

**Nepalese Management Education:
A View from the High Country**

Al Rosenbloom, PhD.
Dominican University
River Forest, IL

Bijay K.C.
Kathmandu University
Kathmandu, Nepal

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Nepal is a small, landlocked country that straddles the Himalaya mountain range in south Asia. To its north, Nepal shares a common border with China and to its south, it shares a common border with India. India and China dwarf Nepal in both scale and scope. As a result, Nepal is often overlooked when talking about Asia, in general, and south Asia, more specifically. Numerous examples exist of Nepal's "invisibility" in the academic and professional business/management literature. One current illustration will suffice. In the World Economic Forum's most recent Global Competitiveness Report (Porter, Schwab, Cornelius, 2003), Nepal is omitted in the large appendix of country profiles. It's as if Nepal does not exist. A review of the global management literature reveals a similar pattern. Few if any books or articles explore the special management issues and challenges relative to Nepal. This paper begins to fill-in that gap.

This paper is specifically about management education in Nepal – how it developed and how various Nepali institutions of higher learning have responded to the evolving needs of Nepali businesses for expertly educated managers. The paper weaves together two ideas throughout: that market needs should be the essential driver for management program development and that those management programs which are entrepreneurial and innovative have the best chance of surviving and thriving long term. No discussion of Nepali higher education and business practices, though, can be meaningfully discussed without also discussing Nepal's cultural and economic relationship with India. This topic is discussed in the paper as well.

Nepal's Economy

Historically, Nepal has been an agricultural based society and continues to be so even today. Like many countries with emerging economies, Nepal has a dual economy.

It has an industrialized, highly competitive and congested modern sector, centered in the country's capital, Kathmandu, and it has an underdeveloped, slow-growth, subsistence economy across the rest of the country. More than 80% of the country's population makes their living through agriculture. As a result, 40% of Nepal's GNP comes from agriculturally based industries, such as grain, jute, sugar cane and tobacco (CIA World Factbook, 2003). Consistent with an economy that is agriculturally based, Nepal has a low unemployment rate. The Asian Development Bank (ADB) estimates a national unemployment rate of only 2%. The ADB also estimates that the unemployment increases to 7% in cities (Asian Development Bank, 2003).

Nepal shares a common border with India. As befits a nation of traders, Nepal has had a long standing, economic relationship across this border (Zivetz, 1992). Today, India is Nepal's largest trading partner and accounts for 40% of Nepal's exports and imports (World Bank, 2001, p. 239). Because the Nepal-India border is somewhat porous, both goods and people move freely across the border. The Nepali rupee is pegged to the Indian rupee. The Indian rupee officially can be used to purchase goods and services in Nepal, although Nepali merchants are often reluctant to do so. The Nepal-India relationship is further solidified through a common religion. Both countries are predominantly Hindu. Yet Nepal is the only country in the world to officially declare itself as a Hindu state. Cooperation between the two countries is further solidified through language. Hindi and Nepali are very closely related. And finally, some of Nepal's leading business houses have their origins in India where their families were part of the large, Marwari merchant and trading caste of Rajasthan.

Nepal also happens to be one of the poorest countries in the world. Average per capita income is about \$US 220. The World Bank states that “Nepal is the 12th poorest country in world and the poorest in South Asia” (World Bank, 2002, p.1). Poverty is endemic. As a result, Nepal receives substantial support from international aid agencies for a large variety of economic and social development projects. Many international aid and development agencies have their headquarters in Kathmandu.

Attempts to diversify Nepal’s economic base and to improve over productivity have met with mix success. Nepal has a large carpet export industry, but the carpet industry, just like the garment and pashmina shawl industries, has experienced recent declines due to market over saturation coupled with declines in global economic demand. Recent developments in computer information technology, though, are bright signs of progress. Information technology is helping Nepal develop a vital, growing and international IT sector.

