CHAPTER II

MANAGEMENT EDUCATION: An Overview

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Quality of Management Education in India
(A Case Study of B-Schools in Karnataka State)

Introduction

In the developed world, United States of America is a leader in the global management education market. Students from all over the world pursue MBA from B-Schools in USA. The system of education prevailing in USA is widely adopted by the B-Schools in the developing world. The AACSB is the accreditation agency for B-Schools in USA. With 1500 B-Schools (in 2005), USA has 80% share of the global management education market. Europe has 200 B-Schools, France with 100 B-Schools leads the management education market in Europe. EQUIS is the quality accreditation system followed in Europe. In the past decade, Asian B-Schools in China and Singapore have seen preference from all over the world, China has 1396 (in 2005) B-Schools. The trend in global management education has shifted from full time programmes to part time MBA programmes, distance-learning programmes and online programmes (Jenster, 2007). Indian management education is led by the Indian Institutes of Management (IIMs). In India, the growth in gross domestic product (GDP), technological development and growth in services sector since 2005 has fueled the demand for more B-Schools. Today, India has more than 1700 B-Schools and the state of Karnataka has 190 B-Schools.

2.1 Global Management Education

The global management education market is estimated to be US $22 billion (Friga, Bettis and Sullivan, 2003). It is growing at about 10-12 percent per annum. U.S.A is the largest market. About 900 American Universities offered a masters degree in business (Pfeffer and Fong 2002). The first school of business, the Ecole Superieure de Commerce of Paris, was established as a response to the need for more formal management training brought about by the Industrial Revolution. In 1884, the world’s first Bachelor of Finance degrees were granted by the newly formed Wharton School of Business at the University of Pennsylvania. By 1900, the Tuck School of Business at Dartmouth College had formed to grant the world’s first graduate business degrees. Management education program was started at Massachusetts Institute of Technology in
1931. The first batch of Harvard Business School graduates passed out in 1945. By 1980, the external environment of higher education institutions including B-Schools started changing in the U.S.A. higher education was facing the same challenges of the business world. Changing demographics, declining government support, rapidly changing technology, growing requirements of accountability by accrediting institutions and enhanced international competition for students, faculty and research support were the major challenges faced (Lozier and Teeter, 1996).

The University of Pennsylvania conducted a review of business education in 1931. The report stated that schools of business should establish a genuine discipline to be credible (Mc Farland, 1960).

In 1959, the Carnegie Foundation brought out a report on management education (Pierson, 1959). This report stated that schools of business have failed to identify and establish a genuine discipline characterized by its own body of subject matter, its own theoretical problems, its own research and its own methodologies. It suggested that sub-disciplines should grow, leading to specialization. Management faculties should not cling too closely to the historical traditions of the scientific management movement.

Many institutions in United States of America undertook various studies. The major loopholes identified by the Carnegie Foundation report were poor academic standards due to not academically qualified faculty, lack of clear mission and goals, poor admission records of students and generally low academic standards.

The Gordon and Howell report (1959) described American business education as “a collection of trade schools lacking a strong scientific foundation” (Zimmerman, 2001). Emphasis was laid on providing holistic education, combining generalist and specialist knowledge. Porter and Mc Kibbin (1988) noted that business school curricula were seen as too focused on analytics, with insufficient emphasis on problem finding as contrasted with problem solving and implementation (Leavitt, 1986).
"We have built a weird, almost unimaginable design for MBA-level education" that distorts those subjected to it into "critters with lopsided brains, icy hearts, and shrunken souls" (Leavitt, 1989)

Rehder (1982) predicted that, if business schools fail to adapt, business corporations would increasingly carry out their functions. A number of corporate universities have subsequently come up (Bowender and Rao, 2005). In 1982, AACSB and EFMD constituted a study known as “Managers for the XXI Century” which recommended seven major guidelines for management institutions. Institutions must develop experiential courses in creativity, managerial innovation and develop a close partnership with practicing managers (Bowender and Rao, 2005).

Two major studies were conducted in United Kingdom: the handy report and Constable and McCormick report. These reports highlighted the need for qualified staff and the importance of training, stressing on linking learning with individual and organizational goals. Friga, Bettis and Sullivan (2003) have chronicled the pattern of US B-School growth as depicted in Table 2.1.

