

## How (Not) to Manage A Business School in India

TARUN PASRICHA  
Goa Institute of Management, India

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*With the increasing proliferation of academic institutions offering a post-graduate degree in Management (MBA) in India, an examination of the inner workings of these business schools (B-schools) in India could be of interest to several stakeholders. Some of these stakeholders could be: administrators of such institutions, aspiring students, faculty, and potential corporate recruiters, all of whom would have a vested interest in the effective running of such organizations. The purpose of this article is to describe the key issues which need to be resolved in order to run a successful business school in India and also how to avoid some obvious pitfalls. The opinions expressed in this article are those of the author alone.*

With the increasing proliferation of academic institutions offering a post-graduate degree in Management (MBA) in India, an examination of the inner workings of these business schools (B-schools) in India could be of interest to several stakeholders. Some of these stakeholders could be: administrators of such institutions, aspiring students, faculty, and potential corporate recruiters, all of whom would have a vested interest in the effective running of such organizations.

At the outset, I would like to state that most of what I shall speak about applies to “second-tier” B-schools with the “first-tier” or “top-tier” schools being defined as the Indian Institutes of Management (IIMs) and a handful of other private institutions, approximately 25 to 30 in number. Compare this with the 3000+ B-schools which are estimated to exist in India, of which 200-odd might be classified as ‘second-tier’ and the balance would attract even lower classifications. Hundreds of B-schools in the “third-tier” category and below shut down each year and the majority of them will probably not survive beyond the next 5 years. Even “second-tier” institutions, which are the focus of this article, are under threat if they do not quickly overhaul their organizational capabilities and implement a revenue model which has relevance to the targeted student population of aspiring MBAs.

Most second-tier B-schools in India sink or swim based on the rankings which they are assigned by leading magazines (e.g. Business World, Competition Success Review, etc.), web portals such as Pagalguy.com or professional rating agencies such as Crisil (Credit Rating Information Services of India Limited). Through surveys published each year by these agencies, a rank is assigned to all the top-tier and second-tier B-schools in India.

A higher or lower ranking affects the institution in several ways, notably in the areas of:

1. Quality of the student intake in terms of their academic credentials and work experience
2. Fees the students are prepared to pay
3. Quality of the faculty attracted to work at the institution
4. The number and quality of recruiters who come for Placements and the salaries on offer

Unfortunately the rankings available suffer from several limitations which make them an inaccurate tool in assessing the true rating of a B-school. Some of these limitations include:

1. **Acts of omission:** several rankings exclude the top-tier institutions like the IIMs because several of these institutions do not provide the data to the ranking agency. For example, if a B-school's ranking in a particular survey is 25, and if IIMs are excluded (currently 19 in number), the real ranking should be 44.
2. **Acts of commission:** many ranking agencies carefully pick and choose the academic institutions they will include in their survey. This might be due to the ease of obtaining data from such institutions but it is also not unknown that some surveys favour specific institutions (in terms of enhancement of their rankings) who might have "sponsored" the survey.
3. **Objective vs Subjective assessment:** some surveys are *objective* i.e. they are based on hard facts such as the placement record, faculty quality, infrastructure, etc. of an institution. Others are *subjective* or *perceptual* where respondents' impressions of an organization are recorded on various image parameters. An institution's ranking in an objective survey could be vastly different from a perceptual survey, and the jury is still out on which type of survey is the more reliable one.
4. **Data collection errors:** inaccuracies in the collection of data occur frequently; sometimes the data pertains to different years and therefore is not comparable across the surveyed institutions; in other cases it is obtained hurriedly across a telephone line and may even be recorded incorrectly.

Despite the above limitations, students have to rely on some method of assessing the plethora of institutions offering a management education and the majority of them rely on one or two prominent ranking agencies and the advice given to them by instructors at the coaching schools where most aspirants enrol themselves to prepare for the entrance examinations. Similarly recruiters use these rankings when finalizing their hiring plans and deciding which B-schools to go to for recruitment. Rankings also decide the profile of the jobs which will be offered – it is common practice to reserve the best profiles for students from the top B-schools, with second-tier jobs going to second-tier schools.

Irrespective of whether the rankings are accurate or not, it is the endeavour of every B-school to constantly improve its image particularly with respect to the two critical stake holders – aspiring students and potential recruiters. The key measure of success in this endeavour is the constant improvement in the B-school's ranking in surveys which are considered critical or prominent.