Governmental policies to stimulate industrial growth have also produced mix results. Both tax and infrastructure reform are progressing. Yet banking reform is urgently needed (Katiwada, 2002). In 2001, two of country’s leading banks, Nepal Rastra Bank and Nepal Bank Ltd., were “technically insolvent” (i.e., they were bankrupt). These two banks control 60% of the country’s total banking assets. Thus, the banks’ poor financial positions are serious threats to the country’s overall macroeconomic stability. Efforts to improve the efficiency and integrity of Nepal’s civil service have likewise moved slowly. Corruption is a major, ongoing, public issue. Governmental decision making is slow and is often highly politicized. Privatization efforts progress in fits and starts.

Finally, Nepal continues to be challenged by a grassroots, Maoist uprising. For the past several years, the Marxist-Leninist party of Nepal has been waging a people's war against the national government. National public strikes, called bandhs, are frequent and can last up to a week. During a bandh, all public and private enterprises (including schools and universities) are closed. This Maoist insurgency not only threatens national security but also diminishes Nepal's economic vitality. The ongoing threat of bandhs has sharply reduced tourism to Nepal, which accounts for 10% of Nepal's nonagricultural GDP.

Development of Management Education

Management education in Nepal is of relatively recent origin. Yet any attempt to understand the progress Nepal has made in terms of management education must begin with a brief overview of the country's higher education landscape. In 2003, there were five universities in Nepal: Tribhuvan University, Kathmandu University, Pokhara University, Mahendra Sanskrit University and Purbanchal University. Only Tribhuvan, Kathmandu and Pokhara Universities grant degrees in business. In 1999, a private, for-profit management institute, Ace Institute of Management, was opened in Kathmandu. Ace Institute of Management grants an undergraduate degree in business and runs an Executive MBA program.

Tribhuvan University

Tribhuvan University was Nepal's first university. It was established only in 1959. (Historians note, though, that Nepal's first institution of higher education, Tri-Chandra College was established in 1918.) Tribhuvan University is a large, multicampus, national university. In 1998, it enrolled about 150,000 students. Students can take classes either

on its main campus in Kathmandu or in 61 constituent or in 191 affiliated campuses across the country. Tribhuvan offers 1079 courses at the bachelor's level and over 1000 courses at the master's level. (Tribhuvan University website.). Clark Kerr would definitely call Tribhuvan University a multiversity (Kerr, 1995). Tribhuvan University has both undergraduate and graduate programs in business. Tribhuvan grants both a Bachelor and a Master of Business Studies degree.

Nepal's historical relationship with India is further evidenced in its higher education system, especially with Tribhuvan University. Because of its close relationship with India, it was quite natural, then, for Tribhuvan administrators and faculty to look to India for both curricular models and faculty when the university was first founded. For its initial humanities and social sciences curriculum, Tribhuvan University patterned itself on Patna University in India. Indeed, initially, Patna University even conducted final examinations for all Tribhuvan University courses. Today, the University administers its own examinations. The influence of Indian curricular models is also seen in Tribhuvan's initial management curriculum. Agrawal (1974) directly acknowledges this relationship. Historically, "the structure of business discipline was copied from the Indian universities and, in line with their tradition, [was] known by the name of commerce education in Nepal" (p. 83).

The pedagogical legacy of India is deeply ingrained across the entire university. Pedagogy across all disciplines is very formal and lecture oriented. Students sit in large lecture halls, dutifully transcribing lecture notes delivered by the faculty. There is almost no interaction between faculty and student, other than the one-way communication of lecture information. This is also true in terms of management education. Management

education at both the bachelor and master's level tends to be very theoretical. Emphasis is given to a detailed, theoretical understanding of each business discipline. In turn, exams require students to repeat, verbatim, large blocks of theory. For the student, rote memorization becomes the primary means for successfully passing the exams. The consequence of this is enormous for Nepal. It has meant, generally, that there is a mismatch between business needs and Tribhuvan business graduates, and this has been a longstanding imbalance. Agrawal (1974) acknowledges this point:

The present curriculum [at Tribhuvan University] does not prepare students for lifelong careers, nor does it provide them with an understanding and appreciation of the challenges and problems faced by the developing nation. Consequently, Commerce graduates desperately look for a clerical job in the bureaucracy; and, if successful they wait in the hope of getting one. In the meantime, they swell the ranks of the educated unemployed” (p. 84)

Indeed, the current evolution of Nepal's economy has only accentuated this labor gap. With the entrance of more multinational corporations into Nepal, with the development of more information, computer and knowledge based industries in Nepal, with the growing sophistication of Nepali business houses themselves, and with the need to reform major sectors of the Nepali economy like banking, the skills and abilities which Nepali businesses say that they now need from business graduates is often not represented in the skill set of Tribhuvan alumni.

