

**Quality in Business Education:  
A Study of the Indian Context**

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### Abstract

Recently, with the bursting of clicks as well as ethics bubbles, the credibility the business education has taken a beating. The rapid growth and proliferation of business schools, has led to the emergence of some schools having dubious quality – and business education has come under scrutiny. Outside of the US, India now trains largest number of MBAs with about 75,000 degrees annually. The Indian government has liberalized the business education market over the 1990s, resulting in a rapid growth of business schools offering programs at both undergraduate as well as graduate levels. Indian business schools have sought to replicate the US-based organizational, pedagogical, curricula, industry-interface, and academic research models, but are struggling to introduce several adaptations because of the differences in the work culture system. Therefore, it would be fruitful to investigate the challenges for enhancing the quality of business education in India. In the first section of our paper, we will describe a shift from a commerce-focus to management-focus in the popular business education in India. Thereafter, quality status of the contemporary business education in India is discussed. Subsequently, we discuss broad issues and challenges. Finally, research implications for the academic quality dialogue are highlighted.

Business education has its origins in the late 19<sup>th</sup> century in the United States. Currently, 250,000 plus undergraduate degrees, and 100,000 plus graduate degrees in business are awarded in the US every year by more than 1,200 accredited colleges and universities. In recent years, the US has seen a 10% annual growth in the non-degree executive education programs, with revenues exceeding \$3 billion (Pfeffer and Fong, 2002: 78). Similar trends are seen worldwide - business education has spread rapidly in Europe, Asia, and Latin America. Many of these schools are at least partially based on the US model. The growth of business education has gone hand-in-hand with numerous innovations in pedagogical models, course content and curricula, the role of research and the relationship with government and industry. Until the 1980s, U.S. business schools thrived on a hyper-competitive culture, with mostly Type A personality students with finance and engineering backgrounds. However, many of these people were not prepared to compete in a global world. In response, business schools diversified their student bodies in terms of both discipline and demographic backgrounds, and pushed for more team-oriented programs backed by preparation in the foundations of international business, information technology, and entrepreneurship. To meet the resource demands of this push, business schools adopted a flexible organizational model, encompassing all segments of education: undergraduate or graduate, full time or part time, degree or non-degree, and bricks or clicks.

Recently, with the bursting of clicks as well as ethics bubbles, the credibility of corporate America has taken a beating and so has that of the business education. The rapid growth and proliferation of business schools, has led to the emergence of some schools having dubious quality – and business education has come under scrutiny. Even well run business schools are not exempt from this scrutiny. As organizations look for more areas of efficiency, the high salaries paid to graduates from elite schools have led both academics and practitioners to re-evaluate the benefits of business education. Pfeffer & Fong (2002), in their controversial paper "The End of Business Schools? Less Success Than Meets the Eye," contended that the graduates with business education are no more successful than the leaders without the degree, for the success is a function of what a person can do. Does it then make sense for the

potential students to bear the cost of MBA education that often tops \$175,000, including tuition and lost salaries? Similar issues were raised in a recent paper from the consulting company Booz, Allen and Hamilton that derided "cookie-cutter" MBA programs that were producing look alike MBA's and not meeting businesses needs (Doria, Rozanski, and Cohen, 2003)

The goal of this article is to assess the quality of contemporary business education and to identify opportunities for further enhancement of the quality. India is an appropriate context for our study because of three factors. First, outside of the US, India now trains largest number of MBAs with about 75,000 degrees annually. Second, the Indian government has liberalized the business education market over the 1990s, resulting in a rapid growth of business schools offering programs at both undergraduate as well as graduate levels. Third, Indian business schools have sought to replicate the US-based organizational, pedagogical, curricula, industry-interface, and academic research models, but are struggling to introduce several adaptations because of the differences in the work culture system. Therefore, it would be fruitful to investigate the challenges for enhancing the quality of business education in India.

An understanding of contemporary business education in India will be incomplete without first understanding the historical context of its evolution. In the first section of our paper, we will describe this shift from a commerce-focus to management-focus in the popular business education. Thereafter, quality status of the contemporary business education in India is discussed. Subsequently, we discuss broad issues and challenges. Finally, research implications for the academic quality dialogue are highlighted.

### **Historical Context and Social Status of Business Education in India**

Business education has a long history in India dating back to the 19<sup>th</sup> century. Early business schools were focused on the commercial side of business, seeking to fulfill the colonial administration needs of the British government. Their graduates joined the British government colonial bureaucracy, usually at the clerical ("babu") rank. India's first business school - Commercial School of Pachiappa Charities – was set up in 1886 in the southern city of Chennai. In 1903, British government initiated secondary school level commerce classes at the Presidency College in Calcutta, with a focus on secretarial practice/business communication (shorthand, typing, correspondence) and accounting. The

first college-level business school was founded in 1913 in Mumbai (Sydenham College), and was soon followed by another in Delhi in 1920 (Commercial College, later renamed as Shri Ram College of Commerce). These business colleges imparted basic skills about the principles of trade and commerce to clerks and supervisors from fields such as banking, transport, and accounting. After India's independence in 1947, business education, which was associated with "babu-ism" and therefore lacked a strong social status, started to evolve. In an attempt to enhance vocational skills, the Government of India introduced commerce as a third stream of specialization at the high school level, science and arts being the other two.

Many of the graduates of the commerce stream sought apprenticeship or employment after graduating from the high school, and some even joined their family businesses. Joining as an apprentice auditor at any public accounting firm was among the most popular career options for a commerce graduate. The undergraduate commerce colleges also sought to offer skills complementary to the public accounting profession, as evident in the nature of their core courses: business economics, accounting, management, banking theory, auditing, and cost accounting, all emphasizing theoretical and applied understanding of business transactions. However, even at this stage, business education (commerce) was not meant, in the eyes of the society, for the intellectually and academically talented students. Intelligent students were expected to join the science stream at the high school level, and take engineering stream at the college level in one of the Indian Institutes of Technology, universities, or other technical institutions. They then joined corporations as technical supervisors, and moved up the management cadre.