It is therefore worth examining the key parameters which these ranking agencies use to assess the credentials of a B-school and thereby arrive at its relative ranking. Three of the most important of these, in my opinion, are:

- Placement
- Quality of faculty & learning
- Quality of infrastructure

Let us now examine each of the above parameters in greater detail.

## Placement

The placement record of a B-school is perhaps the first parameter an aspiring MBA student assesses. Given the high fees (in the Indian context) at the top and second-tier business schools in India (currently approx. US \$ 25000 across a 2 year period), it is extremely critical for students (and their parents) to assess whether the outlay on education will lead to an appropriate dividend.

Unlike undergraduate studies, a MBA is undertaken specifically to obtain employment and it is only natural that an assessment of the placement record of the institution be undertaken. In particular, the average salary offered to students by corporate recruiters is a critical factor influencing one's choice of B-school. This is particularly true in the Indian context where the majority of students take a bank loan (at interest rates between 10 - 12% per annum) and will have to start paying back the loan instalments the day they find employment.

Of course, placement is not only about salaries but it is also about the quality of the companies that come for recruitment, the job profiles on offer, and whether the cadre in which the students are being placed is top-tier or second-tier. All of these factors however tend to get reflected in the salary offer, making it a good indicator of the institution's placement record. This brings us to the concept of the Return on Investment (ROI) which is the most important parameter influencing the choice of a B-school in the minds of aspiring students. In the context of B-schools in India, the ROI is obtained by dividing the two-year fees by the average annual placement salary declared by the institution for the previous year. So for example, if the fees are US \$ 25000 and the average placement salary US \$ 15000, the ROI works out to 1.7. An ideal ROI is 1.0 i.e. the fees equal the placement salary. If one examines the top-tier B-schools in the country, almost all of them would have a ROI of 1.0 or better.

Given that ROI is such a critical factor in the success of a B-school, and the proliferation of such institutions in India, it is surprising how little attention is given to this aspect by new entrants into the B-school space. Even existing institutions tend to overlook this aspect leading to the inevitable untimely demise of the institution. There have of course been some exceptions such as the Kirloskar School in South India and BML Munjal University in North India where the promoters have business empires of their own and can therefore guarantee a minimum number of jobs which enables them to manage the ROI issue far better.

To build a good placement record takes years of image building and networking. Established institutions rely on their alumni to assist them in the recruitment effort - it is no secret that if you have an alumnus in the HR department of a campus recruiter, you can expect good placements each year. For new institutions, the task is immensely more difficult. With the proliferation of B-schools in India, one needs *differentiation*; recruiters need a reason to choose your institution compared to others. While the strategies which should be employed to improve the placement record of a B-school might be the subject of a separate article in the future, a right step in this direction is to make academic programmes more industry-relevant and enhance the quality of the faculty - aspects on which I will touch in greater detail later on in this article.

For most second-tier business schools, however, managing placement issues is not given primary importance for the following reasons:

1. There is a tendency to think of infrastructure first and let placement take care of itself later – after all that’s an issue at least 2 years away for a start-up institution.
2. The top management of a B-school tend to have an academic background which prevents them from understanding the employment requirements of the corporate sector and why Placement is an essential cog in the business model of a B-school.
3. Academic arrogance tends to relegate placement issues to the back seat. It is common to hear such statements as “our institution is not an employment agency” or “we offer an education not jobs” or “ROI is an irrelevant measure”.

B-schools tend to regularly increase their fees each year (far ahead of the rate of inflation) without simultaneously focussing on increasing placement salaries, which is a much more difficult task and requires a longer time span. As a result, the ROI of a B-school which might well have been a healthy 1.0 (or better) a few years ago, is suddenly closer to 2.0. And then begins the process of creeping decline. I say ‘creeping’ because the outcomes are not obvious at first and tend to kick in slowly year by year. After all, the heritage of an institution cannot be squandered quickly. Also, competing institutions tend to keep their fees within the same band; so in the short-run, one might see no decline in the quality of admissions because all the B-schools in the students’ consideration set might have similar ROIs.