Kathmandu University

Kathmandu University was founded in 1991. Kathmandu University was established as “an autonomous, not-for-profit, nongovernmental public institution” and

was created “through private initiative” Kathmandu University, n.d.). Kathmandu University’s main campus is in Dhulikhel, a small town 15 miles east of Kathmandu. The University’s first program of study was in its School of Science in 1992. But the University’s second program was in business. In 1993, Kathmandu University founded its School of Management (KUSOM). Recognizing that the business, commercial and policy center of the country was located in the nation’s capital, the School of Management is located in Kathmandu. KUSOM grants an MBA and an EMBA. Its first MBA class was enrolled in 1993, while its first EMBA class was enrolled in 2001.

Pokhara University

Pokhara University is the newest university in Nepal, founded in 1996. The central office of the university is located in Pokhara, Kaski district, in the Western Development Region (WDR) of Nepal. Pokhara University was founded not only to serve the country’s western region but also to further privatize Nepali higher education. Pokhara University offers undergraduate and graduate degree programs in business. The Ace Institute of Management is affiliated with Pokhara University and delivers management courses through its Kathmandu campus. The University also offers degrees in hotel management, etc.

The University’s long-term viability, however, is questionable. In May, 2003, the University faced a crushing budget deficit. Of the Rs.19.1 million budgeted by the government for university operations, only Rs.1.1 million had been dispersed. As a result, all building and program development has been suspended. Faculty have not been paid. The University’s ultimate fate is uncertain (Neupane, 2003).

Innovation at the Kathmandu University School of Management

The School of Management, Kathmandu University (KUSOM), represents an entirely different model for management education in Nepal. Foremost, there is an entrepreneurial ethos that permeates everything that the school does. As a professional school, operating within a private university, KUSOM has been able to gauge and respond to market needs as they develop. Many aspects of KUSOM's approach to management education have been innovative for Nepal, but five will be highlighted here.

They are:

- 1) Mission
- 2) Curriculum
- 3) Pedagogy -- Action learning and summer projects
- 4) Local case development
- 5) Social responsibility

Mission

From its very inception, KUSOM had a different educational philosophy from that of Tribhuvan University. As publicly stated, KUSOM's mission and goals are to:

- 1) Prepare individuals aspiring for career in management as a profession
business, social, development and public organizations
- 2) Develop and support practising managers for their professional enrichment
and career advancement
- 3) Enhance managerial capability of practicing managers for better performance
and effectiveness

- 4) Assist organizations in planning and implementing changes in various functional areas of management and help them to improve their managerial practices and organizational performance, and
- 5) Develop a base of management knowledge relevant to the country and share it for application with organizations for improving the quality of management (School of Management, n.d, p.1).

KUSOM's mission, then, is to prepare expertly qualified business managers, who both can understand and can use the most reliable analytic tools in finance, accounting, management, marketing and information systems to make sound business decisions in a wide variety of organizations – and who can combine a sensitive understanding of Nepali business tradition with world class management practice. In short, KUSOM aims to develop a cadre of *practical* business professionals who can incorporate management's best practices into the day-to-day operations and decision making of Nepali businesses of all kinds.

Mission links KUSOM directly with the Nepali labor market. Nepali businesses and nongovernmental organizations all need professional managers, and KUSOM's mission is to produce them. This tight linkage with the emerging and evolving needs of Nepali businesses/organizations means that both curriculum and pedagogy must be practical. And, indeed, they are. KUSOM's guiding MBA philosophy is to develop “practicing, professional managers rather than theorists; [to develop] generalists rather than technicians”; and to instill within all students the values of “entrepreneurial managers” (School of Management, n.d., p.2). Curriculum and pedagogy support this approach.