A shift in the social status of business education began occurring during the 1980s. Two major forces were at play. First, competition for college level education became cutthroat, as the gap in the number of admissions at the premier undergraduate programs and the number graduating from the high schools grew for the science stream. Second, as companies began to grow they began hiring commerce graduates from the colleges at the junior executive level, often backed by some in-company executive training program, as the premier engineering colleges failed to meet their growing needs for executive personnel. Consequently, society began seeing commerce education as a viable alternative passport to enter the corporate world at the executive, as opposed to the clerical, level. Many parents encouraged

their children to take up the commerce stream at the high school level, with a view that their children could perform relatively well in the commerce domain and get a great corporate position without living with the intense competitive pressure to excel academically in the science streams. In addition, the social cost of commerce-related education was significantly lower than the social cost of science-related education, because, unlike the latter, the former did not require laboratories and other testing facilities. Therefore, it was easier for the government and the educational institutions to meet the demand for commerce education.

### Emergence of Management-focused Business Education in India

A major development that was underway was the distinction that was being made between commerce and the management aspect of the business education. The focus of Commerce education was on building a strong foundation about the knowledge of business transactions and processes, primarily from the economics and accounting perspectives. In contrast, management education focused on building knowledge about overall business and its various functions, given its stakeholders and the market landscape. It was felt that one needed some disciplinary background, especially in science or commerce streams, or some work experience for effectively learning the management principles. Therefore, management education was intended for the graduate and executive levels, focused on nurturing future leaders who could lead the private and public sector organizations with a sense of social mission.

The Indian Institute of Social Science, a premier institute of higher learning focused only on graduate and doctoral programs, founded India's first management program in 1948, intended to systematically train manpower, create and spread the knowledge required for managing industrial enterprises in India. Soon thereafter, in 1949, Catholic community founded Xavier Labor Relations Institute (XLRI) at Jamshedpur – the city of TISCO (Tata Group). TISCO had been a pioneer in progressive labor relations approaches in India, and XLRI was oriented towards developing managerial competence, with a sense of social justice and values of discipline, dedication and commitment to “Magis” (excellence in everything). Indian Institute of Social Welfare and Business Management (IISWBM), was set up in 1953, under the auspices of the University of Calcutta, as India's first official

management institute. Formed in cooperation with the business community, national and state governments, the faculty of the Institute took up the mandate to promote professionalism in the industry by undertaking several field consulting projects for the industry and the government. The primary areas of consulting included organizational development, project formulation, and socio-economic programs.

Encouraged by the results of these early initiatives, the Government applied for and obtained a grant from the Ford Foundation in 1961 to launch two Indian Institutes of Management (IIM) - one at Calcutta (West Bengal), and the other at Ahmedabad (Gujarat). This grant was focused on helping transfer American business education knowledge and models to other nations, and required intensive collaboration with an American business school for facilitating the transfer of learning. The IIM at Calcutta established collaboration with the Sloan School of Management at MIT for faculty and pedagogy development, and the IIM at Ahmedabad established similar collaboration with Harvard Business School. IIM at Calcutta adapted the Sloan's incident method and laboratory training, and pursued a research and teaching philosophy more focused on quantitative and operational aspects of management. On the other hand, following HBS, IIM at Ahmedabad pioneered the case method of teaching in India, and conducted influential research oriented towards writing cases on Indian companies and context, with an emphasis on qualitative strategic integration. The mission of IIM's was to professionalize Indian management through teaching, research, training, institution building and consulting. They also had a mandate to professionalize vital sectors of the economy, particularly agriculture, education, health, transportation, population control, energy, and public administration. Towards this end, they helped launch several specialized management education schools. For instance, the Indian Institute of Forest Management was set up in 1982 as a leader in specialized management education for the entire forestry system in India, with the help of IIM - Ahmedabad.

Growth both in numbers and status occurred during the 1990s. A large number of multinational companies entered India, and sought to hire business graduates for their management training positions. Domestic companies also followed suit trying to compete with multinational corporations. Companies found that the skills of business graduates from the commerce stream varied greatly across different

colleges, and fell considerably short of the demands of the executive positions in a competitive world. In particular, commerce graduates had good accounting skills, but lacked requisite marketing, behavioral, and operations skills. They had weak grounding in oral and written communication skills, critical thinking and critical reading skills, as well as in information technology and teamwork skills that were becoming very relevant during the 1990s. Consequently, given the costs of training commerce graduates, companies offered huge premiums for those with an MBA degree. Recognizing the success of MBA programs, and demand from students and employers, universities started looking at management education as an academic discipline and started offering MBA programs. They could achieve this by using their existing commerce faculty to teach some business courses. However, there are considerable costs of introducing an MBA program, which encouraged the emergence of more cost-effective and flexible BBA (Bachelor's in Business Administration) programs at the undergraduate level.

As compared to the MBA program, the BBA programs demanded less qualified faculty (e.g. faculty with more limited work experience and without doctoral qualification) and offered more captive student body (since bachelor's programs were typically of three years, while the master's programs lasted only two years). The BBA programs offered a variety of concentrations, customized to the requirements of the local industry, in areas such as advertising, sales management, travel management, foreign trade, rural development, mercantile shipping, regional planning, stock exchanges, actuarial science, entrepreneurship and business communication.

The growing popularity of the BBA programs is now creating a crisis for the positioning of the traditional undergraduate commerce degree programs. The students are increasingly giving preference to the BBA programs, than to the commerce programs. Clarifying the role of the undergraduate commerce degree has become a major challenge, because substantial academic resources are currently invested in the undergraduate commerce programs. More than one hundred universities offer 3-year undergraduate in commerce through a large number of colleges affiliated to them, and some of them specialize just in commerce education. 42 universities offer B.Com. (Bachelor's in Commerce) program in a distance learning mode also. Though B.Com. under the regular university system requires matriculation under

10+2 school system, open enrollment of the students without 10+2 matriculation is allowed under the open distance learning program offered by 10 universities.

