, one has to keep in mind the following facts in the interest of accuracy:

- High demand growth rate of management graduates resulting from high economic growth (8 percent, likely to increase)

- Large quality divide between top B-schools and the rest

- Large demand-supply gap for good quality MBA graduates resulting from insignificant presence of high quality institutions

- Scarce government resources for creation of additional educational infrastructure for setting up new institutions

- Shortage of high quality business faculty: low salaries and financial incentives to faculty
Fewer enrolments in doctoral programmes

Doctorates in Management from better institutions reluctant to join academic institutions

Organizational weaknesses in public institutions due to their inability to attract high quality people in administration

1.17 Systemic Issues
A number of committees have gone into the issues that confront business education in the country. These committees confined themselves to the state of affairs obtaining in IIM – Bangalore, Kolkata and Ahmedabad because until recently they were the conspicuous institutions which imparted business education. A good number of other institutions / institutes as well as colleges affiliated to several universities, deemed or otherwise, have come into being since then. All the same the findings of the said committees are relevant to the new entrants too. The suggestions of the committees have not been implemented fully with the result that business education is yet to be fine-tuned to the desired level. The findings of the said committees are discussed briefly in the following paragraphs.

The Nanda Committee
The Nanda Committee was the first committee that reviewed the working of the three Management Institutes of Management at Ahmedabad, Kolkata and Bangalore, to make recommendations for the promotion and development of
management education in India. The major recommendations of the Nanda Committee Report are discussed in the following paragraphs.

1.18 Major Recommendations of the Nanda Committee Report

1. Governance

Membership of IIM Societies to allow for differential subscription so as to include persons belonging to user groups, academics, professionals and scientists. Societies must act as promoters of major policies towards achieving relevance and excellence

Chairman of the Board should be one who is a successful manager with proven commitment and interest in organisations, a distinguished academic with administrative experience, or an administrator with experience in educational management, who is committed to the furtherance of management education and research and has adequate time to spare

A locally-based member, interested in management education and training and is able to devote his time to attend meetings and the work connected with the Institute, be nominated by the Chairman as the Vice-Chairman of the Board

A Managing Committee, of not more than 10 members, chaired by the Vice-Chairman, to meet between Board meetings at the instance of the Director, to attend to routine administration and more importantly, to review of academic work.
An academic committee be constituted to advise the Board of Governors in all academic matters including research, quality in academic matters, identifying potential faculty members and promoting specific areas of research
2. Objectives

Should include training and education of

i) Managers for public utilities and services

ii) Management teachers

3. Activities

- Increase PGP intake to 180 at Calcutta and Bangalore

- Intake to FPM be at least 15-20 per year. Provide single as well as married accommodation to all FPMs

- Increase MDPs, new programmes to be original, novel, based upon national needs

- Adequate funding for research to be provided without soliciting project funding and consultancy research to be both basic and applied

- IIMs should act as mother institutes and foster the growth of other management institutions in the country

- Faculty development programmes to be started by all IIMs

- Urgent necessity to develop expertise in international management, and offering of educational and training programmes in International management to be encouraged

- Foster a climate for research. Special funding for the purpose of exchange of research faculty with other institutes in the country and with Universities abroad
➢ Add to Indian teaching materials each year so that country benefits

4. Faculty Development
Institute should draw up systematic training programmes for their newly recruited faculty members, devise methods of assessing periodically the training needs of faculty members, plan and send them for such training. Assess faculty work load and see that maximum targeted amount of time is devoted to teaching and research.

5. Finance and Autonomy
Government control should be progressively reduced as each Institute becomes more and more self-reliant

The Kurien Committee
1.19 Report and Recommendations of the Committee to Review the Functioning of IIM, July, 1992
The Government of India's first Review Committee was appointed in November 1979 under the Chairmanship of Shri H.P. Nanda, to review the working of the three Indian Institutes of Management at Ahmedabad, Calcutta and Bangalore, to make recommendations for the promotion and development of management education in India. The Nanda Committee report, submitted in December 1981, made several recommendations for strengthening the various activities of IIMs. It also recommended the setting up of two additional IIMs, and in terms of future directions, suggested spreading professional management especially to public utilities and to international management.
A decade later, in May 1991, the Government of India, Ministry of Human Resource Development, appointed a second Review Committee, under the Chairmanship of Dr. V. Kurien, to look into the direction and functioning of the four Institutes of Management - the Institute at Lucknow was added in 1984. The Government Resolution appointing the Review Committee mentioned that, "While these Institutes have very considerable achievements to their credit, it is often said that there is scope for a better balance in their programmes."

The Resolution further stated, "The National Policy on Education, 1986 has indicated the need for systematic development of management education in general. It recognised IIMs as prime-movers of development of management education. In the area of management education, the policy indicates the need to remove mismatches of trained personnel with job profiles and spells out the expectations from the IIMs to cater to our developmental needs, including those of the society and the disadvantaged sections."

The Resolution recognises the contribution of the Institutes of Management to management education in the country indicates the need to remove mismatches between trained personnel and available jobs and finally hopes that it can cater to the country's development needs and the disadvantaged sectors of society.
Taking into account the above mentioned concerns, the terms of reference for the Kurien Committee were spelt out as:

(i) To review the present status of the IIMs in fulfilment of their objectives as centres of excellence in management education and research.

(ii) To assess the overall impact of the institutes on the training of high level management personnel for the development of the country.

(iii) To make recommendations regarding reorganisation of IIMs with a view to better serving the country's economic and social development needs.

(iv) To suggest measures for making the Institutes more cost effective and less dependent on government grants.

(v) To review the management structure of the IIMs and to suggest necessary changes therein and other measures for realising the recommendations of the Committee.

(vi) To report on any other aspects those are relevant to overall effective and efficient functioning of these Institutes.

**Members**

The Review Committee consisted of:

1. Dr. V. Kurien, Chairman, National Dairy Development Board, Anand.
   Shri Satyam G. Pitroda, Member, Advisor to the Prime Minister on Technology Missions, Prime Minister's Of-
Historical Beginnings

The Committee felt that an appreciation of the historical beginnings of management education in India would be useful for a better understanding of the
original mission of IIMs and their achievements. Accordingly, the historical beginnings of IIMs have been briefly discussed below:

On the eve of independence, Gandhiji, wrote to Pandit Nehru saying:

"I am convinced that if India is to attain true freedom, and through India the world also, then sooner or later the fact must be recognised that people will have to live in villages, not in towns; in huts, not in palaces. Crores of people will never be able to live at peace with each other in towns and palaces. They will then have no recourse but to resort to violence and untruth".

Nehru, on the other hand, dreamt of a modern India in terms of industrialisation, steel and fertilizer plants, dams and hydro power, modern agriculture and a scientific temper in the country. He countered, "We cannot stop the river of change or cut ourselves adrift from it and psychologically, we who have eaten the apple of Eden cannot forget the taste and go back to primitiveness."

Nehru strongly believed that it was not possible to be really independent unless India became a modern technically advanced country. Under Nehru's leadership, India invested in large capital intensive projects of steel, fertilizers, machine tools, hydro-projects, etc, for the rapid industrialization of the country. Scientific institutions were established and modern technology and management were strongly supported by setting up through the Government of India and outside assistance, the Indian Institutes of Technology and, somewhat later, the Indian Institutes of Management. It was generally believed that technology transfer from outside was needed and desirable in virtually every
sector of the economy, and that good models existed abroad suitable for replication in India.

Public Policy and Public Administration were also supported by establishing the Indian Institute of Public Administration, and small scale industries by establishing the Small Industries and Entrepreneurship Training Institute (SIET) at Hyderabad. Later most of the states established their own Institutes of Public Administration for training public servants and also their own centres, for training 'managers' in small scale industries and entrepreneurship.