Curriculum

KUSOM's curriculum is modeled on an American MBA (see Table 1). As is readily seen, KUSOM requires traditional MBA courses in accounting, economics, management, marketing and management information systems (called Data Management). Students must also choose a course concentration. Concentrations in finance, marketing and human resources management are available.

Table 1. MBA Curriculum Overview, Kathmandu University School of Management

Foundation Courses	Financial Accounting
	Macroeconomics
	Managerial Economics
	Managerial Communication
	Data Management
Management Core	Operations Management
	Financial Management I
	Financial Management II
	Marketing Management I
	Marketing Management II
	Organizational Behavior
	Human Resource Management
	Business Environment
Capstone Courses	Entrepreneurial Management
	International Business
	Strategic Management
Concentration	Elective courses (4)

Reflecting innovative, forward thinking, students can choose from three additional electives: Total Quality Management (TQM), Econometrics and Knowledge Management. The TQM course is especially innovative in the context of Nepal. Historically, many Nepali businesses have been run on an intuitive, trail-and-error basis. Large fluctuations in product quality often result. Nepali consumers are skeptical about local products. KUSOM recognized, early on, that if Nepali businesses were to improve

their domestic as well as international competitive standing, quality assurance measures must be in place. Nepali businesses need TQM, and multinational corporations demand it.

Similarly, KUSOM recognized that Nepal, like many countries, is experiencing an economic shift. Increasingly, computers and information technology are becoming important in the Nepali economy. Knowledge workers are increasingly needed in Kathmandu. Thus, the course in Knowledge Management reflects this forward thinking.

Pedagogy

Curriculum innovation means nothing if KUSOM's pedagogy continued to mirror Indian models. Here, two innovations are central: (1) the school's emphasis on action learning across the curriculum and (2) student summer projects. Action learning goes right to the core of what's different about KUSOM. Across the entire curriculum, emphasis is placed on intensive, practical application of learning. This goal of creating involved, practical and competent business professionals is expressed both in and out of the classroom.

In each course, faculty make a concerted effort to engage students in their learning. This is done through a variety of pedagogical techniques. On the one hand, Harvard cases are used to focus student learning on critical, complicated business decisions. An integral part of the case method (as is well known) is a combination of team and class discussions. Across the curriculum, team and class discussions occur at KUSOM. On the other hand, KUSOM places great emphasis on participative or active learning. Active learning's aim is to transform the student from being a passive recipient of knowledge (as in the lecture-only teaching approach) into an active, engaged

individual, who assumes responsibility for her or his own learning. In-class, small group assignments are a common occurrence at KUSOM. This not only brings learning alive, but also makes for a dynamic class environment.

Finally, there are summer projects. KUSOM's MBA curriculum spans two years. The curriculum is divided into four semesters, with a mandatory summer project linking the end of the first year with the beginning of the second year. Summer projects serve several purposes: (1) Summer projects let students apply the knowledge gained during the MBA's first year in a real world setting. (2) Summer projects let students experience first hand the realities of Nepali businesses. As is often the case in countries with emerging economies, textbook "theories" often need adaptation to make them "work" in Nepal. This type of practical, albeit short term, experience is invaluable in sensitizing students to the real challenges that confront Nepali businesses. (3) Summer projects require students to work in teams. Through this, students develop greater confidence in and facility with this important business skill. (4) Every summer project is written up and formally presented to the business involved. Eventually, each project is cataloged and made available in the KUSOM library. (It should be noted that summer projects are not cataloged until five years after completion. This is done to encourage business participation in the process by reassuring a business that sensitive and confidential information will be protected for five years.)

Local case development

One of the greatest challenges in delivering meaningful management education in countries with emerging markets is the issue of case examples. Nepal is no different than other countries in the world. It is underrepresented in the world case literature.