The early warning signal of a drop in the quality of student intake is when the number of applications start dropping, forcing the institution to reduce the cut-off marks (in the entrance test) for admission. Another indicator is when the students who finally join the B-school are from the lower ranks in the admissions shortlist. This implies that the students who fared best in the admissions process (i.e. those ranked higher in the shortlist) have decided to join some other institution. Of course, with rising family incomes in India, it is possible, for a few years at least, to fill all the seats in a second-tier B-school with a declining ROI. This tends to mask the decline in the quality of the student intake, at least temporarily.

However, if the ROI issue is not addressed, and if placement salaries do not keep pace with fee increases, the institution gets trapped in a vicious circle. A worsening ROI leads to a drop in the quality of the student intake which in turn makes the placement task harder, resulting in a further decline in ROI. If this issue is not recognized and fixed quickly, the decline in the fortunes of the B-school becomes irreversible.

Of course it could also be argued that the ROI number has both a numerator and a denominator and it is possible to improve the ROI in an alternate way, namely by reducing fees. In fact, a leading Indian Institute of Management in Lucknow in North India did precisely that by reducing their fees from US \$ 20000 to US \$ 18000 for the academic year 2013-14. The Chairman of IIM-L’s Board of Management when speaking to journalists stated that “ we would be taking the lead in reaching out to students from all sections of the society with the lower fee structures .....this would ensure a wider selection of students enrolling in the institute.” Generally however, it very difficult to roll back fees because that would mean an admission by the management that the decision to increase the fees in the first place was a wrong one. Also, for those institutions run on profit considerations, the shareholders might insist on regular increases in the fees charged to students.

In summary, It would be prudent for business schools to pay greater attention to ROI and attempt to bring it as close to 1.0 as feasible. If they wish to sustain the institution in the long run, B-schools in India should apply the same management principles to their institutions which they impart to students in their classrooms.

### Quality of Faculty & Learning

This is, in my opinion, the second most important issue in the minds of students aspiring to join a B-school. The quality of the faculty in terms of their background, experience and communicating ability; and the relevance of the courses / learning to industry; are critical factors influencing the choice of a B-school by both students and recruiters alike. In fact it can be argued that if a B-school is able to differentiate itself by imparting industry-relevant learning, it should attract more recruiters and improve its placement record. A few B-schools in India have already embarked on this route by customizing their programmes to specific industries, such as Banking and Insurance. Others have gone a step forward and introduced modules specific to the business needs of large recruiters. In this model, some instructors are seconded by the company itself and at the end of the programme, there is a commitment to recruit all students who have successfully completed the company-specific learning module.

As far as the learning *process* is concerned, both the number and the quality of faculty matters. In terms of numbers, the norm for Faculty: Student ratio is 1: 15 as specified by the AICTE (the regulatory body for private B-schools in India) but the leading schools such as the IIMs have even better ratios. Students aspire to get personal attention at a B-school and therefore it is important to have sufficient faculty time available for this purpose. Many second-tier B-schools which were doing well in the past have witnessed a decline in the quality of student intake when they have increased the size of the student batch. Students believe that if the batch is too large, more students will get crammed into a class, personal attention from faculty would be lacking, and also their placements may become difficult. A leading institution in South India witnessed a sharp decline in the quality of students when it increased its batch size from 240 to 360 and then 450.

**But sometimes more is less.** I know of at least one misguided institution where there was an instruction by the Board of Directors to drastically increase the faculty strength to an arbitrary number which was more than twice that mandated by AICTE norms. Ostensibly, the logic of this was to position the B-school as a “research-based institution” with a large number of faculty engaged in research activity. It was also the intention to replace visiting faculty with in-house instructors and increase the bench strength for future growth.

At every board meeting, the Dean of the institution was asked to provide a progress report on the recruitment of additional faculty. The pressure to recruit was so high that quality norms fell by the wayside. Anybody who turned up at the institution for a faculty interview got the job. Faculty were recruited not to fill identified “gaps” (i.e. competencies which were lacking in-house) or meet the needs of a particular functional Area (Finance, Marketing, etc.), but merely to meet the target numbers. The result: the newly recruited faculty did not possess the competencies to replace courses taught by visiting faculty and also there were imbalances in the faculty strength in the different functional Areas. Some departments had more faculty than

needed, others less. To make matters worse, some of the elective courses offered by the new faculty received poor student feedback so that there were no takers next time around.

So while quantity is important, quality is even more so. However, there is little realization by the management of B-schools about the type of faculty appropriate for a B-school. In an earlier article I wrote in 2013 entitled "Experience of a practitioner as a B-School faculty in India" I made several suggestions in this area, some of which bear repetition here.