The rapid growth of industrial and commercial enterprises in the 50s’ both in the private and public sectors produced a demand for more and better trained managers. At that time most large scale private sector industrial houses were either family concerns or subsidiaries of multinationals with foreign managers. The public sector which was given the commanding heights in the economy was largely manned by IAS officers from government. India had inherited from the colonial period an administrative structure designed for law and order, tax collection and general administration, not for the requirements of rapid industrialisation and growth of a modern state. Forty years later, it is realised that in general, public sector enterprises managed and controlled by government, have been a burden on the economy, and in fact have contributed to an inefficient and capital intensive investment strategy. In the pursuit of speedy modernisation and industrialisation, rural development, health, education and welfare and their management did not receive the attention they deserved.
In the 50s' management development took place largely through short-term management programmes for senior administrators and managers, run jointly by the Sloan School of Management, MIT, and the All India Management Association (AIMA) during summer in Kashmir. The government also sent groups of industrialists and senior civil servants to business and management education centres in Europe and USA to provide them the necessary familiarity with different approaches to management education. For the three steel plants being built in the public sector in that period with the assistance of the then Soviet Union, the Federal Republic of Germany and Britain, respectively, large scale efforts of training abroad were organised. As many as 500 Indian engineers were sent abroad to private American steel plants to learn management and production methods!

With plans for rapid growth and industrialisation, the need for technical and management education was strongly advocated and supported by government. Under the Chairmanship of Sir Ramaswamy Mudaliar, a distinguished industrialist, a Committee was appointed during the Second Five Year Plan to estimate the managerial requirements of future expansion of industrial and commercial sectors and suggest necessary action to be taken. The Mudaliar Committee proposed the setting up of special training facilities, outside the Universities for greater flexibility and autonomy and for quickening the pace of management training and education in India.

In 1961, the Government of India set up the two Indian Institutes of Management - one in Ahmedabad and the other in Calcutta. Support came largely
from the Central Government. The State Governments provided the land for the campus, and it was hoped that industry would contribute to the buildings and other infrastructure required. The Ford Foundation financed the collaboration of IIM-Ahmedabad with the Harvard Business School and of IIM-Calcutta with the Sloan School of Management, MIT, as also faculty development and library resources. Both the IIMs started with executive development programmes, and only in 1964 started the two-year Post Graduate Programme (PGP). Some years later, both started the Fellow Programme in Management, the equivalent of a doctoral programme. Effective leadership was critical to the early development of these Institutes. The founding Directors had a free hand in recruiting staff and organising their curriculum. In giving the programmes their early vision and direction they were not constrained. They worked in tandem with government who shared their vision of a modern industrialised India.

Because of the success achieved by the Institutes of Ahmedabad and Calcutta and the demand for more such Institutes, the government in 1972, set-up the third Institute of Management at Bangalore, and in 1984 the fourth one at Lucknow. With the new economic reforms and the pressure for competing in international markets, it is likely that the role of professional management would become even more crucial in transforming the world of science, technology, finance and industry. The 'commanding heights' assigned to the industrial sector by Pandit Nehru in the early stages of India's development, in the form of public enterprises, are now being reduced and there is a shift in policy towards a greater role for private sector and emphasis on improved
management and greater efficiencies. In the context of deregulation and market driven approach to development, there is likely to be even a greater demand for IIM graduates in the business, commerce and banking sectors of the economy.

The major thrust of India’s development strategy after Independence, was modernisation and industrialisation. The first Five Year Plan of 1951 said:

"One comes inevitably to the conclusion that a rapid expansion of the economic and social responsibilities of the State will alone be capable of satisfying the legitimate expectations of the people. This need not involve complete nationalisation of the means of production or elimination of private agencies in agriculture or business or industry. It does mean, however, a progressive widening of the public sector and a reorientation of the private sector to the needs of a planned economy".

The commanding heights were given to the public sector and controls introduced to reorient the private sector to fit a centralised, planned economy. It is, therefore, not surprising that in conceiving the Institutes of Management, especially the first two, in Ahmedabad and Calcutta, the Mission statement in the Memorandum of Association stated:

- To provide for training in management and related subjects for persons from, industry institutions and bodies and associations connected with industry and commerce.
➢ To meet the needs of Indian industry and commerce in respect of up to date information on management through research and publication of Indian management literature with particular reference to programmes of business enterprises in the country.

The Indian Institute of Management, Bangalore, which was established a decade later, in 1972, also defined its objectives as above. IIM-Lucknow, however, mentions "----connected with industry, public service, utilities and selected institution".

It is, therefore, clear that, the mission of the Indian Institutes of Management as defined in their Memorandum was primarily to serve the needs of industry and commerce; to train young men and women for careers in management connected with industry, commerce and business enterprises; to undertake research and other activities to promote the effective management of such enterprises.

It was in the decade of the 80s, the so called lost decade, in terms of economic growth for most developing countries, that concerns were expressed about the direction of planning and development, about capital intensive strategies, poverty and unemployment, equity issues, the under-developed and under-managed sectors of education health, welfare etc. The existing paradigms of development were questioned and greater attention to issues of poverty, unemployment, rural development were emphasised. It was in the context of
these concerns that questions began to be raised as to whether IIMs (and IITs) were serving the purpose for which they were established. Questions were also raised, as to why government should subsidise the 'elites', and why dependence on government finances should not be reduced if the large majority of graduates opt for private sector and multinational jobs?

It may be useful to remind ourselves that the economic decline in the decade of the eighties was part of a wider problem of the international economic order where developing countries continued to find themselves enmeshed in external debts, extensive and growing protectionism and fluctuations of commodity prices in favour of the industrialised countries of the North. President Hurtado of Mexico, a member of the South Commission, voicing the concern of the third world leaders said:

"The 1980s not only represent lost time in terms of growth but backward steps have unhappily been taken. The South has been kept out of the economic decisions that most concern it. Our raw materials are bought at prices that are less and less remunerative while products with higher value added find their access blocked by artificial obstacles with political overtones”. Issues of excellence, equity and elitism, autonomy and accountability are deeply enmeshed with complex social and political concerns. In raising these issues in the limited context of management education we are raising broader issues of the transformation of society, of the need for a social movement with strong social commitment. Policies and paradigms of development need to be questioned and reappraised in this context. The IIMs alone cannot compensate for
the infirmities of development policies in general and this needs to be kept in mind in evaluating their performance.

**Overall Picture**

In general, the IIM's have done well and have played a leadership role in promoting management education throughout the country. Almost every University has a School of Business Management and many private institutions dealing with business or international management have sprung up. It is estimated that about 450 institutions of management training have been established in the country. An All India Board of Management Education has also been set up to provide norms and standards to cope with this mushroom growth. The IIMs have provided special teacher training programme and have set up a Fellow Programme for training the new generation of management teachers.

Up to 1991, IIMA had produced 3,666 PGPs, IIMC - about 2,800, IIMB - 1,431 and IIML - 217 - a total of over 8,000 management graduates. IIMA had conducted over 450 MDPs, IIMC and IIMB over 250 each, and IIML nearly 30. IIMB and IIMC head each conducted over 200 in-company programmes. In addition to the two-year PGP, IIMC has a two-year non-residential certificate programme in general management since 1981. Over 300 managers have successfully completed this programme up to 1991. The Institutes have shared the teaching materials developed with other institutions. The IIM's have also undertaken special programmes for government officials, either as part of their own management development programmes, or in collaboration
with other institutions, such as the Lal Bahadur Shastri Academy of Administration, Mussorie, or the Management Development Institute, New Delhi. In general, they have fulfilled a role of responsibility and shared their knowledge and skills in assisting other institutions to improve their quality and standards in management education.

In general, the quality of education at the IIMs has an international reputation. Also because they attract the very best talent in the country, in an economy where jobs are difficult to find, the graduates and fellows of IIMs have an easy access to good jobs. In general, the students have done well in their careers.

All the Institutes of Management in varying degrees find themselves under considerable pressure to provide for the many demands made on them for research and consulting advice on a wide spectrum of national problems, probably much more than they can competently and reasonably handle.