The debate on the role of MBA restarted in US in 1990. (Hasan, 1993) reported that business schools chose increasingly to teach what they wish to, rather than what business organizations need. Nearly two decades of academic business school research had yielded little or no fundamental knowledge relevant for the management of contemporary or future business organizations. AACSB adopted new accreditation standards for both business and accounting programmes in 1991.
### TABLE 2.1
OVERVIEW OF THE MANAGEMENT EDUCATION VALUE CHAIN

<table>
<thead>
<tr>
<th>Knowledge</th>
<th>Corporate Based (Pre-1950s)</th>
<th>Faculty based (1950-1999)</th>
<th>Student Based (2000 &amp; beyond)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation Assimilation</td>
<td>• Business lessons</td>
<td>• Theoretical/empirical</td>
<td>• Modular units</td>
</tr>
<tr>
<td></td>
<td>• Professionals</td>
<td>• Ph. d faculty</td>
<td>• Mixed faculty</td>
</tr>
<tr>
<td>Geographic distribution</td>
<td>• Limited physical libraries</td>
<td>• Expanded mgmt. books/journals</td>
<td>• Digital libraries</td>
</tr>
<tr>
<td></td>
<td>• Local</td>
<td>• Regional/national</td>
<td>• Global</td>
</tr>
</tbody>
</table>

**Key events**

<table>
<thead>
<tr>
<th></th>
<th>Ford Foundation</th>
<th>Media rankings</th>
<th>Internet proliferation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Industrial Revolution</td>
<td>Electronic databases</td>
<td>Knowledge revolution</td>
</tr>
</tbody>
</table>

AACSB linked accreditation evaluation process for a school to its mission statement (Henninger, 1998\textsuperscript{13}). The standards required all programmes of a particular level to demonstrate comparable minimum levels of excellence in teaching, research and service. Though accreditation as a process was well received, AACSB faced a potential dilemma. If it continued its pace of accrediting MBA programmes, within 10 years two out of three programmes would be accredited.

Business schools were free to choose any mission they wanted as long as they documented the progress towards achieving the mission. Yunker proposes that AACSB should explicate the standards formally and then base the accreditations accordingly (Yunker, 2000\textsuperscript{14}). Yunker (2000), raises another issue, majority of improvement in teaching happens at individual level and the evidence is either undocumented or undocumentable. Yunker (2000) recommends that business schools may designate teaching as their primary mission, making teaching effectiveness rather than research productivity as their goal.

Accreditation has made business schools measure learning skills and this had led to continuous improvement. Research productivity has to be an essential element of accreditation as it will induce faculty to learn and evolve. One of the criticisms of accreditation process is that schools with client relationship and otherwise are not differentiated. It became evident that broad-basing accreditation, and creating levels within, may be the best mechanism for continuous improvement. Various levels of programmes should use different yardsticks such as teaching effectiveness, research productivity, client relationship and novelty of programmes (Bowender and Rao, 2005\textsuperscript{15}).

The importance of quality management education does not go unrecognized. For example, the Global Competitiveness Index, created annually by the World Economic Forum, includes as a variable the quality of a nation’s management schools. The World Bank also uses nations’ scores on this variable as a part of its Knowledge Assessment
Methodology (KAM), which helps nations identify means to transition to a knowledge-based economy\textsuperscript{16}.

According to Dr. Chakravarthy A\textsuperscript{17}: A business school is normally a university-level institution that teaches topics such as accounting, finance, marketing, organizational behavior, strategic planning, quantitative methods, etc. These include schools of "business", "business administration", and "management". It must also make students aware of application software such as ERP, POS, Simulation, SCM & logistics. In addition to this they must also get to learn of the actual running of an enterprise. A business School is an entity by it self and can not be run as a department of a technical school now. Business school must have a branding and that can come from the quality of teaching and their richness. The alumni bring prestige to the school. Placement is a sequel to quality of teaching staff and education provided in the school.

2.2 Management Education in India

In the last four decades India has emerged as a major centre of management education. In 1961, IIM Ahmedabad (IIMA) was started as an autonomous institute in collaboration with the state and central government. IIM Bangalore (IIMB) was started in 1973 to cater to the rising demand for managing the technical uprising in the country. In November 1961, in association with Alfred P. Sloan School of Management (MIT), the Ford Institute and the government of West Bengal IIM Calcutta (IIMC) was set up.

Indian institute of Management, Indore (IIMI) was established a decade ago. The fifth Indian Institute of Management was established in Kozhikode (IIMK) under the guidance laid down by the government of India and the state government of Kerela. IIM Lucknow (IIML) was started in 1981. Rajiv Gandhi Institute of Management Studies, Shillong started its’ first batch in 2008. In 2008, the official estimate of number of B-Schools in India was 1761.
The All India Council for Technical Education (AICTE) is entrusted with the responsibility of regulating, controlling and ensuring the quality of management education in the country. The formation of the National Board of Accreditation (NBA) and the number of workshops that it had organized have contributed substantially to widespread awareness and concern for quality in management education.