As a marketing professional, brought up on the mantra that the Customer is King, it seems to me logical that any activity conducted in a B-school should be designed to benefit its target audience – which is clearly the student body. After all, at least in India, it is the tuition fees paid by students which account for the bulk of the revenue of any B-school. Also, unlike undergraduate technical courses, a B-school's primary (default) offering is a short, intensive course of study, comprising disparate subjects, and designed to maximize the employability of students in a period of 2 years.

In such a scenario, how does "research" undertaken by a faculty in a B-school benefit the students? One could argue that research-oriented faculty capable of making landmark contributions to management thinking and knowledge, should be great teachers of their subject and would thereby naturally impart education of a higher quality to their students. Sadly, this is rarely true in India because the type of "research" typically undertaken is hardly "landmark" in nature and only rarely is accepted for publication in the top international peer-reviewed journals. Also the definition of "research" seems to be synonymous with "publication" which leads to all sorts of inimical behaviour aimed at ensuring acceptance by journals with a high "impact" factor, and then managing the "citation" process thereafter, rather than the subject and quality of the research itself.

Also, great researchers do not necessarily make great teachers, and often there is an inverse correlation between the two! From a student's perspective, it is the delivery of the teaching which is critical and it is hard to see how a "research-oriented" faculty contributes to this in the short span of 2 years the students spend in the institution.

Of course, any good teacher does constant "research" to update one's course material so that it remains contemporary and in touch with prevailing industry realities. But this type of effort does not fall within the traditional definition of research, although it contributes the most to the teaching effort and to the delivery of a relevant education. Perhaps such course-related research should be documented by faculty members in terms of literature surveys undertaken, seminars attended and course outlines modified, so that it qualifies as part of the legitimate research required to be undertaken each year.

Also, if a B-school feels that research is an important ingredient in its "mix", it can and should create 2 cadres of faculty – a Teaching cadre and a Research cadre. The former would have the primary task of delivering the courses on offer to the students and undertaking the associated "research" to keep their courses contemporary and updated – in fact, in some sense, they would be customers of the "basic" research conducted by others. The latter would focus primarily on high quality, path-breaking research in their chosen areas; teaching would be optional, not mandatory. With such a clear demarcation, faculty would be recruited based on

their strengths in Teaching or Research and their workload would be defined, and performance appraised, accordingly.

This type of demarcation would also help attract industry practitioners to the teaching profession. At a B-school, more so than in any other academic institution, practitioner-faculty are vital for imparting education grounded in the reality of business. Student feedback on courses run by practitioners is almost always positive, since the emphasis is less on theory and more on practice, less on concepts and more on skills. Many IIMs and top business schools in India have recognized this and have recently instituted a "Practice Track" faculty cadre which is now being populated by practitioners who have held senior leadership positions in the corporate sector.

I am not implying that practitioners naturally make good teachers. Merely having industry experience does not mean that one has the capability to impart that knowledge to the students. Frequently, practitioners need to go through faculty development courses, case study workshops, etc. so that they can master the pedagogy required to run courses in a B-school. Also, verbal communication skills, personality traits and an innate ability to engage students, are critical faculty requirements to ensure an effective learning outcome; and these skills are distributed evenly among practitioners and academicians alike.

What creates hurdles for the entry of practitioners into B-schools is the expectation of performance in areas where they have had no prior experience or training (research, publications, etc.), and the mandatory requirement for a Ph.D. before they can be appointed as a Professor. Recruiting criteria for faculty as prescribed by the University Grants Commission (UGC) & the All India Council for Technical Education (AICTE), which are the regulating authorities for B-schools in India, appear to be actively designed to discourage the entry of practitioners into B-schools.

I am not going to argue about the merits or demerits of a Ph.D. degree and how it contributes to enhancing the teaching ability of faculty in a B-school. Suffice it is to say that it is a qualification more suitable for a career in research, as opposed to teaching. I absolutely do not denigrate or belittle genuine scholars who have undertaken seminal theses in many fields, and I have immense respect for their achievements, but it is also true that, in many cases, the quality of doctoral dissertations in India and the dubious reputation of universities which have granted them, cast doubt on the credibility of this qualification itself.