Meanwhile, management institutes continued to grow. With the support of expertise developed by the pioneering IIM's, two more IIMs were founded – in Bangalore (Karnataka) in 1973, and in Lucknow (Uttar Pradesh). In late 1990s, two additional IIMs, one at Calicut (Kerala) and the other at Indore (Madhya Pradesh) were established to further decentralize and develop management resources and talent throughout India. The share of business programs in the undergraduate enrolment has grown from less than 15% in 1970 to more than 22% by 2000.

### **Quality of Business Education in India**

There is a great diversity of business education in India and it may not be meaningful to consider all types of schools in an analysis of quality. Until recently, the top business schools have functioned as role models for the rest; however a number of business schools are striving to create their own regional or sectoral innovation niches. These quality initiatives have been partly supported by a recognition at the national policy level of a need to balance a resource allocation strategy focused on 'creating islands of excellence in a mass of mediocrity' with a strategy that aids "small improvements in large number of institutions" (Natarajan, 2003). A broader policy concern relates to the apparent paradox between Excellence and Equity. To identify the best academic institution, one needs to consider several criteria. No institution may have an absolute advantage in everything; therefore it is important to encourage the development of comparative advantage of each business school by recognizing the value of their self-defining, entrepreneurial initiatives.

Although there are many problems in making comparisons across business schools, there are some universal yardsticks for measuring quality in business education, and we will use the common ones: (1) Quality of students including the admission process, (2) Pedagogy, (3) Placement (4) Faculty development and (5) Infrastructure.

Quality of students:

The quality of students entering business schools is very important to consider. As described earlier, traditionally, education in commerce was not seen as the educational path of the brightest students. However, currently, getting accepted into a well regarded business school is seen as very attractive career. IIMs have been ranked at the top in several surveys of b-schools in Asia-Pacific region, and admission to any IIM is seen by most as a passport to a fast track career at the national and international levels. In 2003, IIM Bangalore was ranked in the top hundred business schools in the world. Although it did not rank top on the list, it was the only Asian Business School to be ranked at all (WSJ Guide to B-Schools 2003).

Each year about 100,000 aspiring candidates take Common Admission Test or the entrance exam of the IIMs. Of these 1,100 will be selected to join one of the IIM's. For example, IIM Ahmedabad has 200 seats. Thus admission standards are very high. Collectively, the IIMs have been recognized as the world's number 1 in terms of their selectivity, and difficulty of getting admission into (Times of India, Feb 19, 2003).

An interesting aspect of the selection process is the use of different admission tests and procedures by different business schools, unlike the US where GMAT is used as a standard test score. The Government of India tried to introduce a common admission test for the b-schools but the Supreme Court of India rejected that attempt. The Court ruled that "private educational institutions have a personality of their own, and in order to maintain their atmosphere and traditions, it is necessary that they have the right to choose and select the students who can be admitted." (Goswami, 2003). The merits of a common entrance test are debatable and proponents will feel there is a need to develop some measures of equivalencies among scores of different admission tests, so that the quality of the inputs can be isolated from the quality of the academic process while making comparisons among different b-schools.

A distinctive element of b-schools in India is the diversity of student profiles. Since management education is most popular at the graduate level, aspiring candidates come from a variety of academic streams such as engineering, liberal arts, science, commerce, and medicine, thereby providing a very rich inter-disciplinary classroom experience. However, most of the MBA students in India are relatively

young, and they enter the graduate program straight after their undergraduate education. Although many of the Indian institutions give some extra weight for work experience, a majority of students are without work experience. This is the same situation in both the top ranked and second tier schools. This is in contrast to the US, where traditional graduate students have at least 3-4 years of work experience (Zachariah, 2003). Recently, though, Harvard Business School has begun accepting candidates without work experience; it now evaluates applicants on academic ability, personal characteristics, and leadership experience; where informal or formal leadership experience outside work settings is also recognized. The benefits of relating business theories to their own work experience may thus not take place, but there is expected to be stronger openness to learn about alternative business models.

### Pedagogy

Academic quality is not necessarily contingent on the student quality. More intelligent students and better resource endowments certainly facilitate the teaching process, and may also generate a more effective learning process. However, academic quality may be enhanced not only by procuring better quality students but also by improving the quality of students. The important question is what skills do business students need? In recent years, US business schools have been criticized for not educating students in skills relevant to business. In a widely quoted report from Booz, Allen and Hamilton, business education has come under criticism for not training students to meet the needs of business (Doria et al., 2003). The authors recommend more "courses in communication, leadership, human resources, psychology, and other fields that provide graduates with skills vital to effectively managing people and team-driven organizations". They suggest that business schools should require at least two of every 10 core courses to focus on such subjects. In their study of the top 10 business schools, they observed that only half require at least two courses on human or organizational management.

The situation in India looks positive. The core classes offered in XLRI are given in Appendix 2. As may be observed, there are numerous classes in the management of people. For instance, XLRI requires three classes in Organizational Behavior. There is thus considerable attention paid to skills that result in managerial success.

An important feature common to most business schools in India is the mandatory summer project that students need to undertake between their first and second years. Students are expected to work with business organizations for two months at least. This is similar to internships in the US, except all students are required to undergo this. This allows schools to introduce local context in their curriculum, going beyond simply using the American textbooks and discussing Japanese principles in the name of the global content. Further, many of these schools have strived to cater to the specific needs of the local businesses by offering specific knowledge-based sectoral programs, such as by including real-world projects and forging strong interfaces with the industry.