Indian B-Schools are broadly classified\(^\text{18}\) as:

1. Autonomous B-Schools which are affiliated to Ministry of HRD and AICTE such as Indian Institutes of Managements, Xavier’s Labour Relations Institute Jamshedpur, S P Jain Institute of Management and Research Mumbai, Xavier’s Institute of Management Bhubaneshwar, Fore School of Management, Delhi etc.

2. Management schools and departments in universities come under the purview of national university education system. They are regulated and monitored by University Grants Commission (UGC). Central Universities are monitored by UGC and state universities are monitored by state governments and partially by UGC.

3. University Affiliated Colleges are guided by University rules and regulations.

4. Private Universities sponsored by societies/ trusts/ corporate bodies are guided by UGC.
TABLE 2.2
STATE WIZE BREAK-UP OF NUMBER OF MANAGEMENT SCHOOLS IN INDIA

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>State</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>239</td>
<td>13.5</td>
</tr>
<tr>
<td>2</td>
<td>Bihar</td>
<td>14</td>
<td>.8</td>
</tr>
<tr>
<td>3</td>
<td>Delhi</td>
<td>60</td>
<td>3.4</td>
</tr>
<tr>
<td>4</td>
<td>Gujarat</td>
<td>50</td>
<td>2.8</td>
</tr>
<tr>
<td>5</td>
<td>Haryana</td>
<td>34</td>
<td>1.9</td>
</tr>
<tr>
<td>6</td>
<td>Karnataka</td>
<td>116</td>
<td>6.6</td>
</tr>
<tr>
<td>7</td>
<td>Kerala</td>
<td>247</td>
<td>14</td>
</tr>
<tr>
<td>8</td>
<td>Madhya Pradesh</td>
<td>51</td>
<td>2.9</td>
</tr>
<tr>
<td>9</td>
<td>Maharashtra</td>
<td>202</td>
<td>11.5</td>
</tr>
<tr>
<td>10</td>
<td>Orissa</td>
<td>247</td>
<td>14</td>
</tr>
<tr>
<td>11</td>
<td>Punjab</td>
<td>25</td>
<td>1.4</td>
</tr>
<tr>
<td>12</td>
<td>Rajasthan</td>
<td>56</td>
<td>3.2</td>
</tr>
<tr>
<td>13</td>
<td>Tamil Nadu</td>
<td>139</td>
<td>7.9</td>
</tr>
<tr>
<td>14</td>
<td>Uttar Pradesh</td>
<td>181</td>
<td>10.9</td>
</tr>
<tr>
<td>15</td>
<td>Uttarakhand</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>16</td>
<td>West Bengal</td>
<td>47</td>
<td>2.9</td>
</tr>
<tr>
<td>17</td>
<td>Others</td>
<td>35</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1761</td>
<td>100</td>
</tr>
</tbody>
</table>

Others: Himachal Pradesh, Assam, Chattisgarh, Jammu & Kashmir, Jharkhand, Manipur, Meghalaya, Goa

TABLE 2.3
GROWTH OF B-SCHOOLS IN INDIA FROM 1950-2006

<table>
<thead>
<tr>
<th>Period</th>
<th>No. of B-Schools added</th>
<th>Average annual addition</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1950-1995)</td>
<td>118</td>
<td>4</td>
</tr>
<tr>
<td>30 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1980-1995)</td>
<td>304</td>
<td>20</td>
</tr>
<tr>
<td>15 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1995-2000)</td>
<td>322</td>
<td>64</td>
</tr>
<tr>
<td>5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2000-2006)</td>
<td>1017*</td>
<td>169*</td>
</tr>
<tr>
<td>6 years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


NB: The figures attributed for 2000-2006 is estimation from current data and therefore shown with an asterisk (*)

There appears to be a correlation between the number of schools in a state and its economic and industrial development. The regional imbalances in development and the creation of capacity for management education in the state are probably related.

2.3 Management Education in Karnataka

Management education in Karnataka is spearheaded by the Indian Institute of Management, Bangalore. The first management program was started by Karnataka University, Dharwad in 1973. Karnataka is a preferred destination for students from all over India for higher education courses such as medicine, engineering, and management.