The Review Committee does not wish to convey that all the IIMs are doing equally well or that there is no scope for improvement. There are significant differences. Some IIM's are doing better than others, but in general, it can be said that the Institutes of Management have done well especially in terms of the mission given to them - that is, providing young managers for business, commerce and industry. Management education and training can also be for young entrepreneurs but the IIMs have not catered significantly to this group. The Review Committee was aware of a good deal of scepticism about the extent that IIMs had served Indian industry, particularly Indian capital. In some
ways the Committee felt that the scepticism was not entirely unfounded. If IIMs did not depend on public funds for their subsistence, some of the force of this criticism would disappear.

The Review Committee was critical of the fact that the IIMs have not paid sufficient attention to developing teaching material relevant to the Indian scene. IIM-A which had a commitment to developing contextually relevant case material as a medium of teaching has also slackened its efforts over the years. Research too seemed in many cases, to be donor driven. What is required for a better understanding of managerial needs in India was research that could provide for conceptualisation and systematic search for superior practices in the Indian context. In general, the IIMs have been better at multidisciplinary teaching than multidisciplinary research. The Review Committee felt that a strategy to encourage and reward the development of teaching materials, and a policy related to excellence in research and consultancy integrated with teaching needs to be spelt out by the different IIMs.

**Public Policy and Management Efforts**

Although the primary mission of the IIMs was to serve commerce and industry as mentioned in their memoranda, all these institutes in varying degrees were concerned with strengthening some selected under-managed sector - education, health and population, agriculture, rural development, urban development, transport, energy, etc. The strategies followed and experiences gained in each case are discussed below:
IIM-A

In IIM-A, as early as 1963, the Institute established a core group to conduct research in agriculture related subjects. This core group later became the Centre for Management in Agriculture (CMA). It has a faculty of 24 and 18 research staff. The research efforts of CMA cover agriculture credit, animal husbandry, rural electrification, fisheries, poultry, forestry, rural health and nutrition. The CMA has also attempted to deal with the government/cooperative sector. In general, the focus is on research and policy related analysis. CMA also provides a specialisation package to PGP students in the second year seeking specialisation in agriculture management.

The CMA also offers training programmes for officials in development projects in agriculture, dairying, irrigation, and other related activities. They have also provided training programmes for managers in handlooms, and are preparing short-term training for development officers in irrigation and fisheries. At the request of the National Wastelands Development Board, CMA established a core group of eight faculties to study management problems related to social forestry, and helped Government of India in establishing the Indian Institute of Forest Management (IIFM), in Bhopal. Over the last 30 years, CMA has published 150 research monographs and 700 case studies.

Another effort at IIM-A is the establishing of a Public Systems Group (PSG) in 1975. The Public Systems Group unlike the CMA consists of dual membership, with one foot in the PGP, and the other foot in PSG. The PSG is the Institute's focal point for research and training relating to government and public
systems, and NGO's. Major areas which PSG members are involved in are health and population education, energy, transportation, and urban studies. The focus and identity of this group was not clear to the Review Committee. It seems as if the faculty uses this base for donor supported research projects, which in general cannot be integrated with either CMA or PGP programmes. The tradition of researchers searching for a base to serve their individual research interests is probably what the PSG contributes.

**IIM-B**

IIM-B introduced in its two year PGP, sectoral courses in education, energy, transportation, environment and agriculture besides functional courses. In management, such as finance, accounting, marketing, labour relations, production etc. The students, after graduation, were expected to take only public sector or sectoral jobs. To serve the public sector, IIM-B initially allowed only public sector enterprises facilities for campus recruitment of their students. The integration of functional and sectoral courses format, however, has not worked out well. There are too many diverse streams and the programme suffers from lack of depth; neither the public sector, nor enterprises in education, energy, transportation, etc were willing to hire young management graduates emerging from the PGP. Support and opportunities in career development in the public sector were inadequate. After a few years, pressures from the students forced the institute to open its placement facilities to the private sector also.
The IIM-B also tried to launch a one-year education programme in energy management, but the response from Electricity Boards turned out to be very low. Even in nominating their officers for short duration MDPs, the Electricity Boards were reluctant and had problems. And yet the need for better management in energy, especially Electricity Boards is critical and has often been highlighted for attention of IIMs. Transforming need into a demand is a complex problem and not entirely in the domain of an educational institution.

The faculty identified several problems in relation to the institute's policy to serve primarily the public sector. Besides the problem of developing an integrated curriculum, the institute's faculty and students pointed out that although there is a need for good management in these sectors, there is no demand for its PGPs, or even MDPs from these sectors. They had to shift the focus of their PGP and student placement to sectors that were more open and attractive in terms of career development.

IIM-C

IIM-C has organised its research activities, workshops and short-term training programmes through its Centre for Management Development Studies (CMDS). This Centre plays a coordinating role for sponsored research, and, has three other Centres within it, namely, Centre for Rural Development Management Programmes, Centre for Studies in the Public Enterprise Management and Centre for Project Management.
The Centre for Rural Development Management Programmes has produced two volumes of a Directory of Organisations in Rural Development and two volumes of selected bibliography on Rural Development Management. It has also conducted short-term training programmes of one-week's duration for NGO's and has research proposals on health, rural poverty, and distance learning. These are projects sponsored by State governments as well as by foreign donors.

The Centre for Rural Development like the Public Systems group in IIM-A, is a base for faculty members interested in rural development. It does not leave a systematic or a sustained programme of research or teaching in this area. The Centres at IIM-C are not formal initiatives with several faculty engaged full-time in training, research and field work in the chosen areas. They are coordinating agencies for faculty engaged in multiple and diverse activities, The activity levels vary widely with changes in faculty and the nature of finding.

**IIM-Lucknow**

IIM-L has identified the following thrust areas in socially relevant activities, namely, Entrepreneurship, Health Management and Rural Development. These areas seem to have largely emerged from sponsored research, consulting projects and interest of faculty. Examples of projects undertaken are Techniques of Hand-made Paper, Evaluation of Technical Training Schemes in Rural Areas, Study of Sickness in Small Scale Industries, etc. These projects were undertaken as sponsored research or consultancy.
Existing faculty of PGP are subdivided and identified as part of a given thrust area. It is not clear what is the time commitment of faculty to their given thrust areas, and on what basis they were selected and evaluated for their performance in the selected sector.

All IIM-L's Management Development Programmes are in the corporation sector, and are of only one week's duration. It is open to question as to whether these short term programmes could be given the status of management development programmes. There are no MDPs so far for the selected socially under-managed sectors.

**Sum Up**

It is seen that the Institutes of Management in Ahmedabad and Bangalore with different strategies tried to deal with public policy and management aspects, especially the under-managed sectors. Both Institutes introduced differing measures to train students in the PGP and 'managers' through their management development programmes in the selected sectors with varying degrees of success. IIM-C has shown some interest in Rural Development, but the training of students is almost nil and of managers very limited. And in IIM-L although the Institute has expressed interest in several public management areas, the programme of work is limited to sponsored projects and consultancy.

It is clear from the Review that if socially relevant sectors are to be served, by the IIMs, it cannot be done in a laissez-faire manner, leaving it to the interest
of individual faculty or donor driven research or available consultancies. The Institute must provide central leadership, develop a strategic plan for a programme in public management, recruit faculty especially trained in the relevant area of specialisation, and have a faculty size which is viable. Except for the CMA effort in IIM-A which also requires substantial streamlining and strategic choices for moving towards excellence, the efforts of IIMs in the public policy and public management area have been too diverse, too fragmented and faculty-centred. It is clear that a major overhaul and restructuring would be necessary if a serious effort in public management is to be pursued.

Future Directions
The Review Committee in its wide-ranging discussions identified four major areas in relation to future directions. These are:

1. Teaching Materials, Research and Consultancy
2. Strengthening Public Policy and Management
3. Governance
4. Finance.

Teaching Materials, Research and Consultancy

Although the Post Graduate Programmes in all the Institutes are doing reasonably well, there is concern about the lack of emphasis on developing appropriate teaching materials and research that feeds into teaching. The PGP has developed a multi-disciplinarily curriculum, but multi-disciplinary research

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9 Government Of India, Ministry Of Human Resource Development, Department Of Education, (http://education.nic.in/cd50years/home.htm)
has not developed to any extent. It is important to recognise that in professional education it is not only acquiring the tools of management but skills in problem-solving that need to be learnt. An understanding of processes as well as broader interactions between the political and economic system needs to be emphasised for better decision making. Relevant teaching materials and Supportive research are at the heart of a successful management programme and the 'heart' is weak.