UGC / AICTE need to recognize the difference between the requirements of teaching & research and prescribe norms for each of the cadres separately. Current Faculty: Student ratios should apply to teaching faculty only, and it should be left to academic institutions to employ as many research faculty as they deem fit. UGC / AICTE also need to revert to earlier recruiting norms which accepted industry work experience at various levels in lieu of a Ph.D. For example, to qualify for an Associate Professor without a Ph.D., at least 10 years of relevant industry work experience at senior levels could be prescribed; similarly, for Professors and Senior Professors, the norms could be higher requiring perhaps 15 and 20 years of experience respectively.

I do not want to give the impression that research has no value or should not be undertaken by an academic institution. In many countries, B-schools are generously funded through endowments and tuition fees are not the only source of revenue. This is true for some of

the leading B-schools in India too. In such a scenario, the institution could legitimately accord equal importance to both teaching and research, and acquire and employ resources accordingly. In fact the reputation of many a leading B-school has been built through its research output, both in terms of volume and quality. By making path-breaking contributions to management knowledge and thinking, such B-schools have attracted top students to their hallowed portals.

I do want to argue however that teaching as a function should not be relegated to second place. The prime expectation of a student joining a B-school is to acquire the necessary knowledge and skills which would enhance one's employment / career prospects, and a high standard of teaching is vital in this pursuit.

I am also advancing an opinion that it is rare to find a good teacher who is also a good researcher. It appears to me that the attitude and orientation required for these two pursuits are quite different and attempts to force faculty members to undertake both these activities will result in a disservice to at least one of them.

And finally, I am in favour of a larger number of practitioners as teaching faculty in B-schools and recommend removing the various hindrances placed in their path, so that the prime objective of a B-school – imparting a business-oriented education to its students – is achieved.

### **Quality of Infrastructure**

In the “marketing” of B-schools in India, “world class infrastructure” is an advertising slogan which one comes across frequently. There is no doubt that the location of a B-school and the supporting infrastructure play an important role in the students' choice of an institution. During my membership of several Admission Interview Panels, I have often been struck by how important location is. A B-school in Goa for example is definitely a “value-add” because, other things being equal, an exotic location offers tantalizing projections of what life after work could be. However, what many students do not appreciate is that there is little time for recreation from the rigours of course work in a B-school, so there is limited opportunity to enjoy local attractions. Also the remote location of a B-school may actually detract from industry interaction since very few companies would have their headquarters there and it might also be difficult to attract corporate placement teams to an inconvenient location. Furthermore, good faculty may not be attracted to work at a remote location, far from city life.

With respect to infrastructure, there are several “must-haves” in a business school:

1. Air-conditioned & spacious classrooms fitted with all the latest audio-visual equipment
2. A robust IT infrastructure with high capacity broadband connectivity
3. Traditional and electronic library resources
4. Comfortable residential accommodation for both students and faculty
5. Excellent canteen facilities
6. Leisure infrastructure – gym, sports facilities, swimming pool, etc.

A decade ago, every new B-school used to advertise its state-of-the-art facilities; nowadays that's not much of a differentiating factor. Business schools with great infrastructure is the new normal. However, the management of many institutions continue to hold on to their belief that the quality of their infrastructure will bring in the students. Perhaps that's because it is relatively easy to build infrastructure rather than the institution itself.



What matters is not the body but the soul of the institution. Great infrastructure is a necessary, but not a sufficient, condition for the success of a B-school. If one does not fix the basic business model of the institution which hinges around ROI and industry-oriented education, bricks and mortar will not save the day.

In fact, sometimes excessive infrastructure might even be wasteful. In one institution which has invested in a great swimming pool and tennis courts, only a handful of students are seen utilising these facilities, which came at a considerable capital cost. Also, sometimes there are unintended consequences of providing such facilities –in one institution, about 20 air-conditioned hostel rooms with attached bathrooms were lying unutilized because the overseas students for which they were built never turned up. In order to utilize this unutilized capacity, the management decided to offer these rooms to existing students at a fee three times higher than normal. While this offer was quickly picked up by the students who could afford it, it created an elitist culture which is never desirable in an academic institution.

So the success of a second-tier B-school in India really depends on getting its P's and Q's in order, where P stands for its Placement record and Q for the Quality of its faculty. Only those B-schools who realize this, and focus single-mindedly on the improvement of these metrics, will live to fight another day.

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