In 2005, Karnataka had 7 University department programs, 75 Private Colleges affiliated to universities, 16 Autonomous B-Schools (AICTE list, 2006). In 2007, Karnataka had a total estimated number of 116 B-Schools (NKC report). In 2008,
Karnataka had 20 University Departments offering MBA from 8 Universities. There are 137 Private Colleges Affiliated to Universities (PGCET cell, August 2008). An estimated number of 25 Autonomous B-Schools and 5 Deemed/ Private Universities. The total number institutions offering MBA degree are 187.

The autonomous institute (funded by central government) which is in the forefront of management education in Karnataka is IIM Bangalore. There are other leading private B-Schools such as Xavier’s Institute of Entrepreneurship, Bangalore, Alliance Business Academy, Bangalore, T.A. Pai Management Institute, Manipal, SDM Institute of Management Development, Mysore etc.

The different universities offering MBA programmes are Kausali Institute of Management Studies, Karnataka University, Dharwad, B. N. Bahadur Institute of Management Studies, University of Mysore, The Canara Bank School of Management, Bangalore University, Department of Business Administration, Mangalore, Department of Management Studies, Gulbarga University, Department of Management, Visvesvaraya Technological University, Belgaum, Post Graduate Centre for Management and Research, Davangere, Kuvempu Univesity, Department of Business Administration, Tumkur University, and Department of Business Administration, Karnataka State Women University, Bijapur.

There are many Private Colleges Affiliated to Universities such as M.S. Ramaiah Institute of Technology Bangalore, Bapuji Institute of Technology, Davangere, MSM Annie Besant Institute of PG Studies, Mangalore etc.

There are Private Deemed Universities offering MBA programmes such as Christ University, ICFAI University, Jyothi Nivas University etc.
2.4 Factors Responsible for Growth of B-Schools

According to Dr. Ashutosh Priya (2006)\textsuperscript{19}, there are various reasons for the tremendous growth of B-Schools in India. There have been fundamental and irreversible changes in the economy, government policies, outlook of business and industry, and in the mindset of the Indians in general.

- From a shortage economy of food and foreign exchange, India has now become a surplus one.
- From an agro-based economy, India has emerged as a service oriented one.
- From the low-growth of the past, the economy has become a high-growth one in the long-term.
- Having been an aid recipient, India is now joining the aid givers club.
- Although India was late and slow in modernization of industry in general in the past, it is now a front-runner in the emerging Knowledge based New Economy
- The Government is continuing its reform and liberalization not out of compulsion but out of conviction.
- Indian companies are no longer afraid of Multinational Companies. They have become globally competitive and many of them have become MNCs themselves.
- Indian management graduates no longer queue up for safe government jobs. They prefer and enjoy the challenges and risks of becoming entrepreneurs and global players in the emerging private sectors.

Stable country and institutions

- India being a largest democracy with stable, mature, vibrant and exemplary democratic governance and institutions, boasts lots of quality B-Schools attracting intellectual students in large numbers every year.
- Possess strong and transparent legal and accounting system.
- There are numerous watchful and proactive NGOs.
• Free, vocal, alert and quality media. India has 5600 dailies with a combined circulation of 60 million, nearly 15000 weeklies and 20000 periodicals in 21 regional languages.

• Legal protection for intellectual property rights

**Consumer market**

• Large and growing market of 1 billion people out of which 300 million are middle class consumers.

• India offers a vibrant market of youth and vigor with 54% of population below 25 years of age. These young people will work harder, earn more and demand more from the market and thereby sustaining growth in the long-term.

• Every month, there is an addition of one million cell phone subscribers. By December 2005, the total number is expected to reach 100 million. The domestic demand is expected to double over the ten-year period from 1998 to 2007. The number of households with "high income" is expected to increase by 60% in the next four years to 44 million households.

**Economy**

• India is a fastest growing economy that the developed nations always looking the country as a best global market to market the products. The fundamentals of the Indian economy have become strong and sustainable. The macro-economic indicators are at present the best in the history of independent India with high growth, foreign exchange reserves, and foreign investment and robust increase in exports and low inflation and interest rates.

• India is the second fastest growing economy of the world at present. A unique feature of the transition of the Indian economy has been high growth with stability. The Indian economy has proved its strength and resilience when there have been crises in other parts of the world including Asia in recent years.
The interest rate continues to be reduced and is around 6%. This is the lowest in the last thirty years and this is stimulating consumption and investment.