The IIMs, and the management schools elsewhere, were a reaction against the long established programmes in public administration which dealt with vague generalisations e.g. delegation, leadership skills. The IIMs need to constantly question their interdisciplinary mix of courses and reappraise their teaching methods so as not to fall in the trap of 'reaching vague concepts and generalisations which cannot be practised. It is, therefore, important that the IIMs strengthen their commitment to teaching materials and relevant research.

Consultancy is an integral part of the activities of IIMs. The underlying assumption is that in professional education opportunities of practice in real and live situations would add to the effectiveness of teaching and research. The Review Committee, however, found that consultancy projects were often not related to the development of teaching materials nor did they contribute to the agenda of research. The Review Committee urges a clearer delineation of the objectives of consultancy, its relationship with teaching and research and better administrative measures for approval and rejection of projects.
Reviewing the working of consultancy activities in the IIMs, the Review Committee was aware of the many problems of administration and morale it has created. It, therefore, considered the possibility of abolishing individual consultancy as it is now operating. On the other hand, the Institutes countered that their ability to attract good faculty would be seriously affected if consultancy was abolished altogether.

The current practice regarding consultancy fees is that the faculty member shares it with the Institute - two-thirds for the faculty member concerned and one-third for the Institute. It is not clear whether this one-third covers even the overheads of the Institute.

The Review Committee recommends that all consultancy income should accrue only to the Institutes. Problems in attracting and retaining good faculty should be tackled by leaving the IIMs free to fix suitable faculty salary scales, subject to our recommendations on their financial self-reliance. They may also be left free to create more levels of faculty and encouraged to provide faster performance based career growth. In these matters, there should be uniformity across IIMs.

**Strengthening of Public Policy and Management**

All the Institutes have in varying measures tried to deal with the public policy and management aspects of public sector, especially the under-managed sectors. They have promoted measures to train students, organise management development programmes for the managers in the relevant sectors and
have conducted research and provided consultancy. The most substantial intent in this regard has been in Ahmedabad, in their Centre for Management in Agriculture (CMA). It selects its own stream of students with degrees in agriculture and related subject and experience. Although the first year’s training is common with the PGP students, they are given a package of courses for specialisation in agriculture management in their second year. The CMA has done considerable client centred research, has published 150 monographs and produced around 700 cases for teaching.

The CMA, in our opinion, is the most serious attempt amongst the IIMs in dealing with public policy and public management issues. Even here there are some concerns relating to ‘excellence’ and quality.

The Public Systems Group (PSG) in Ahmedabad is another effort in this direction. It is an attempt to introduce public policy and public management issues in sectors such as health, education, energy, urbanisation, etc. But it remains a loose grouping of faculty interested in pursuing research in these areas without a strong central direction or vision. The research is largely donor driven for many national and international agencies willing to fund such projects. The experiences in IIM-C and IIM-L are similar. The faculty groups in public sector or other public systems are a loose conglomerate of faculty pursuing their research or consultancy efforts without a central focus or direction. They are unable to achieve the requisite thrust or impact.
Looking at the various experiences of IIMs it is our view that if public policy and management is to be promoted seriously, it will require strong central direction and a consistency of tone in mounting courses, research and teaching material - as was the case in the early stages of CMA's institution building process. Without a strong central direction and the resulting clarity of vision, there is the danger that the programme would inevitably be fragmented and be pulled in different directions. There is also the need to develop strong roots and loyalties amongst faculty which can only happen with a shared vision. But as a part of a larger 'faculty' (PGP) with a different mission it is likely to get diluted, and the institutional base does not develop adequately. The Public Policy and Management programme in each Institute must develop a strong identity of its own and the place must be able to stand on its own feet. If it is a part of a major programme with different objectives (PGM) it gets smothered by other concerns.

Looking at various experiences of IIMs and other places, it is suggested that if the public policy and management education systems are to be seriously promoted it would require:

(i) An integrated core curriculum.

(ii) The programme has to be multi-disciplinary

(iii) In the curriculum design of public management the emphasis should be on the context as much as on analytical tools. This will mean a heavy emphasis on the case method or other experience-based 'Methods which bring out, the
contextual aspects as well as the value conflicts and politics of the situation. The difference is between an emphasis on tool acquisition and problem solving and an emphasis on processes as well as broader interactions between the political, economic and social systems.

(iv) The programme should be a free-standing entity. It can either be a separate institute of public management with its mission specially defined as such or as a free standing Centre within an Institute - not as a peripheral activity.

(v) The programme should offer a summer internship offering - real experience in the selected public sectors and internship facilities should be available to the students.

(vi) The programme should have a separate degree.

(vii) It should have its own full-time faculty appointments.

(viii) In the admission policy there should be emphasis on experience in public service.

(ix) Students should be 'streamed' separately to take account of significant differences in background, training, aptitude, and inclination.

Public policy and management is neither public administration, nor business management. It requires a different mix of subjects in its curriculum and a different kind of a student body and faculty. If the Institutes are serious about promoting public policy and management then the programme must have coherence, an identity, an ethos and a style of its own. It must be sufficiently large, diverse and autonomous.
Demand for Public Managers

It is clear that there is a great demand for IIM graduates from the private sector, banks and multinationals and that there is a growing market. However, the 'demand' and 'pull' from public sector and service enterprises is not there as it is from the private sector. IIM-B's experience clearly indicates that in the various sectors they worked in - energy, transport, urban planning, rural development, they experienced difficulty in placing their students and in promoting their MDPs. Review of experience has shown that although there is a need in these under-managed or, more appropriately, mis-managed sectors, there is little demand for the well-trained managers on the same lines as from parts of private sector. Career opportunities in public management, conditions of recruitment and promotion need to be systematically studied with a view to creating this demand.

In this connection, the experience of the Institute of Rural Management, Anand (IRMA), is relevant to mention. Some of the IRMA graduates made a choice to work in the DRDAs in rural areas. They wished to convert their idealism into motivated professionalism. In spite of good and well appreciated work there were no opportunities of advancement for them because the first and second level jobs in the DRDAs were reserved for IAS and State-level government officers. After a few years most of them left because of the existing system of "reservation". The motivation to serve was there but the system denied them access to be a useful and an integrated part of the system. The problem of 'placement' for IIM graduates in public sectors or government jobs is part of a complex problem of access to jobs and career development in the
large scale bureaucracy that pervades most social and economic sectors. IIM graduates must have clear cut access to jobs in public systems where their skill and training will be more beneficial to the organisations compared to government officials on deputation or tenure assignments. This is all the more important in cooperative organisations, public sector agro-processing units, State level public sector undertakings and agencies involved in development programmes.

Another example is that of the Indian Institute of Forestry Management (IIFM) set up by Government in Bhopal to provide management and policy skills for forestry development corporations and social forestry projects. Here again, access to government jobs has been made difficult for IIFM graduates by the existing policy of keeping the system closed to only its own members. For the most part those students will elect to go in for a degree in public policy and management, who wish to make the world a better place. They will, enrol in the programme because of their interest and motivation to serve. After their selection, the mix of courses will provide them the contextual and conceptual understanding to deal more effectively with public management issues. And there are many such young men and women who seek such opportunities to convert their idealism into professional action. A separate programme in public management should be considered. It is important that IIMs strengthen their expertise and commitment to public service and public management.
Governance

The governance of the Indian Institutes of Management is through their respective Board of Governors. The composition of the Board is more or less the same in each case except for some minor variations. The Board of IIM-A consists of 25 members; IIM-B of 26 members; IIM-C 22 members and IIM-L 26 members.

The Chairman of IIM-A and IIM-C is appointed by the Central Government in consultation with the respective State governments. In the case of IIM-B and IIM-L, the Chairman is appointed by the Central Government and does not require consultation with the State government.

