

Management Education in India: Some Issues and Concerns

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Abstract

The Indian corporate sector in India has been able to facilitate the adoption of professional management. Transformation of the managers of family-owned companies into professional managers of huge corporations has been induced by a number of factors including the emergence of business management schools in different parts of the country. The liberal policy adopted by the State has permitted the proliferation of management institutes as a part of its explicit desire to enlarge the reach of higher education in India. There are three categories of management institutes now functioning in India. The IIMs developed in association with foreign universities, In the second category there are management institutes sponsored by educational institutions and some business houses, which have adequate financial support and are growing strong. Thirdly, the smaller, new management schools, some of which are yet to make their presence felt by the corporate sector. The employment markets for MBAs of the three categories of management institutes are also practically different. Graduates from the first two categories have openings in corporate abroad or mostly in Indian companies. Employment market accessible to most of the MBAs from the third category is the non-corporate small business segment, which would generate greater demand for effective middle level managers in future. It is necessary that the management institutes should recognize the potentiality of this segment and tailor their academic programmes accordingly.

Keywords: Professional management, women education, demand and supply of MBAs.

The transformation of Indian economy from the agricultural dominant under-developed status into an IT-savvy economy in the recent years is quite evident. It has travelled a long way from the days of Hindu Rate of Growth. Now it is being counted as one of the top 10 fast growing economies. There is remarkable change in the composition of the products it exports, from primary products to software solutions and automobiles. Needless to add that in space research, it has tried successfully to reach Mars. The Indian corporate sector has been able to facilitate the adoption of professional management. Transformation of the managers of family-owned companies into professional managers of huge corporations has been induced by a number of factors including the emergence of business management schools in different parts of the country. Herd mentality being a common feature of Indian businessmen, business schools have been established by many of them

almost flooding the academic sector. The liberal policy adopted by the State has permitted this development as a part of its explicit desire to enlarge the reach of higher education in India.

Report of the Working Group on Management Education, constituted by the National Knowledge Commission, appointed by the Government of India has clearly observed in its Report, the current situation as follows; *'Growth in the number of business schools has accelerated over the last two decades. This acceleration, propelled by the increase in the rate of growth of the Indian economy, speaks also for the entrepreneurial initiative of promoters to seize commercial opportunities in education. The imbalance between demand and supply for management graduates has led to an overly commercial and exploitative environment in management education. It is not clear how many of the recently started institutions are merely speculative and how many are*

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seriously committed to the cause of management education. It is not also clear how many actually meet the norms and standards established by the All India Council for Technical Education”.

With the steady increase in the number of management schools and the growing demand for good managers, there is the urgent necessity of attuning the management education to the diversified needs of the corporate sector. The domestic employment market is not growing fast enough to absorb all those graduating from these management schools. This is due to the mismatch between the diversified requirements of the corporate sector and the nature of skills acquired by the MBAs during their academic pursuits. Instead of competing for placement with the well-established management schools, the up-coming management schools may have to cater to the needs of medium-sized corporates and small enterprises. It is often not recognized that the non-corporate small business sector in India contributes 45 percent of the GDP. This segment of the economy could be the potential market for majority of management schools, if their curriculum is properly attuned to the needs of this segment (*Working Group on Management Education, 2007*).

The Indian Corporate Sector

The emergence and growth of the corporate sector in India are of recent origin. It was only after Independence that this sector has started widening and acquiring sophistication in management. After the adoption of the Industrial Policy Resolution in 1948, the need for professional management of large industries was felt. The process of industrialisation was ushered in from the beginning of the Second Five Year Plan. The accent on heavy industries resulted in sudden growth of the public sector. Operationalisation of the policy of mixed economy encouraged many industrial houses to take advantage of the incentives offered for establishing industries in different parts of the country. After the amendments to the Companies Act in 1956, attempts were made to improve the quality of corporate governance, making the managements responsive to the stakeholders.

Managers gained more importance under these circumstances. Young entrants into the corporate sector with a degree in management science obtained a ready market and a fairly decent pay packet. But it took nearly half a century for the advent of professional management

The public sector was expanding during the same period very rapidly, entering into all fields, wisely or otherwise. Government-owned under-takings were not new to the Indian economy, as railways and post and telegraphs were under the government since the British days. These mammoth organisations, though not run as independent companies, were fairly well-managed. When the state-owned enterprises proliferated, the bureaucrats expanded their hold on them at the top. Many of these 'new managers' also got the benefit of management training in India or abroad, by virtue of their posting to these enterprises.

Diversity is the beauty of Indian ethos. This is equally true of the management styles of some of the big Indian companies. There are quite a few successful management models of proven utility. Entrepreneurs of the earlier generation, Tatas, Birlas, Lalbais, and Ambanis have developed their own management philosophies for building their empires. Operating at different levels, the Amul and Nirma models are also successful. In the computer-savvy modern world, Infosys and Wipro models have catapulted Indian management models into world class role models. Managerial competence of the corporate sector in India appears to be proving the arrival of professional managers, who are capable of managing giant corporations. The emergence of some of the Indian entrepreneurs as world-class managers provides credence to this observation.