Considerable diversity exists in the pedagogical approach. The case-based and experiential approach is not universally used. In traditional business schools, curriculum is influenced by the traditional syllabi-oriented academic pedagogy. The faculty rush through topics with a view to complete the course, and deliver lectures using the material given in the books. There is often only a limited emphasis on the development of critical and analytical reasoning and a sense of scientific inquiry, observation, problem diagnosis, and problem solving. Consequently, these graduates show deficient technical and social skills; and demonstrate a theoretical and self-oriented attitude. Many companies have been concerned that graduates lack a sense of social citizenship and service. Most companies had to put “re-education” programs in place, to reorient the graduates to the industry they were recruited to. Guided by the mindset in commerce-oriented programs, it was traditionally assumed that quality might be enhanced by tougher examinations, where they are asked to prepare with large number of topics. However, in reality, evaluators typically lower their expectation and award marks liberally so that the proportion of students scoring different grades more or less remains constant. Recently, there is an increased focus on trying to also test on critical application competencies, such as one involving project work. Examinations remain an important element of the curriculum, guided by a philosophy that every worthwhile activity must be reviewed, monitored, appraised, and fed back to increase efficiency and effectiveness (Natarajan, 2003).

### Placement

Placement is an important aspect of quality. Consistently successful placement indicates that the school is meeting the needs of industry. Top ranked business schools have excellent placement of their graduates. Almost all the graduates from these schools get excellent jobs with extremely high salaries. Some students are even finding employment abroad.

The career focus of many schools may be seen by the efforts made the students for the summer internship, and request the companies to provide comprehensive feedback on the performance of the summer interns, so as to increase the chances of converting summer positions into full time post-graduation offers. Some schools utilize psychological assessment tools to pinpoint capabilities of the enrolled students, and identifying promising areas of their concentration. For example, personality mapping may be used to predict that a student who is ambitious and extrovert would do better in the marketing world, while one with empathy would be suitable for the Human Resource Development.

In comparing the salaries earned by top ranking MBA students and those from second tier schools, it is clear that there is great premium for graduates from the top schools. Yet until recently, many of the schools did not have professionally-manned placement departments and in some cases, the students were responsible for promoting their schools, and for organizing for their placements and for networking needed to establish self-employment entrepreneurial ventures.

### Faculty Development

Although a majority of faculty in most Indian business schools do not have a Ph.D., many faculty in top ranking schools have Ph.D.s. Further, rather than remaining purely teaching institutes, Indian b-schools have encouraged faculty to apply knowledge through extension and consulting. Such extension activities help faculty bring real life experiences to the classroom, and allow b-schools to augment their resources by sharing a part of the consulting fee.

There exists considerable gap between the desire for a comprehensive mission based on research and multi-functional multi-sectoral disciplinary education, and the ground realities. As mentioned earlier, faculty in most Indian b-schools do not have a doctorate degree. A typical faculty member has only an MBA or equivalent degree, usually with several years of industry experience. Limited

availability of the qualified doctorate faculty is the major reason, but a concern with helping students connect to the ground realities of the managerial practice has also been a paramount factor in the emphasis given to the industry experience of the faculty.

An interesting aspect of business education in India is the use of practitioners to teach classes. Often, full-time faculty frequently teach the core courses that are front-loaded into the program and that allows them to mentor the students better. The high teaching and administrative loads in most schools on the faculty makes the faculty development initiatives quite difficult. However, with increased stability in enrolments, a number of b-schools are trying to encourage their faculty to write case studies, and to even enroll for the doctorate programs; many sponsor their faculty to conferences and training workshops.

Not all top tier b-schools find it easy to blend teaching and consulting. IIM Bangalore has enjoyed significant gains in its national and international reputation as a result of the IT revolution, and emergence of Bangalore as the Silicon Valley of India. A great number of companies have approached IIM Bangalore for assistance in the form of training and consulting projects. Similarly, several national and international publishers are approaching the faculty of IIM Bangalore for writing textbooks relevant to the Indian context. However, IIM Bangalore has been able to meet only part of the demand for its services. Further, as a result of an increased demand for its services, IIM Bangalore has institutionally adopted an attitude of elitism. As a result, IIM Bangalore is often termed as the “Indian Institute of Mismanagement” by the academics in India. A case study is given in Appendix 3, which highlights the challenges at IIM Bangalore as it struggles to meet increased demand for its services.

### Infrastructure

While the cost and resource limitations have made the development of infrastructure a challenge for most b-schools, the developmental banks have of late become more willing to grant loans for viable educational projects. The typical tuition fee for b-schools in India is \$2,000 per year, or \$4,000 for a 2-year MBA program. If the b-school invests in excellent infrastructure, including residence dorms, state-of-the-art classrooms, and library facilities, backed by initiatives for faculty development, then the breakeven number of enrollments comes to about 250 per year; which implies a tuition base of \$1

million/year. By offering an additional BBA program, the numbers per batch can be further reduced. The critical constraint remains the administration, which has to devote time to the infrastructure development, as well as the development of faculty, programs, and industry interface for the placements. Most b-schools have therefore started with only 1 batch of 40-50 students at the MBA and/or BBA level, offering only modest infrastructure, and gradually build up scale, scope, and facilities.

Challenges in Business Education: The most important challenge for Business education in India centers around the fact that the high quality education is limited to the top tier schools. The number of students graduating from these schools is miniscule compared to needs of the country. The fact that there is such a difference between the top tier and next level leads to numerous problems that we will discuss below. It must, however, be noted that the second tier of business schools, especially the ones that have emerged over the last two decades, have also created several pockets of excellence, which are of high quality.

In our analysis of the quality of business institutes, we pointed out that the top-tier business institutes have merit based selection. However, to do well in the selection, a student should have had top class prior education. In most cases, such education is expensive and not affordable by the majority. So the playing field is not even in the first place. Further, the entrance tests are in English, which handicaps an otherwise brilliant student who studied in rural areas and is less familiar with English. Thus, despite the merit based entrance exam, in reality, getting admission into the IIM's is not something that is within the reach of most Indians.