The Board approves the budget and the appointment of the faculty; but it seldom deliberates on substantial issues of policy and strategy. Institutional concerns of autonomy, of raising resources, of providing access to research opportunities, strengthening the application of the institute's talent and expertise to other sectors of national relevance do not seem to have come up for systematic discussion and consideration of the Board. From our discussion with the Directors of the IIMs, it was not clear as to what role the Board played in establishing and nurturing the future vision of the institutes.

The Committee is of the view that the Board should play a greater role in policy formulation and for providing strategic directions. The Board's primary function is governance. It should not be required to deal with routine administrative issues. While the considered views and ideas of the faculty should be repre-
sented before the Board by the Director and the faculty nominees on the Board, the ultimate responsibility for long-term vision, for policy formulation, and for developing strategies for development and growth of the institutes must rest with the Board. In order that the Board could perform the role envisaged for it, would need certain structural changes. The Review Committee recommends the following changes in the structure of the IIM Boards:

a) The size of the Board should be reduced to a total of 15 Members. The existing IIM Boards are too large and unwieldy.

b) Board members, including the Chairman, should be appointed for a three-year term.

c) No person should be eligible for appointment to the Board including the Chairman for more than two terms.

d) One-third of the Board Members, should retire by rotation every year. (This will not apply to ex officio members, viz., the government representative and the Director.)

e) The Board should nominate the new members in place of the retiring members, except for such new members who are elected / appointed by specific constituencies as per Board composition recommended below:

f) The composition of the Board is recommended as follows:-

1) Chairman to be appointed by the Central Government on the recommendation of the Board.
2) One representative of the Government of India from the Ministry of Human Resource Development to be invited by the Board.

3) A Director of another IIM to be invited by the Board.

4-5) Two Senior Members of the Faculty nominated by the Chairman.

6-7) Two Members to be elected by the General Body of the IIM Society.

8) President or a representative of the Alumni Association of the Institute to be invited by the Board.

9-11) Three Members representing the client Sector including the one representing public policy and public management concerns to be appointed by the Board.

12-14) Three outstanding intellectuals to be appointed by the Board.

15) Director of the Institute Ex-Officio.

For constituting the initial re-structured Board, the first Chairman and Board Members shall be appointed by the Government of India including the members elected or appointed by the IIM Society. The Board will determine a mechanism whereby they will identify which members will retire after the first year, which members will continue for the second and third year. (In many national and international organisations, this is done by drawing lots. Thereafter the Board will have the responsibility to fill up the vacancies arising out of annual retirement of members.)
The Chairman and Members of the Board should be carefully chosen so that their willing and active involvement in the Institute’s functioning would be possible; for their eminence and high professional reputation, and their ability, to contribute to the governance of the Institute. In order to enable the Board to select outstanding persons as its members from time to time, the Board may evolve a well-thought out mechanism for processing nominations such as consideration of names by sub-committee of Board Members, inviting suggestions from various quarters indicating the qualities and achievements sought of the persons to serve as Board Members.

After the first Chairman of the restructured Board has completed his term as per initial appointment by government, we recommend that the successive Chairmen of the Board may continue to be appointed by the government but on the recommendation of the Board. Government may have the right to decline approval of the name recommended by the Board and in that eventuality, the Board may recommend another name. Government’s approval or disapproval, as the case may be, shall be communicated to the Board within two months of the receipt of the Board’s recommendation. In the absence of a newly appointed Chairman and pending government’s approval, the Board should elect one of its own Members to serve as Chairman for the time being. The IIM Directors are at present appointed by the Board but with the approval of the Central Government. The tenure of appointment is five years. The government follows the usual procedure for senior level appointments such as, processing the case for approval of the Appointments Committee of the Cabinet etc. We, consider that the tenure of the Director should continue to be five
years. The Review Committee is aware of the long delays in the appointment of regular Directors and the difficulties faced by Government at times in processing the approval of the names recommended by the Board. Keeping in view that the IIM Boards can govern effectively only if they are the ultimate repository of all authority within the Institute, we would recommend that the Director be appointed by the Board without any reference to the Government. The Directors’ role and authority should be strengthened with a view to ensuring more orderly management of the Institutes. Stronger and more committed Boards would enhance the Directors’ ability to manage the Institutions for greater productivity and usefulness.

**Finance**

**Dependence of IIMs on Government Grants**

The IIMs have both non-plan and plan components in their annual budgets. The non-plan component of the funds is generally for maintenance of the normal activities of the institutions. The non-plan budget includes provision for salary and allowances, scholarships to students, maintenance of buildings, travel and contingencies. The plan budget is largely for creation of additional infrastructural facilities such as classrooms, hostels and residential accommodation for faculty. Some portion of plan funds are also utilised for certain academic activities such as Specialised Centres, Seminars/Conferences, library books and journals etc.

Government provides the non-plan funds as annual grants after taking into account the internal income of the Institutes. The plan funds are provided by
Government on the basis of the Five Year Plan allocations for development of the IIMs.

There has been a steady increase in the level of annual maintenance grants provided by the government to the institutes. The grant to IIM, Ahmedabad was about INR, 167 lakhs in 1985-86 and by 1990-91, it was of the order of INR 310 lakhs. In the case of IIM Calcutta, the non-plan grant was increased from INR130 lakhs in 1985–86 to INR272 lakhs by 1990-91. The grant to IIM Bangalore during this period was increased from INR147 lakhs to INR 210 lakhs. IIM Lucknow did not have a non-plan component during the period 1985-86 to 1989-90 as it was in the development stage. However, in 1990-91 government provided a sum of INR115 lakhs for the maintenance expenditure of this Institute. While IIM Ahmedabad could meet about 55 percent of its maintenance expenditure from internal revenues, the other two institutions at Calcutta and Bangalore could meet about one third of the expenditure from their own resources.

The existing practice is that the maintenance budget of a particular year seeks to accommodate a modest and reasonable increase on the budget of the previous financial year by taking into account the increase in salaries due to pay revision or hikes in allowances as per government orders and escalation of maintenance costs due to inflation. The annual non-plan budget is scrutinized mainly from the point of view of government orders on revision of salaries, increase in dearness and other allowances, pay fixation rules, medical reimbursement, creation of additional posts, replacement of vehicles, etc. In such
a situation a steady growth of maintenance expenditure every year is accepted – it is an inescapable fact.

During a discussion with the IIM Directors and faculty members, it was noticed that their awareness of the need for containing the maintenance expenditure of the Institutes, for reducing their dependence on government funds and for greater cost effectiveness of their programmes. There is also an increasing realisation that the cost of management education and training should not be as heavily subsidised as at present by the government and that the direct and indirect beneficiaries of the system should bear a sizable portion of the cost.

**Measures to Limit Annual Maintenance Cost**

The IIMs are heavily over-staffed. This not only raises their running cost but also makes their orderly management difficult. Staff problems, frustrated work force and inefficient administration must be avoided by the very institutions which were created to advise industry on how to avoid such problems. IIMs should try to reduce their work force especially at lower levels. In any case new recruitment should be stopped except at faculty levels with a view to bringing down the ratio of faculty to non-faculty staff in the long run to the level of 1:3. IIMs may also be helped to offer a voluntary retirement scheme to enable them to reduce their staff strength and with a view to lessening the burden of salary payment in the long run. Other measures like medical insurance of staff rather than reimbursement loans from financial agencies concerned for building faculty and staff housing etc. could be resorted to if these are more economical and could lessen the burden on annual budget. We are of
the view that the annual budget of the Institutes should be carefully scruti-
nised for each activity or function through an appropriate mechanism with
a view to identifying the scope for eliminating wasteful or non-productive or
otherwise avoidable expenditure and continuously review measures for gen-
erating additional internal resources. Specific time targeted goals should be
set for each IIM to plan and limit its annual non-plan budget and expenditure
by the Finance Committee and the Board. IIMs which adhere to and achieve
such targets may be encouraged to retain the additional resources generated
over and above government grants.