Of late, women have entered the management arena in a small way, especially from the business families, graduating through the prestigious management schools in some cases. While their rise to the board level postings is relatively smoother in the family-owned companies, they could reach the top with flourish in areas like advertising and tourism including the hospitality industry. Though IT sector has grown

in size and spread, it has not yet attracted many of them to go up in the hierarchy. Banking is one sector, where the feminine charm could not reach the board, in a few cases. Incidentally, women are heading the biggest public sector and also the biggest private sector bank as chairpersons at present. Besides these, there is a government-owned bank, Bharathiya Mahila Bank, for women, managed by women (Thingalaya, 2013). The recent amendment to the Indian Companies Act requires the listed companies to appoint a lady director in their boards of directors.

The Advent of Management Schools

Along with the growth of the corporate sector, the need for developing management schools to prepare managers, who are capable of managing the large industries efficiently and profitably. In 1959, the Planning Commission of the Government of India invited Prof George Robbins of the University of California to help in setting up Institutes of Management Studies in India. His recommendation paved the way for the establishment of the first two management institutes in Ahmadabad and Calcutta. The initial success of these Institutes prompted the Government to support the establishment of two more such Institutes. Since then, many more players appeared on the scene.

The area of management education is getting overcrowded with the mushrooming of management schools and institutes of all types in different parts of the country. There are over a thousand of them of various sizes and stature, attracting the young aspirants planning to join the corporate world. Demand for degrees or diplomas in management is on the increase, as is evident from the growing number of candidates started applying to these institutes. Among the institutes of professional education, management institutes seem to be preferred, perhaps partly because of the lower volume of investment required. Invariably all the state head quarters in India have management institutes. Now, it is the turn of the district headquarters to aspire for the establishment of management schools, where the local universities are too willing to give them affiliation.

There are three categories of management institutes now functioning in India. Firstly, there are the three IIMs in Ahmadabad (established in 1961), Calcutta (1961) and Bangalore (1973), who stand aloof as centres of excellence in management education, because of their pedigree, distinguished by their linkage to foreign universities. They deserve the credit as pioneers in transplanting the western management concepts on the Indian soil. Ten more IIMs have come up in different cities, supported by the state governments. They have come up states like Jharkhand, Uttarakhand, Meghalaya and Chhattisgarh besides the progressive states like Tamil Nadu and Kerala. They are: Indian Institute of Management, Lucknow, (1984); Indian Institute of Management, Kozhikode (1996); Indian Institute of Management, Indore (1996); Indian Institute of Management, Shillong, (2007); Indian Institute of Management, Rohtak, (2010); Indian Institute of Management, Ranchi, (2010); Indian Institute of Management, Raipur (2010); Indian Institute of Management, Tiruchirapalli (2011); Indian Institute of Management, Udaipur, (2011); and Indian Institute of Management, Kashipur, (2011). In addition to them there is Indian School of Business, established in Hyderabad in 2001. This is an elite management institute, where huge investments are made on developing both the physical and academic infrastructure

In the second group there are management institutes sponsored by educational institutions and some business houses, which have adequate financial support and are growing strong. Established in 1965 in Bombay, Jamnalal Bajaj Institute of Management Studies is one of the earliest management schools, founded in association with Graduate School of Business, Stanford University. Among the other earliest management schools, S.P. Jain Institute of Management and Research, established in Bombay in 1981 was promoted by Bharathiya Vidya Bhavan. During the same year, K. J. Somaiya Institute of Management Studies and Research was set up in Bombay. Narsee Monjee Institute of Management Studies also came up in Bombay during the same year. T A Pai Management Institute was established by the

Manipal group at Manipal in 1984. In Pune, Symbiosis Institute of Management Studies was set up in 1993. Institute of Management, of Nirma University was established in Ahmadabad 1996 by the Nirma group, one of the largest manufacturers of detergents. There are many more such well-established Institutes in different parts of the country. Only a few of them are listed here.

Thirdly, the smaller, new management schools, some of which are yet to make their presence felt by the corporate world. They are started by the organizations or trusts which are managing many educational institutions. Besides them, there are also the business management departments of almost every university which are in no way different from any other department of the university. They are conferring MBA degrees in good number every year and in many cases placement of the students gets low priority. And strangely, many business management departments are cropping up as an appendix to engineering colleges and graduate colleges even in smaller towns.

The aspirants seeking admissions to these three categories of institutes are distinctly different. The bright and ambitious students seek admission into the first group of management institutes, which are quite expensive. Students from the families of higher middle classes, professionals and business classes flock at the second group of management schools. Students from the rest of the society knock the doors of the other management schools and business management departments of universities and those of engineering colleges. Autonomous colleges have ventured into this area, offering MBA degrees at a cost almost comparable with that of M.Com degree. The students choosing to enter these colleges out-number the applicants going to the other two groups of institutes.