If indeed the quality of education in most other institutions falls short of that at top tier schools such as IIM's (as the premiums in starting incomes earned by IIM graduates suggest), then one cannot expect graduates from top tier schools to add as much value to their workplace as they could if their peer group also received an enhanced quality of management education.

Another problem with the big difference in quality of education leads to an elitist mentality. As institutions attain success, some become wrapped up in their reputation, and lose focus on real accomplishments. This attitude rubs off to students graduating from such institutions. Often, applicants

who gain admission into any of the top schools, tend to view themselves in elitist terms, and enact behavior such as looking down at those from second tier schools. However, considering that most of their colleagues in their workplace will have degrees from less prestigious institutions, such an attitude will come in the way of teamwork that is becoming increasingly important in organizations today. A focus on real accomplishments rather than taking refuge in belonging to an elite group is likely to make these graduates more effective.

Although there are many reasons for this wide difference in quality of business education in India, one important reason is likely to be the absence of a body that all institutions look up to set standards – like the AACSB in USA. Although there is an apex body – the All India Council for Technical Education (AICTE) that is responsible for defining the basic framework for quality of the business-education and approving entry and expansion of all institutions<sup>1</sup>, there are in practice, many problems that undermine its effectiveness.

AICTE requires at least 1,200 contact hours for the MBA program, in addition to 6-8 weeks of summer internship and field projects, divided over 2 years for the full-time format, and 3 years for the part-time and distance learning formats. The applicants are to be admitted on the basis of a national or regional level written test to assess their aptitude and preparedness for learning of management, performance in group discussion and interview, behavioral and personality trait tests for professional aptitudes, and prior academic record and work experience. A variety of pedagogical approaches are encouraged beyond lectures, including case studies, group and individual exercises, class assignments, project work and presentations, role play, and management games. Each core faculty is expected to teach up to six courses a year, with an additional four course load equivalent time devoted to research, executive development programs, academic administration, and consulting. Recommended faculty-student ratio is 1:60. Each institution is required to have a minimum of 7 core full-time faculty, who then serve as anchors for the part-time, visiting or guest faculty equivalent to at least three additional full time

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<sup>1</sup> All proposals for entry or expansion must first through the concerned state government in case of autonomous institutions or through the University Grants Commission in the case of public universities. The AICTE is responsible for giving final approval.

faculty. A library with at least 30 journals, and at least 200 titles in each of the subject areas, must also be maintained. Finally, sufficient computer and instructional technology and aids are required. These criteria define the minimum entry barriers. Recently, to encourage a process of continuous review, AICTE has also launched National Board of Accreditation (NBA), using a benchmarking system with regard to factors such as physical infrastructure, quality of inputs, and faculty training. However, falling standards of schools approved by AICTE dropped its credibility. It is reported that many business schools got AICTE approval on the basis of attractive project plans, which never got implemented, so that some of them operated “virtually from sheds and garages.” (Raghunath, 1998) The result is that most b-schools have abstained from seeking accreditation under NBA..

A further factor limiting the popularity of what might have potentially been a national accreditation standard is the availability of substitutes. For instance, in 1998, All India Management Association (AIMA) used ISO 9000 to develop a quality assurance system, known as QBS 1000. QBS 1000 program determined and assessed b-school’s quality and processes and certified their capacity across crucial and desirable parameters. The QBS 1000 system was intended to evaluate quality at 100-plus institutions associated with AIMA (Raghunath, 1998). Many other independent b-schools also found ISO an attractive option for developing and branding their institutions. But at this point, it is not clear that there is any widely used accreditation system.

Despite the lack of consistency in quality of business education, high demand for business graduates and liberalization have led to the two innovative trends – the emergence of private business schools and niche players and the increased globalization of business education.

#### Emergence of private business schools and niche players

During the 1990s, buoyed by high demand for management graduates many private entrepreneurs set up management institutes in various parts of India. These programs were generally backed by an affiliation with some university, since only universities are allowed to a degree in India. However, most used the affiliation primarily as a basis to gain credibility in the marketplace, and offered additional autonomous

diploma programs. While the university affiliated programs had to follow the university norms of curriculum and pedagogy, the autonomous diploma programs could be designed with full flexibility.

Many of these private business schools showed considerable dynamism in understanding the changing needs of the local industry, and customizing their diploma programs to those needs, thereby establishing their own niches that gained more prominence than the university degrees. Illustrative specialized niches for management education include agri-business, banking, computer and information technology, construction, cooperatives, defense, education, entrepreneurship, finance, hotel resource development, industrial relations, international business, marketing, office, pharmaceutical, police, production, project, public enterprise, public relations, quality, rural, sports, telecom, tourism & travel, and transport. These niches reflect special management needs of the specific sectors that the b-schools have tried to cater to. For instance, hospital management has become highly popular offering over the recent years. Healthcare is one of the largest segments of most industrial economies. Hospital management curriculum has been adapted from hotel management, as both hotel and hospital manager oversee functional areas such as front office, reception, billing, security, finance, marketing, customer relations, food and beverages, laundry and housekeeping. In addition, training is offered in managing diagnostic and various other patient-care services, which traditionally had to be managed only by the senior doctors (Dhaundiya, 2002). Similarly, retail management is being offered by some b-schools. Retailing employs about 1 million people in India, but mostly in unorganized sector. Most retail stores incur substantial losses, making professional programs highly attractive (Pradhan, 2002).

Over the last few years, the Central government and various state governments have recognized the entrepreneurial efforts of the private b-schools, and have begun granting “deemed” or “private” university status to several private b-schools that have excellent brand names and resource infrastructure. These forces have created a very positive climate for the growth of b-schools. In 1991, the number of approved management education institutions in India was only about 130, with an annual MBA intake of about 12,000, comprising of 8000 full-time, 3000 part-time, and 1,000 distance education students. The

number of approved institutions has now grown to approximately 1,000, with an annual MBA in-take of about 75,000.