**Steps for Augmenting Internal Resources**

There is an urgent need for the IIMs to evolve and implement a package of
measures for augmenting their internal income. The expectation that the gov-
ernment would or can support without limit the maintenance budget of the In-
istitutes is untenable in the current context of financial stringency. The report-
ed thinking of government to freeze the non-plan maintenance grant of the
institutions at the level of 1991-92 during the period of 8th Plan has brought
home the urgency for the IIMs to augment their own resources. The Commit-
tee does not wish to go into the general question of subsidisation of higher
education by government. However, during discussions with IIM Directors and
Faculty members, the Committee believed that there is good scope for taking
up a variety of measures by the Institutions for raising their internal revenues.
Such measures may include upward revision of the fee structure; charging
‘recruitment fee’ from client organisations for campus interviews and place-
ment of IIM Graduates; recovery of full operational cost including a reasona-
ble percentage to cover overheads of MDP and other organisation-based programmes; adequate steps for augmenting research and consultancy revenue to the Institute; strong linkages with industry which may take the form of financial support to the IIMs particularly by contributing to the corpus.

**Educational Loans / Scholarships**

In order to mitigate the impact of revising the fee structure on talented students coming from economically weaker sections, the Committee would recommend that the government should have a scheme of providing educational loans to the needy students through the banks. The existing system of merit-cum-means scholarships for weaker section students should continue to be financed by the government.

**Towards Financial Self-Reliance**

Functional autonomy is essential for the IIMs, if they are to retain and enhance their capacity for excellence. Such functional autonomy is not possible without financial independence. The present system of determination of government grants annually is not conducive to adoption of practices of sound financial management within the IIMs. In this context the present method of determining the annual grants on the basis of deficits and by a notional percentage increase over the previous year should in our view give place to a system of Block Grants determined for a period of five years on the basis of a clear estimation. In case the government finally decides to freeze the non-plan maintenance grant of the IIMs at the 1991-92 level, it will be advisable that the funds for five years be given as a block grant with financial flexibility.
to the Institute to deploy the funds in the best productive manner and free from the shackles of rules, regulations and instructions of government.

The Committee is of the view that steps should be taken to build up a Corpus Fund for each institute during the period of the next five years. The goal should be to reach a Corpus Fund of such size that the interest proceeds thereof could be utilised to finance the gap between internal resources and annual maintenance expenditure of each Institute, without having to depend on government grants from the sixth year onwards. The Corpus should be made up of contributions by government, industry, both in the private sector and the public sector; contribution by alumni, philanthropic and other organisations. Each institute may set up a Task Force under the Chairman with a time target for realising the Plan for a corpus fund. To begin with the government may consider releasing the Five Year Plan outlay to each institute as its contribution to the corpus. The corpus when fully subscribed may be managed by an independent Trust of which the Chairman of the Board and the Director shall be ex-officio Chairman and Member-Secretary and other Members nominated by Chairman from those contributing INR one crore or more.

**Future Government Grants Limited to Priority Sectors**

After the institutes have become financially independent, through the package of measures recommended above, continuation of the grants-in-aid support by the government of India can be directly linked and limited to the extent to which IIMs take up programmes and contribute to sectors considered high priority and of social relevance by the government or programmes which gov-
ernment may specifically ask the IIMs to execute including collaborative programmes with foreign governments, institutions and multi-lateral agencies. In respect of programmes in the area of public systems management or the lines discussed elsewhere in this Report, funding by government would seem to be unavoidable till an effective demand for well trained management personnel is generated in these sectors of the economy and the IIMs can then recover the full operational cost of the programmes from the beneficiaries.

Recommendations

Mission

1. The Mission of the Institutes of Management to strengthen management in business, industry and commerce is still relevant. In some ways it may have become more relevant in the context of new economic trends. It is therefore desirable to reaffirm the Mission of the IIMs in business, industry and commerce.

2. The Mission statement, however, needs to be expanded to emphasise IIMs commitment to public service and public management.

3. Career paths in government and other public service need to be opened to provide career opportunities to trained professionals in public policy and public management. The 'demand' for management graduates in the under-managed sectors should be systematically studied and policies for opening these positions should be examined and pursued.
4. The Post Graduate Programme (PGP) is doing well and should not be diluted to serve other public sector needs that cannot be appropriately integrated. The IIM-B should separate its public management sectors from its PGP to strengthen it further.

**Teaching Materials, Research and Consultancy**

5. The inter-relatedness of teaching, research and consultancy needs to be better emphasised for greater synergy. Choices in approving research and consultancy must be exercised to strengthen their interconnectedness and mutuality.

6. There should be much greater emphasis on the development of relevant teaching materials and research. Appropriate policies and rewards should be initiated to strengthen this aspect of IIMs’ functioning.

7. Consultancy assignments should be selectively accepted by the Institutes. A clearer delineation of the objectives of consultancy, its relationship with teaching and research and better administrative measures for approval and rejection needs to be worked out.

8. The present practice of sharing consultancy income with individual faculty need to be discontinued. Instead, all consultancy income should accrue only to the institutes. Depending on the financial position, they should be left free to enhance faculty salary scales and offer faster, performance based career growth to attract and retain good faculty, subject to uniformity across IIMs.
Public Policy and Management Systems

9. The Centre for Management in Agriculture in IIM-A should be further strengthened, and its mandate should be more clearly defined. Excellence needs to be emphasised, rather than the quantum or range of output. Further, IIM-A should withdraw from other public sectors not directly connected with its central mission.

10. IIM-B has pursued sectoral programme in public systems as part of its PGP programme. It is recommended that they organise a separate stream in public management and not combine it with the PGP or fragment these into many sectors. Some choices will have to be made and IIM-B could consider energy and transportation, or Panchayath Raj, or urban planning and transportation, but should not attempt to do everything.

11. The Centre for Rural Development Management in IIM-C is much too small in effort to consider it as a serious institutional involvement in rural development. Unless a substantial institutional effort can be made, IIM-C may reconsider its involvement in, rural development management. Further, it should explore the possibility of systematically serving urban planning and management sector or any other under-managed public sector relevant to its environment.

12. IIM-L’s programmes in public systems have still to find its feet. But they need to learn from the experience of other Institutes and keep their role in public policy and management well focussed on areas such as primary health,
education and should be sufficiently serious to lend central leadership for a viable and ongoing activity of the Institute.

13. IIM-L should also re-examine its strategy for its management development programmes. Some serious investment in MDPs would be necessary to strengthen its overall thrust in management education.

**Governance**

14. The IIMs need greater autonomy and a different mix of Board Members if it is to play a more meaningful role in developing a future vision of the Institutes and also to deal with their financial and administrative problems.

15. The size of the Boards should be reduced and should not be more than fifteen.

16. The Chairman of the Board should be appointed by the Government of India on the recommendation of the Board. In the absence of a newly appointed Chairman and pending government's approval, the Board should elect one of its own Members to serve as Chairman for the time being.

17. The Board Membership should be for a three year period and could be extended for another term of three years.
18. One third of the Board Members shall retire by rotation every year. This will not apply to ex-officio Members viz., the government of India representative and the Director.

19. The Board shall nominate the new Members in place of the retiring members so that there is both continuity and change.

20. The Board invites a government representative from the Ministry of Human Resource Development; a Director of another IIM; three Members representing client sector including at least one from the relevant public management sector and three outstanding intellectuals.

21. The Board will also have two faculty nominees appointed by the Chairman; two members elected by the General Body of IIM Society and a representative of the Alumni Association of the Institute.

22. The Chairman and Members of the first reconstituted Board shall be appointed by the Government of India.

23. The Director's appointment should be by the Board and not by the Government.

**Finance**

24. Each IIM should work out a package of measures both for containing its annual maintenance expenditure on the basis of grants available from the
Government of India and also for augmenting its internal income to be re-tained by the Institutes over and above the Government grants.

25. The government should take a flexible view in providing financial support to the different IIMs and encourage the Institutes to pursue vigorously, revenue generating, cost cutting and fund raising efforts. The non-plan maintenance grants may be provided, as Block Grant for a period of five years.

26. Steps should be taken to build up a Corpus Fund for each Institute during the next five years. The Interest proceeds from the Corpus Fund shall be utilised to finance the gap between the annual maintenance expenditure and the internal revenues of the Institute without having to depend on government grants as and when the Corpus is fully subscribed.