Culturally and economically, Nepal differs greatly from the countries most often represented in business texts. Students constantly ask, “How does this theory, principle or case have meaning in the context of Nepal?” This is an exceptionally valid request. And it goes right to the heart of one of the greatest challenges for management education in emerging markets: How to balance the desire to give students techniques, tools and ideas that work effectively in industrialized countries (which thus serve as models of how things *should* work or be done) against the everyday reality that (except for multinational companies) Nepali businesses and organizations often face operational and organizational climates that are very different from the organizations studied.

KUSOM’s response is to actively encourage the development of local, Nepal-based cases. The long term goal is to develop a broad-based case library dealing with the critical issues that Nepali businesses face. As noted above, including summer projects in the KUSOM library is a first step toward illustrating the range of problems and solutions that local Nepali businesses confront. In addition, KUSOM is encouraging all faculty to develop local Nepali based cases as well. A few local cases have been developed already, yet many more need to be written.

Social Responsibility

As noted in the paper’s discussion of the Nepali economy, corruption is an exceptionally important national and business policy issue. As will be noted in the paper’s conclusion, corruption and the political instability created by the Maoist insurgency are probably the greatest external threats to continuing progress in management education. Yet, quite specifically, KUSOM states that one of the MBA’s guiding principles is to develop “socially responsible managers who value ethics in

business” (School of Management, n.d., p.6). KUSOM’s innovative response to the challenge of ethical leadership is two fold. First, it takes great care in faculty hiring, and second, it has numerous student interaction sessions with Nepali CEOs and executives. Rather than just limiting itself to cases or texts that present various ethical dilemmas and issues, KUSOM hires faculty who specifically believe in right, moral, business conduct. Faculty communicate to students that they have twin responsibilities: to perform well and to always make sound ethical decisions. The student’s personal career depends on the former; the country’s continued development depends on the latter. Additionally, students get to meet, talk with and hear about business “realities” through interaction sessions with CEOs and other business executives. These sessions educate students on both the challenges businesses face as well as on the personal dilemmas that individuals can confront. Overall, KUSOM’s goal is to acknowledge that in Nepal business students are privileged and that with the privilege comes responsibilities both to self and to country.

Management Education in Nepal: The Road Ahead

Perhaps the biggest challenge to management education in Nepal is the political instability created by the Maoist rebellion. Without doubt, this insurrection creates uncertainty for investors and operational instability for every business in the country (Asian Development Bank, 2003). The effects of the Maoist revolt trickle down and seep even into the classroom. With the constant threat and realization of national strikes (bandhs), universities are closed and education is halted. Continuity in learning is disrupted. In a nation that teeters on the brink of chaos, the normalcy of everyday living belies the apprehension that lies just beneath the surface. The Malaysian proverb serves

best here: “Just because the water is calm does not mean that there are not crocodiles underneath.”

On a smaller scale, Nepal may soon be experiencing market saturation for both MBA and EMBA programs. Nepal is a small country. The 2001 Census estimated the country’s total population at 23.21 million. Of that total, 1.1million live in Kathmandu, the primary market for MBA and EMBA programs. While no one knows the actual market size for management education, one can be assured that it is very small. With real growth averaging about 2.5% per annum, expanding and new business formation is relatively low. Thus, when new, private schools, like the Ace Institute of Management, enter the market, competitive pressure is placed on existing institutions. The challenge for schools like KUSOM is to maintain their competitive advantage in an increasingly competitive marketplace.

Lastly, at the Cancun Ministerial Trade Conference held September, 2003, Nepal’s accession into the World Trade Organization (WTO) was approved. This puts Nepal in line to be the WTO’s 148th member country. Clearly, competitive pressures on Nepal substantially increase with its entry into the WTO. As a partner in the global trading system, Nepali businesses will now have global opportunities for exports, but they also will face intense pressures to compete. Just as Nepali goods can flow out to world markets, products and services from the world can flow in. Sound strategic management, coupled with a global vision and a sound grounding in financial and operational decision making, become more important than ever. This, in turn, requires managers who can think globally, act locally and manage effectively. The need for

educated, professional managers in all sectors of the Nepali economy is now greater than ever. Management education in Nepal must continue to develop if it is to fulfill this need.

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