Most notable of the new institutions is the Institute of Certified Financial Analysts of India (ICFAI) University. ICFAI's roots lay in a distance education program launched in 1985, which has since qualified 2,000 plus financial analyst graduates. In 1994, it set up IFCAI b-school, which has since grown to nine centers all over India, namely Ahmedabad, Bangalore, Bhubaneswar, Chennai, Gurgaon, Hyderabad, Kolkata, Mumbai and Pune. All centers offer eight MBA programs in different areas, taught primarily by industry practitioners. In 2002, ICFAI received a private university status by the State government of Chattisgarh. It also has founded an institute for training management teachers, leading to an award of Ph.D. degree. It has gained 3<sup>rd</sup> rank among B-Schools set up post-1991 liberalization and 7<sup>th</sup> rank among non-IIM B-schools. With rapid growth, it already boasts of 2,700 plus alumni.

IGNOU (Indira Gandhi National Open University) is another institution that has helped extend management education to the masses. IGNOU is an apex 'open learning and distance education' institution, which enrolls several thousand students in its under-graduate and graduate business education degree programs via distance learning. Recently, it also launched 'Gyan Darshan'-- the educational TV channel and the 'Gyan Vani'-- the FM radio network comprising of 40 channels, for promoting business and technical education in the nation. The channels deliver course content developed by IGNOU faculty, and by faculty of other institutions such as IIM's, to students all over India, reaching even rural and other under-developed communities. The courses are currently delivered without any cost to the users, and can be used by any body with a television or a radio. Instead of a lecture method, the channels offer a mix of educational, cultural and musical programs to lift up the mood of the non-conventional students and fulfilling their educational needs. The programs also offer an interactive session, allowing the students from around the nation to ask questions to experts. Any b-school can provide its taped material to IGNOU for delivery of course content through these channels (Pant, 2002). IGNOU's approach has proved highly valuable in the Indian context, where education as a whole itself remains a luxury consumption item even in urban India. In urban India, the elasticity of consumption for education in the

private consumption basket is 1.62, i.e. a 1% rise in total family expenses leads to a 1.62% increase in the education expenditure (Soman, 2003).

### Emerging Role of the Global Factor

While the internal efforts remain paramount in quality enhancement initiatives, the global factor is also beginning to play a role. Several overseas b-schools from the US, the UK, Ireland, Australia and France have been prominent in India. Most of these are focused on attracting Indian students to their home campuses, riding on the increase in the incomes of the upper middle class segment in India and the willingness of the commercial banks in India to offer loans for overseas education. Every year, about 7,000 applicants take GMAT from India, and about 35,000 books on GMAT are sold (Chanda, 2002). Many Indian B-schools have leveraged the growing interest of foreign universities in recruiting Indian students to obtain “international validation.” Under this system, the foreign b-school certifies quality assurance on issues such as curriculum content, content delivery, and evaluation procedures. The level of commitment by the foreign b-school varies, and ranges from provision of its own curriculum and visiting faculty, to assistance in developing local curriculum and in developing local faculty resources. For instance, Indian School of Business (ISB) offers graduate degree in business, validated by the Wharton School, Kellogg’s and London Business School. These programs allow the foreign universities to reach out to the students who may be interested in visiting overseas for only one or two semesters, and help the Indian b-schools harmonize their curriculum with the international standards. In some cases, the foreign b-schools are also able to secure a share of tuition revenue, which are used to provide opportunities for their faculty to visit and consult in India.

Many b-schools have launched successful programs where the students cover part of their program in Indian institution, and the rest in the foreign institution overseas. The study abroad programs are less popular, because most students are willing to pay the costs of overseas education only if there is an option to get jobs abroad. Therefore, most programs offer the students an option to spend final 4-12 months with the foreign partner institution. Further, by including overseas internship as a requirement for

graduation, the students become eligible to work overseas as an intern without requiring any work permit. For instance, Institute of Management Technology (IMT), Gaziabad has set up a Global MBA program with Fairleigh Dickinson University (FDU), USA. The students split their coursework in India and in the US, and are required to do a six-month internship in the US. (Sablania, 2002) IIM Bangalore participates in a unique model of global program. It delivers an International Masters in Practicing Management jointly as part of a consortium, with INSEAD (France), McGill University (Canada), Lancaster Business School (UK) and Japanese and Korean universities; wherein students spend time at different locations and are from different nations. The program, conceived by Professor Henry Mintzberg, focuses on issues from the participant's own organization while using different learning contexts over the course of the program.

Many leading Indian companies – such as Tata Group, the Birla group, Madura Coats, Cargill India, Godrej, and Wipro – are giving a fillip to international initiatives by regularly bringing in overseas faculty, such as from Harvard, Wharton, Kelloggs, and London Business School, for holding short-term classes at their site (Bhupta & Kothari, 2003). In response, some foreign business schools have launched special executive programs in India. The University of Michigan runs a two-week Global Program for Management Development in Bangalore targeted at 30-35 senior manager level participants from a select group of 30 companies, whose CEOs participate in another 2-day program every year.

At the same time, the Government of India is beginning to push India as a destination for management education, especially for the students from Asia and Africa. Because their affinity in terms of culture, climate and in some cases language, Indian institutions in south India, for instance, are expected to be successful in attracting Sri Lankan students. Offering programs for the executives and consulting services for the companies in Asia and Africa is also seen as a high growth opportunity (Bhaya, 2001). These efforts have generated a keen recognition of the need to harmonize the Indian b-school system, including curriculum, teaching-learning process, and methods of evaluation, with the international standards (Economic Times, Feb 7, 2003).