27. Government may initiate the creation of the Corpus Fund by releasing the 8th Plan outlay for each IIM as its contribution to the Corpus. Each Institute may set up a Task Force for realising the Corpus Fund Plan.

28. After the Institutes have become financially self-supporting with the creation of the Corpus Fund and the package of measures for augmenting its internal resources and cutting down cost, government grants may be limited to programmes considered high priority and of social relevance by government including in the area of public system management.
The Ishwar Dayal Committee

Many management institutes came up between the years 1995 and 2000. Government of India appointed another committee to develop future perspectives of management education in the light of the fast changing economic, social and business environment. The main challenge in management education has been triggered by globalization of economies, rise of market economy, rapidly changing technology and developments in communication. During 1950-1980, about 118 management institutions came up and during the 1985-2000 period, 673 new institutions came up.

Most institutions that were set up during the 90s did not follow conditions prescribed by AICTE in respect of faculty strength, library, computer facilities and the like.

They did not promote research, development of faculty or of the teaching material.

Due to rapid expansion of teaching institutions, AICTE was unable to develop an adequate mechanism for enforcing standards.

The teaching methodology shows inadequate concern for applying cumulative knowledge in dealing with managerial problems.

Among all the action areas, faculty development was considered the most critical. It was proposed that 8 to 10 institutions should focus on this. Though the Committee gave its report in 2001, there were no major initiatives from
AICTE for faculty development or development of teaching materials so far. Subsequent to this, a committee was constituted by AICTE to review management education in India.

The Management Education Review Committee

AICTE appointed a committee in 2003 to come up with a policy and action plan for the development of management education in India, in the context of our current national requirements and national trends. This committee suggested the following steps for strengthening management education, viz.:

- Increase the focus on under-managed sectors such as cooperatives, forestry, urban management, infrastructure, rural development, education and legal systems.

- The admission of students in management schools should be only through recognized tests organized on an all India basis and used for short listing candidates for group discussions and interviews. The number of admission tests could be progressively reduced, say to two or three tests.

- Accreditation is one of the major means of assuring quality. Only 15 PGDM programmes and 30 MBA programmes out of the 927 MBA/PGDBM programmes approved by the AICTE have been accredited.

- In spite of having some excellent institutions, research output, by and large, of even the more prestigious institutions has not been adequate. This
needs to be rectified. Over the next decade, research has to get its rightful place in the activities of management schools. While the accreditation process will help in improving the quality of teaching and training, it is imperative that research also figures prominently as a major element in the portfolio of activities of accredited institutes.

In order to have a better global exposure, to suit the requirements of industry under globalization there is a pressing need for globalization of management education.

Another element which is important for globalization would be to keep our country open to the presence of foreign business schools and universities. It is necessary for Indian Institutions to work out strategies to go abroad, and allow foreign universities to come to India, without too many obstacles.

That there is a severe shortage of faculty in the entire technical education system is well recognized. In management education, the problem is more acute.

All the four committees have unequivocally indicated that management education in India faces the following systemic problems:

Shortage of faculty, and quality of faculty are the most critical aspects that need remedy soon.
Most of the management institutions have been neglecting research.

There has been very little attention provided for preparing course materials specific to the Indian context.

Library and computer infrastructure has been poor, except in the top management institutes.

Management institutions did not develop interactions with industry and this acted as a vicious circle giving merely non-practical education.

Management institutions invested very little in faculty development even though most of the committees earlier had identified this as a major lacuna.

These recommendations broadly indicated the lacunae in management education in India. Before a management development roadmap can be prepared some of the issues that management education is facing are delineated.

1.20 Inconsistency Characterising Indian Business Education

Business education in India as a rule is headed in the direction of no-man’s land. The reason for this state of affairs is understandable. After all, it did not evolve in the same manner as other branches of education did. What was taught as business education in U.S was grafted on to the extant Indian com-
merce courses and obviously the resultant course did not represent the essence of Indian requirements. In content, in direction and in pedagogy, it was not compatible with the Indian scenario. So the business education that we witness today could at best be described as a cross between what is taught in U.S and what is being taught in the commerce streams in our universities. At best it may be good in patches, like the proverbial curate’s egg. Barring a few exceptions like the IIMs, all the business schools conform to this description in all aspects. Even the relevance of IIM-imparted business education is being questioned these days in informed circles for valid reasons.

1.21 Demerits of Indian Management Education Today

The following are regarded in informed circles as the demerits of the Indian management education:

- Dominated by Western thinking
- Very little knowledge generation; lack of funding for research for institutions not in the top league
- Little emphasis on developing Indian cases
- Linkage between industry and academia weak
- Low emphasis on development of soft skills (communication, team building, leadership and business ethics and human values)
- High quality management education is expensive
Inaccessibility to management education for lower income and socially backward communities

1.22 The Flawed U.S Model of Business Education

The U.S model of business education is not free of flaws. Even within the U.S one school of thought subscribes to this view. This also accounts for the difference in quality of business education imparted by business schools in U.S. It is not surprising therefore that there are business schools and business schools even in U.S.

In this context, we can learn a lesson or two from Japan, the second largest economy in the world. It is time our powers that be reminded themselves of what Mr Masaaki Imai, the founder of the Kaizen Institute of Japan and the celebrated author of the best seller, Kaizen – the Key to Japan’s Competitive Success (1986) said of western management philosophy:

...Unlike Western management philosophy which invests top management with a lot of presumptive wisdom based on theoretical knowledge, Kaizen believes that all practical and valuable knowledge is gained from the Gemba or the workplace. Therefore managers and supervisors must focus on the Gemba – on what happens in the normal course and what is out of the normal or as a variation from the expected outcome. Rather than treat communication as a flow from the higher to the lower layer of the organisation, Kaizen emphasises the two-way communication between the supervisor and the shop-floor.
“...The notion of employee empowerment through delegation which is such a typical feature of western management misses out on the synergy between strategy and operational efficiency. In many cases, delegation operates as a ritual or worse, as a process of abdication of responsibility by the manager. Kaizen looks at empowerment as a total process, as a team culture and not a formal or structured participative process of management as it is understood in the West. In the Japanese or Kaizen way, empowerment involves teams and data together leading to the process of improvement of quality and productivity.

...The financial people who are always obsessed with the bottom-line are the natural enemies of Kaizen. They do not know the actualities of the Gemba. They often feed the top management with fabricated data. All true learning comes from the Gemba. Top managements who shy away from the shop-floor will not know the facts of the enterprise. Their horizons are bound to be obstructed by data of financial outcome which may not reveal what we call ‘Muda’ in Kaizen. This word in Japanese means ‘waste’. In the Gemba, two kinds of activities, viz., value-adding and non-value adding take place. Muda refers to non-value adding activities the elimination of which contributes to improvements in quality, cost and delivery (QCD) which are the vital goals of management.”

Mr Imai also has a dig at the ‘push production’ technique popularised by the Americans worldwide, when he says:
“Ninety percent of manufacturing companies the world over are addicted to batch production, that is, producing as many units as they can, to be sent to the warehouse first and eventually to the final assembly line. This is the traditional push system of production – an eighteenth century paradigm drawn straight from agriculture! It is a system which creates Muda of transport and inventory.

The system of ‘pull production’ which is emerging as the response to the dynamics of networked markets and which is based on the pull of the market avoids the build-up of inventory in anticipation of orders. It is largely a flexible system of production with the shortest possible lead time.”

1.23 Fine-tuning Business Education

Business education in the country has not focused on two important aspects, viz., what is to be taught and how it is to be taught. Whatever is taught should be such that a business school product should be industry-ready from day one. This warrants, inter alia, an industry-friendly curriculum and hands-on exposure to real world business situations. It is even necessary to require the student to work at least for three months in a business organisation in line with the chosen specialisation. This will lead to better understanding of the concepts and practices of businesses on the part of the student. The student will learn to become a perfect team person and coordinate the official activities with other members of the team. Since the time at the disposal of the MBA student to learn the ropes is rather limited, it should be ensured that the course content of B.Com or BBM that the student has completed earlier is in
consonance with the advanced business concepts and practices that await
the student at MBA.