Agriculture

- India is one of the world's largest food producers (600 million tones).
- India is world's largest producer of milk, sugarcane and tea.
- India is world’s second largest exporter of rice, wheat, fruits, and vegetables. India produces 30 million tones of fruits and 59 million tones of vegetables.

Industry

- India has a diversified and large industrial base, which is becoming globally competitive. Examples, Tata Steel and NALCO are the lowest cost manufacturers of steel and aluminium in the world. Moser Baer is one of the top three manufacturers of CD ROMS in the world. Bharat Forge is one of the leading suppliers to auto giants, such as Ford, General Motors, and Toyota.
- The Indian companies have drawn up ambitious plans for expanding and diversifying their manufacturing activities with about 12 billion dollars in the next three years. Most of the companies have been able to generate the funds from their own operations. The areas whose output is being scaled up are automobiles, auto parts, metals, chemicals, pharmaceuticals and electronics.
- Some of the Indian companies have gone global with presence in 60 countries, including USA, Europe and China. India is one of the top ten producers of bulk drugs in the world and 60% of India's bulk drugs production is exported. India has the highest number of annual bulk drugs filings (77) with USFDA. India is home to the largest number of pharmaceutical plants (61) approved by USFDA outside US.
- The chemical industry is becoming competitive and has very high growth potential for production for local market as well as exports. Bayer AG, the
German chemical and pharmaceutical company has identified India as the outsourcing hub for basic and specialty chemicals.

- There are 150 biotechnology companies whose business is growing exponentially
- The auto parts industry has emerged as one of the country's fastest-growing manufacturing sectors; this is expected to reach US$ 8 billion in 2006. 'Bharat Forge' of India is the world's largest manufacturer of front axles for trucks. India has emerged as an outsourcing center for auto parts. Visteon and Delphi, the world's largest component manufacturers have entered India for production. Toyota is opening a transmission parts unit in India. Volvo and GM have set up purchasing offices.
- India is the second largest cement producer in the world with 110 million tons.
- India is the world's premier center for diamond cutting and polishing.
- India has a large entertainment industry, which produces more than 1,000 movies per year overshadowing Hollywood.

The growth of Indian industry and growth in management education are interrelated. Considering all the parameters, definitely the trend will continue in the near future. At the same time, certain issues also plague management education in India. According to Prof. Indranil Bose:

- Poor coverage of Indian business & socio-economic environment with less global perspective
- More emphasis on theoretical aspects
- Use of out-dated case-material
- Least institute-industry linkage
- Lack of research base
- Poor admission procedure
- Inadequacy of resources & infrastructure
- Old pedagogy
- Traditional evaluation system
The National Knowledge Commission report (2007) notes “The present system of over-regulation based on inputs has resulted in a very uneven situation. There are several instances where an engineering college or a business school is approved, promptly, in a small house of a metropolitan suburb without the requisite teachers, infrastructure or facilities, but established universities experience difficulties in obtaining similar approvals. The regulatory framework and implementation has been unable to link the entrepreneurial initiative to performance in terms of educational quality. It has a control perspective focusing on inputs such as land, faculty, and other infrastructure rather than on the outcomes such as quality of education, research, access, cost effectiveness or relevance.

Because of the concerns with respect to different areas of management education, the future of all the B-Schools does not seem to be very bright. Currently, there is an upward trend as management education is in a rapid growth phase. As the market consolidates, B-Schools offering low quality education will have to face stiff competition from better Indian B-Schools and from foreign B-Schools. The Government of India has taken very positive steps in the direction of assuring quality business education.

The recommendations of Knowledge Commission Report (2007) have to be implemented as early as possible. In Karnataka, the director of National Institute of Advanced Studies, K Kasturirangan, will now head the Karnataka Knowledge Commission, the body that suggests ways to improve quality of higher education. With the right quality assurance mechanism in place, management education in India and Karnataka will grow and sustain in the changing market scenario.
Conclusion

Management education has witnessed tremendous growth all over the world. US B-Schools are the most sought after programmes for MBA aspirants. US has the largest number of foreign students pursuing MBA. The European B-Schools such as London Business School, INSEAD etc are preferred by international students. B-Schools in India have grown significantly since 2000 onwards. More than 2 lac students appeared for the Common Admission Test conducted by the IIMs in 2008. Kerala, Orissa and Andra Pradesh have the highest number of B-Schools. There were more than 1700 B-Schools (in 2008) in India, 187 in Karnataka (in 2008). The B-School education sector is growing rapidly both in the world and in India.
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Endnotes


11 Ibid 09.


15 Ibid 09.