An interest is beginning to emerge in benchmarking and learning from the success of the Indian IT education model for expanding overseas, and catering to the lucrative corporate market. In 2003,

India's software education market was \$325 million. The market leader, SSI/Aptech group, had 3,200 branches of a franchise-oriented business, followed by 2,400 franchisees of NIIT. During 2000's, SSI/Aptech's revenues from overseas centers grew at the rate of 50% annually. The most successful of its overseas operations were in China, where it ran 90 centers through a joint venture, formed in 2001, with an affiliate of Beijing University, with revenues of \$5.6 million in 2002. It had translated its English courseware used in India into Chinese, and had trained Chinese faculty in its Indian centers. Its biggest rivals in China included NIIT with 100 centers, and Singapore's Informatics Holdings (Economic Times, Feb 14, 2003). The success of the IT education model in the corporate training market is also catching the attention of the business schools. Tata Infotech, for instance, uses blended IT training modules that include both "off-the-shelf and customized content" for targeting both domestic as well as overseas customers (Gupta, 2003). Similarly, New Horizons, the global leader in IT education, has entered the Indian market through collaboration with Shri Ram Group, with a focus on corporations seeking to develop an IT strategy, and on India's booming back-office industry which offers global firms services such as call centers and payroll processing (Economic Times, Feb 19, 2003). Such global exchange offers an excellent opportunity to Indian business schools for global brand building, global reach, and cross-pollination of ideas and academic models. However, without appropriate governance system, an attempt to introduce global exchange could prove to be quite counter-productive, such as by creating negative country of origin impressions in the world.

### **Discussion & Conclusions**

In this article, we reviewed the historical development of business education in India, and highlighted the shift from the traditional commerce-focused programs to the new management-focused programs. We identified major parameters that are useful for evaluating the quality of business schools and evaluated Indian business schools against these standards. Our analysis leads us to believe that there are high quality business schools in India. However, these are very few. The lack of acceptable and reliable standards of accreditation has resulted in a set of elite schools resting on their reputations and a whole lot of schools where the lack of standards makes quality suspect.

The emergence of elitist schools may be explained by considering the power distance dimension of national cultures. The concept of quality business education will be defined differently in different cultures. Indian culture is characterized by high power distance and consequently high quality may denote elitism, reflecting pre-eminent standing among peers, as ascribed by public beliefs, and reinforced by cultural media, rewards and rankings (Gupta, Hanges & Dorfman, 2002). On the other hand, in low power distance cultures, excellence could reflect action orientation, and be more a symbol of accomplishment, indicating the core mission and strategic commitment of the business school to all-round quality. The concept of quality as defined by low power distance cultures, is what is useful to compete in the current global economy where success needs action orientation and team work. This suggests, that Indian business schools might need to change their culture and adapt to a new world economy by viewing quality more in terms of achievements than a reputation. Failure to do so, will result in the top tier schools becoming increasingly elitist till they lose touch with the needs of Indian businesses.

We recommend the following as a way to further enhance business education in India:

1. Standards of accreditation: It is essential that there should be reliable and widely accepted standards of accreditation of business schools in India. Either the AICTE needs to work on improving implementation (as in other facets of India, the goals and guidelines are usually in place, it is the implementation that is the problem) and building up credibility or some other body that is more acceptable needs to provide accreditation standards. Obviously such accreditation will go well beyond ranking based on reputation or salaries of graduates, and find measures that focus on the essence of business education. Such reliable and valued accreditation will go a long way in improving the quality of less well known institutions. Further, institutions that currently focus on their reputation and rank, will need to become more action oriented by focusing on what it is that makes business education valuable. This will help curb their tendency to elitism and allow them to retain their current high quality education.
2. Top tier business schools have a responsibility to share their knowledge and skills with schools that might not have the same standards. This will not only raise standards, but will also allow their own graduates to be more effective in the workplace. Further, top tier schools need to change their culture

from one that rests on its reputation and is elitist to one that is achievement oriented. This change in attitude is essential if their graduates are to compete in a world which values results and employees who are team players.

3. Executives need to be more concerned about the actual quality of business graduates they hire rather than be carried away by reputations.

4. Students: Ultimately, it is up to the students to decide whether they are in the business schools just for passive learning, or if they are also ready to take the action challenge of forcing changes in the mental attitudes of the administrators in matters that are critical for sustaining the reputation of their institutions, and preserving the life-long premiums to their learning.

There are reasons to be hopeful that business education in India will improve and be considered excellent globally. Significant improvements in the quality of business programs have occurred since liberalization in India. The existence of pockets of quality is evidence that it is possible to get high quality education in India. These schools can act as role models for others. Further, the emergence of private niche players based on market needs, their innovativeness and success in global and niche markets, points to the continued vibrancy of the Indian economy. The effort to reach out globally will also play an important role in exchanging institutional learning and in broadening the perspectives of the faculty and the students and result in the improvement of business education in India. The resulting popular business education model may not be simply a replica of the American business education model. During the formative stages of development, learning from the American model might have been necessary, or even essential. Increasingly, though, the business schools in India are striving to be responsive to the local needs. Research, for instance, is emerging as something that goes beyond articles, books and publications, and should and does include personal and institutional introspections that enhance the quality of learning experience within the classrooms and in the industry. Such a broadened perspective is perhaps more appropriate for the diverse cultural and emerging market context of India. Use of simply the cookie-cutter tools, borrowed from the US, may just cause the managers to introduce replicas of

American business models in India. That would be a disaster, for it would hinder the development of unique endowments of India, and also erode the idiosyncratic advantages of the American corporations.

Before we conclude this paper, an important issue needs to be emphasized. In this paper, we only evaluated the quality of business education not excellence in business education. High quality cannot per se be equated to excellence. Excellence needs to include meeting the needs of society – the needs of various stakeholders - students, businesses, and the supporting community. Our analysis suggests that there are pockets of high quality business education in India, but the goal of excellence has been elusive. It needs to be recognized that excellence is like a sea; it is a journey not a destination.