Several studies have revealed that as a rule, business schools in India need
substantial improvements. The conspicuous absence of corporate govern-
ance in business schools has made things worse. What is also missing is
constant upgrade of teaching skills, constant upgrade of the examination sys-
tem, constant efforts to bridge the academy-industry gap and constant efforts
to expose students to the real world situation.

1.24 Regulatory and Professional Bodies
The All India Council of Technical Education (AICTE) and the University
Grants Commission (UGC) are the regulatory bodies for the course. Bodies
that represent the profession are the All India Management Association and
the Association of Indian Management Schools.

Public universities are overseen by Central/State governments through the
Ministry of Education; the autonomous public institutes are overseen by Cen-
tral/State governments through the Ministry of Education/(MHRD) and Board
of Governors; such institutes run by the respective Boards of Governors.

1.25 Ranking of Institutes
In India too, institutions offering management / business education are ranked
since there are business schools and business schools everywhere. The
ranking exercise is undertaken through surveys which are carried out by AIMA

1.26 Typical Criteria

The following criteria are reckoned typically to rank the institutes:

- Intellectual capital: Faculty Publications (Books, Papers, Cases), Faculty/Student Ratio, Faculty with more than 10 years teaching & corporate experience, consultancy revenues

- Placement Performance: percent students placed, Median/Max/Min Salaries, ROI(Average Salary/Fees)

- Infrastructure: Area of campus, built up area, computer-student ratio, no. of classrooms, hostel rooms, library books/student ratio

- Industry Interface: MDP revenues

- Extra-curricular activities: National events organized, awards won

- International Linkages: student & faculty exchange programmes

- Recruiter Satisfaction

- Governance

1.27 Accreditation

Accreditation of business schools or business degrees offered by a university need accreditation in the interest of course improvement. Accreditation as well as benchmarking based on parameters which are country – specific can
ensure that the productivity of the student is available to industry right from day one. In India too the practice of accreditation obtains but it has to be broad-based since even a science graduate can pursue MBA here. Accreditation will help in ascertaining if the business school concerned has fulfilled its mission. In India, the AICTE is the body that accords recognition to all business schools except those run by universities. The recognition requirements relate to mostly infrastructure and faculty. In advanced economies, research efforts and interaction with industry on the part of the student are also reckoned for the purpose. The accreditation extended abroad is course-specific whereas in India, it is accorded to the institution that imparts business education.

1.28 Conclusion

In the light of the findings arrived by the various committees and also in the light of what has been happening on the ground, some issues stand out in the functioning mechanism and the regulatory mechanism concerning business education in the country. These issues are discussed in the following paragraphs briefly.

AICTE and its subsidiary, the Board of Management Studies are involved in the regulation of business education. This is untenable since technical education and business education cannot be entrusted to the same body. The services of a dedicated body like an All India Council of Management Education which functions independent of AICTE could be tapped for the purpose. AICTE has not been able to enforce quality parameters in respect of teaching
staff. It gives the impression that it is preoccupied with according sanctions to start business schools anew as long as they later succeeded in gaining affiliation to a recognised university. In the process, AICTE missed out on ensuring the availability of capable teaching staff for business schools.

The course contents are biased in favour of the ideas and concepts that obtain in countries like U.S where business education originated. This limits the usefulness of the course to the Indian scenario. What is badly needed is an India-specific curriculum bolstered by India-specific case studies. The research culture is conspicuous by its absence in the campus of the business schools. The course has almost metamorphosed into another post-graduate degree a la M.Sc., M.Com or M.A. Moreover, accreditation has been mistaken for or confused with recognition. The two processes need to be separated for obvious reasons. No serious effort has been made to forge a strong and stable business school – industry association. It is necessary that industry is involved even in the exercise of defining the curriculum. The reason is simple – industry knows better what the business school product lacks and therefore it alone can offer the ideal curriculum-related suggestions. In the process, the curriculum can also be streamlined by eliminating what is not useful to the industry.

As said earlier, India-specific specialisation should be arranged in line with the characteristics of the Indian economy. Specialisation in areas like infrastructure (social and industrial), healthcare, IT and ITES industry, agriculture, etc which are vital to our economy should be encouraged. The business school
product needs to sport a broader perspective which can be considered possible only if business schools create a greater impact by focusing on values and ethics as guiding principles. On top of it all the business school product should necessarily possess a global mindset. The need for such a mindset in the present-day globalised economy hardly needs any emphasis.

It is clear that issues of utmost concern to our economy need to be addressed by our business education system. Our economy has shifted to a higher gear. Indians investing abroad or foreigners investing in India are no longer a taboo subject. Indian manufacturing, long dubbed as the albatross around the country’s neck has come of age. The service sector which by default has come to mean the software sector has also been growing steadily. Services other than software are also registering steady progress. At the same time, import of the POL items has been increasing. Energy-hungry economies like China and India have to formulate policies in a manner that is drastically different from the routine. At the micro level, trade and industry should also take cognisance of the sensitivity of their performance to oil and energy. If they do not, they will lose in terms of cost competitiveness to other countries in the export market. The point ultimately is that every increase in the pace of the country’s economy or every time a paradigm shift is witnessed in the country’s economic progress, a new set of issues arise which need to be tackled on a different footing. These issues being inherently different from the issues that the developed economies like the U.S get to come across, the business education course that is modelled along the U.S format cannot succeed in our
country. The need for customising our business education system to the Indian environment had better be now than later.

1.29 Closing Thoughts

Management education has been one of the great success stories of American education. In less than 100 years it has grown from nothing to graduating in excess of 125,000 MBA’s annually in service of businesses large and small in the U.S. and around the world. Perhaps its spectacular success explains the recurrent criticism of the enterprise. In a brief year or two of intensive training, business schools have been able to double and even triple the income of its students and set them on a more steeply ascending trajectory of professional success.

To be sure, recessions and wars and supply shocks occasionally result in shrinking job opportunities and declining compensation premium. The current period of stalled compensation growth, job paucity and application declines may be one such episode, but we cannot rule out the possibility that this malaise may be a more secular phenomenon. Globalization, with its attendant huge labour supply augmentation, technological displacement of higher-priced labour, colossal trade and budget deficits, energy price shocks, and the “war on terror” all share the potential to induce industrial restructurings that could reduce the longer-term demand for U.S. produced MBAs. If this proves to be the case, the management education enterprise will need to adapt and possibly shrink. There is already some evidence of exit via the reduction in MBA admissions at many of the more prominent schools. There is also a decided
shift from full-time to less intensive and expensive part-time and offshore programmes.

Secular or cyclical, every hint of shrinkage is accompanied by a spate of criticism calling into question the soundness of the product. Similarly, each new pinnacle of success elevated expectations stimulating criticism, even if misguided. One to two years of study at a quality business school will neither transform blackguards into paragons of virtue, nor the reclusive into consummate team players. Nor is it reasonable to expect each of the 125,000 graduates of MBA programmes to ascend to the leadership of Fortune 500 firms, or to find their way into the top one percent of the wealth distribution. Nor will each and every graduate become eloquent, analytically gifted, extraordinarily creative or altruistic. These kinds of transformations are not achieved by mere mortals with 18 months at a university, no matter how well designed or executed their programme of study is done.

What management education does exceedingly well, however, and this is no mean achievement, is to equip the eager and intelligent with powerful tools of business: a vocabulary, basic principles of finance, marketing, HR, strategy, economics, and management science. In addition, communications and analytical skills are often enhanced. These tools in sum accelerate on-the-job learning and productivity. The impact is dramatic and hardly disputable.

The recent decline in demand for MBA education is essentially an ROI story. It will be reversed with growth in employer demand and/or a more time-
efficient delivery of MBA training. The industry will continue to shrink and lower cost programmes will displace the more expensive, especially those without the greatest cachet. Demography, which has worked against demand recently, will soon turn in its favour, but the more important consideration is likely to be employer demand. A rising tide will not lift all boats, but those that float have reason for optimism.