Mis-match in the Demand and Supply of MBAs

Proliferation in the number of management schools is causing concern in the recent years. In the financial year 2012, as many 892 new management and engineering and technology institutes were opened in India, and 626 new institutions were set up during

the financial year 2013. There appears to be slight deceleration in the number of new institutes appearing on the scene. During the financial year 2014, till March only 494 new institutes have reported to have sought permission from the All India Council for Technical Education.

“Appetite for MBA Tumbles Down” is the title of recent survey made by Associated Chambers of Commerce and Industry of India (Assocham), New Delhi. According to its findings, the number of the MBA seats in India has grown almost four-fold from 95,000 in 2006-07 to 468,000 in 2013, resulting in a compounded annual growth rate of about 33 per cent and over-capacity. Unfortunately, job opportunities for MBAs have not grown in the same proportion. The survey has revealed that grim placement scenario in B-school campus hiring which has gone down severely. Only about 18 per cent of students got placement this year. The salary packages offered at B-schools and engineering colleges are also being curtailed by 40-45 per cent compared to last year (Anonymous 2014).

Some of smaller Institutes in the third category are compelled to reduce their annual intake of students, instead of closing down. “B-schools reduce seats, cut fees to attract students” reports *Business Standard*, in May this year. For example, in Maharashtra last year, out of the 45,700 MBA available only 12,800 were filled up (Pathak & Umarji, 2014). The situation cannot be different in other states.

One of the up-coming management institutes in north India is reported to be inviting the prospective students to visit the campus along with their parents, whose travelling expenses by train are met by the institute. It is also encouraging girl students to choose MBA by offering higher credit in the selection process. It is also reported that students from the non-engineering back ground are given preference in order to have a better mix of students coming from different academic back grounds. It may be added here that the top B-schools, having recruited large number of engineering graduates, are now trying to give preference to students coming from other academic streams.

Diverse Employment Markets

The employment markets for the MBAs of the three categories of management institutes are also practically different. Institutes in the first category are focused on global placements, seeking very lucrative pay packets. Their snobbish students have a ready market provided by MNCs and software companies. Some of the domestic, high flying finance companies in their heydays were another employment market for them. Now foreign banks and financial outfits are inducting them into their growing branch networks in India and abroad. Big industrial companies also recruit these students who appear to be developing a mercenary culture of non-adherence to any company for long.

Most of the family-owned companies which are now planning to professionalize their business, are recruiting MBAs, invariably from the second category of institutes. The cultural ethos of these students are slightly different and perhaps more suited to their employers. They readily identify themselves with the organizations they choose and continue to work for relatively longer periods. May be they are influenced by the environment of their institutes. They are likely to replace the STD (serving-till-death) managers who are associated with the family-owned companies for long time. It is becoming a common feature that the scions of the family-owned companies are going abroad to get MBA degrees from the internationally acclaimed business schools. They come home to take up the reigns of their family concerns. Examples are too many and most of them are also turning out to be successful in their career (Saraswathy & Umarji, 2014).

For the students who come out from the third category of institutes and the domestic universities, the employment market cannot be properly demarcated. Most of them come from the middle class families and those associated with small business. Children of bank employees, teachers and other salaried classes also are among them. While their aspiration levels are not relatively very high, their competence levels prove to be reasonably high, given a chance. The

banking sector in India, which employs over one million staff, was one of the major sources of placement through campus recruitments. Of late, this opening is getting closed as banks now prefer the candidates recruited by them have the diploma in banking, whose cost is funded by banks themselves.

The employment market readily accessible to most of these MBAs is the non-corporate small business segment. (NCSB segment). This is quite a formidable segment of the non-corporate sector in terms of its spread. The **Action Committee for Formal Finance for Non-Corporate Small Business has recently come out with big advertisement proclaiming; "The Business may be Small, but the Employment is huge" in Hindu BusinessLine (Anonymous, 2014b). There are 577 lakh small enterprises operating in this segment.** And it is this segment which would generate greater demand for effective middle level managers in future. The non-corporate small business segment contributes 45 percent of the GDP, while the corporate sector's contribution is only 15 percent. Micro, small and medium enterprises form a part of this segment. It is necessary that the management institutes should recognize the potentiality of the employment market in this segment and tailor their academic programmes accordingly.

The final product of many of the present management schools should be able to fulfill the felt needs of the corpo-rate world, including that of the **Non-Corporate Small Business** segment. Greater exposure to the rigidities of the real life situations in the fields of labour legislation, tax matters and environmental policies would certainly enhance their mana-gerial capabilities. An insight into their ethos, strengths and weak-nesses is a prerequi-site to be a success-ful manager in India As financial management is a crucial area, which requires expertise, the management schools have to take care to equip their students with robust knowledge about the nuances of financial management. The induction of MBAs with the adequate knowledge of these areas into the small business segment would be certainly a win-win

situation for both.

For concluding, I wish to quote the Report of the Working Group on Management Education, "Management education, while strengthening its roots in various fields, should also understand and reflect on India's diversity and preserve the age-old Vedantic wisdom that holds our society. The strengthening of the Universities and their pursuit of knowledge relevant to the understanding of behaviour and values in society is extremely important".

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