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## Appendix 1: India Business School Ranking in 2002\*

Rank	Institute
1	Indian Institute of Management Ahmedabad
2	Indian Institute of Management Bangalore
3	Indian Institute of Management Calcutta
4	Fore School Of Management Delhi
5	XLRI Jamshedpur
6	NITIE Mumbai
7	Jamnalal Bajaj Institute Mumbai
8	Indian Institute of Management Indore
9	Indian Institute of Management Kozhikode
10	S P Jain Institute Mumbai
11	Shailesh J Mehta SoM IIT Bombay
12	Indian Institute of Foreign Trade Delhi
13	Institute of Management Tech Ghaziabad
13	XIM Bhubneshwar
14	Narsee Monjee Institute Mumbai
15	Vinod Gupta SoM IIT Kharagpur
16	University Business School Chandigarh
17	International Management Institute Delhi
17	DMS IIT Delhi
18	Indian Institute of Planning And Management Delhi
19	T A Pai Management Institute Manipal
20	Amity Business School Noida(UP)

(Source: Outlook - C fore Survey) ; Sept 9, 2002

\* Rankings differ considerably across different surveys of business schools in India, because of differences in methodology and differences in the sample participation. Further, rankings change considerably on an annual basis, because of the rapidly changing environment for business education in India. Therefore, these rankings should be seen with caution.

## **Appendix 2: Core Courses at XLRI**

Basic Financial Accounting  
Business Law  
Cost and Management Accounting  
Economic Environment of Business  
Managerial Economics  
Macro Economics  
Financial Management I  
Financial Management II  
Introduction to Computers  
Industrial Relations  
Managerial Communication  
Managerial Ethics  
Marketing I  
Marketing II  
Management Information Systems  
Operation Research  
OB I: Individual Behaviour in Organisation.  
OB II: Leadership Group Behaviour  
OB III: Organisation Structure, Design and Change  
Personnel Management  
Production Management I  
Production Management II  
Quantitative Techniques I  
Quantitative Techniques II  
Social Research Methods  
Strategic Management

### **Appendix 3: A Case Study – Plethora of Unknowns**

On July 26, 2002, Prof. SRK, marketing area coordinator at IIM Bangalore, invited a US-based Indian origin faculty Prof. NRI, via email, to offer an elective in International Marketing at IIM-Bangalore. He clarified IIM Bangalore could not reimburse the international airfare, however for the visiting faculty, “there is no problem about the domestic travel within India.” Further, “boarding, lodging and a token honorarium would be provided for the gesture of handling classes.... There would be good accommodation provided for you." He also observed that IIM Bangalore has been unable to offer the international marketing elective for past several years, because of the lack of faculty expertise in the area.

On August 9, 2002, Prof. PA, the present director of IIM Bangalore, sent an email to Prof. NRI, formally offering a Visiting Faculty position for the period June 16 to July 27, 2003. The email noted, “Suitable accommodation will be made available to you, on payment basis." On January 10, 2003, Prof. NRI received an email from the Dean Administration that he will be “provided a single room accommodation in the executive block” at a special discounted rate of Rs. 2800/month (~\$60) exclusive of food, compared to a normal charge of Rs. 250/day (~\$5).

On June 13, 2003, Prof. NRI reached IIM Bangalore and found that the executive bloc was actually student accommodation. The small 10x12 sized room had a shared bath and a shared toilet, without any telephone extension, air-conditioning, refrigerator, room service, kitchen, tea making facility, shower, towel service, mineral water service, and with a modest, small bed, broken fan regulator, dirty bucket, and leaking taps in the restroom. All his neighbors were MBA students.

The Warden of the executive bloc suggested that he could pay Rs. 1600 per day (\$35), and stay at Management Development Center (MDC) – meant for the executives taking training at IIM Bangalore. Prof. NRI was in for a surprise when the students celebrated their arrival back on campus after the summer internship with a boisterous all-night ceremony. Prof. SRK expressed his inability to do anything and took him to meet Prof. SRI, the Dean (Administration). Prof. SRI clarified that the policy of IIM Bangalore was to give a visiting faculty housing – which are independent family apartments.

However, for the first time in history, the visiting faculty housing was unavailable, and so he was put into the executive bloc. Prof. SRI noted that the executive bloc accommodation is superior to the one in which he is himself living, and remarked that Prof. NRI would need to bear another night of loud music that weekend when the new batch arrives at the campus.

Prof. NRI pleaded with Prof. SRK that he will forgo his full honorarium, and that he be just offered suitable boarding and lodging, as per the commitment made by both Prof. SRK and Prof. PA to him while making the invitation. Prof. SRK informed him that several staff members at IIM Bangalore have just taken Voluntary Retirement, as part of a scheme of cost reduction offered by the administration. Therefore, no policy decision can be taken at present regarding the possible reservation of some rooms in MDC for the visiting faculty. He said that the Director's accommodation is lying vacant in the Institute because Prof. PA has continued to live in the faculty housing he was staying in before his appointment to the Director position. However, a decision to clean the Director's accommodation and make it available was also not possible at IIM Bangalore in the short period of time for which Prof. NRI was visiting there.

After leaving IIM Bangalore, Prof. NRI visited IIM Calcutta. Prof. NRI was given complimentary boarding and lodging at Management Development Center, which was equivalent to a four-star hotel. He also came to know that before the construction of MDC at IIM Bangalore, the executive bloc comprised of high quality independent accommodation units, fully furnished with television, telephone and other facilities, and backed by room service. Thus, executive bloc at IIM Bangalore was associated with an excellent accommodation, and it was not a common knowledge that the executive bloc is now simply a stripped-down no-star dorm housing.

**Note:** The material for the case study was obtained through a personal field visit of the lead author to IIM Bangalore in the summer of 2003, and related email communication during 2002 and 2003.