4.1 INTRODUCTION OF PUNE CITY

The name Pune is derived from Modi Punyanagari (City of Virtue). The oldest reference to this name was found on a Rashtrakuta Dynasty copper plate dated 937 B.C.E., which refers to the town as PunyaVishaya or Poonak-Vishaya. By the 13th century, it had come to be known as Punawadi.

Pune district is situated in western part of the Maharashtra state. It contains the large Metro city of Pune and also another city of Pimpri - Chinchwad. It has Thane district to the northwest, Raigad to the west, Satara district to the south, Solapur district to the southeast and Ahmednagar district to the north and northeast. Pune district lies in the Western Ghat or Sahyadri Mountain range and it extends on to the Deccan Plateau on the west. It has 3 large defence Cantonments, namely Pune Board, Khadki Cantonment Board and Dehu Road Cantonment Board. It was originally situated 560 metres (1,837 feet) above sea level on the Deccan Plateau at the right bank of the Mutha river. Pune city is the administrative headquarter of Pune district and was once the centre of power of the Maratha Empire.

At present Pune is the 7th ranking industrial metro of India and the second most industrialized city of the state. The administrative office of Pune district is situated at Pune. It is around 192 kilometres to Mumbai and is situated on Mumbai Bangalore National Highway. Pune is having the population of 7,232,555 of which 58.08 per cent were urban as per the census of 2001.

Pune or Punyanagari has a glorious past of nearly 600 years. It is the cultural capital of Maharashtra state. It has a long-standing historical background. It is the home place to the legendary Chhatrapati Shivaji Maharaj and the Peshwas who were powerful and influential personalities during the age of East India Company. Shivaji Maharaj has also founded the Kasba peth
temple, which is today in the heart of the city. It is known to have existed as a town since 847 AD. In the 18th century, Pune became the political centre of Indian subcontinent, as the seat of Peshwas, the Maratha empire’s prime ministers.

Geographically the Pune district is admeasuring 15642 sq. km, which is approximately 5 per cent of Maharashtra state. Junnar, Ambegoan, Maval, Mulshi, Velhe, Bhor blocks are situated in hilly areas, other blocks are in plain areas. The soil in the district is brown in hilly area and black in plain area. There are several major and minor rivers in Pune district such as Bhima river, Mutha river, Mula river, Pavna river, Sina river, Nira river etc. The magnificent forts in Pune are an evidence of the historical past of this city which includes Sinhgad, Rajgadh, Torna, Shivneri, Chakan, Tungi, Tikona, Visapur etc. There are many tourist spots in the district, which attracts a large number of visitors. Khandala and Lonavala are the well known hill stations.

Pune city is also known as the Oxford of India for it has many educational and research institutions apart from other institutions for sports, yoga, ayurveda, culture and social services. A large number of students all over India and outside India are attracted for learning in Pune university which is world wise known. In this university arts, commerce, science, medical, engineering, computer, and other degree / post degree courses are available. Pune has more than a hundred educational institutes and nine universities, where students from all over the world are studying at the colleges of the university of Pune. Pune has a large student population, and a large number of quality academic and research institutes.

Apart from this university there is also Bharati Vidyapeeth and Tilak Maharashtra Vidyapeeth which besides providing education, also provides medical facility for rural area through their medical college and hospital. Pune is also the largest centre for Japanese learning in India. Other languages including German (taught at the Max Muller Bhavan) and French (at the Alliance Francaise de Pune) are popular in the city. Symbiosis International University, which operates 33 colleges and institutions in the city, includes
colleges like Symbiosis Institute of Business Management, Symbiosis Centre for Management and Human Resource Development etc.\textsuperscript{16} Besides that ILS Law college is one of the top ten law schools in India.\textsuperscript{17} Pune is home to some of India’s important research institutes. Some of the major research centres are:

- National Chemical Laboratory (NCL) : one of the leading chemical research establishments in India.
- Indian Institute of Science Education and Research, Pune (IISER, Pune)
- Inter-University Centre for Astronomy & Astrophysics (IUCCA)
- Centre for Development of Advanced Computing (C-DAC)
- Electronics Test and Development Centre (ETDC) : under the STQC directorate, it is a leading testing and certification centre.\textsuperscript{18}

Pune has a booming economy too. It also has a big stadium built up for Asian Games in Balewadi of Pune city. IT park is also situated in Hinjawadi. There are two industrial estates in the outskirts of Pune developed by the Maharashtra Industrial Development Corporation (MIDC). A large number of Indian industry giants and MNC’s have set up their base in Pune. These include companies like Bajaj Auto, TELCO, Philips India, Kirloskar Cummins, Mahindra And Mahindra, Mercedes Benz India Ltd\textsuperscript{19}. The emergence of industrial Pune began in the early 1960s, with mechanical engineering industries arriving. Pune’s proximity to Mumbai, good climate and availability of talent made it a destination for large firms like Tata Motors, Buckau wolf (Thyssen Krupp now), KSB Pumps, Hindustan Antibiotics and several others\textsuperscript{20}. Pune has also emerged as a software industries hub. Many of the leading Indian software companies have their presence in Pune. These include companies like Infosys, Tech Mahindra, Wipro, Patni, Persistent Systems etc. Moreover, the BPO industry is also booming with many leading Indian names and MNC’s registering their presence in Pune.

Today Pune is the largest hub in India for German companies. According to the Indo- German Chamber of Commerce, Pune has been the
single largest hub for German companies for the last 60 years. Over 225 German companies have set up their businesses here. It is also one of India’s most important automotive hubs, with some domestic and international auto giants manufacturing here, including MTUFN, Daimler Benz and Volkswagen.\textsuperscript{21}

4.2 INTRODUCTION OF BUSINESS SCHOOLS

The Government of India has liberalized the business education in 1990s, which has resulted in a rapid growth of business schools offering the programmes both at graduate & undergraduate levels. Indian business schools are almost a replica of US business education particularly in the area of pedagogy, curricula, industry interface and academic research models, but it is observed that Indian business schools are struggling hard to introduce several adaptations because of differences in the work culture system. Owing to the intense competition at the global level, lot of changes are taking place in the industries. In turn there is a need to make the changes in the business education system all over the world. India is no exception to it; but the pace is very slow. Now time has come to take a detailed review and to investigate the various challenges and issues which are being faced by these business schools for enhancing the quality of management education in the country.\textsuperscript{22}

4.2.1 Defining Business School

1. Business school is a school or college which teaches business subjects such as economics and management.\textsuperscript{23}

2. Education facility that specializes in the teaching of material relevant to businesses or business services. Business schools usually offer a variety of different business programs, which a person will choose based on the field that the student would like to specialise in once he or she graduates.\textsuperscript{24}
Research Comment

Business schools are those schools which emphasis on educating business-related courses from undergraduate degrees to postdoctoral programs, specially offering Master of Business Administration (MBA) so that a person can learn about operating and managing a business.

4.2.2 Historical Context of Business Schools in India

Business education has a long history in India dating back to the 19th century. Early business schools were focused on the commercial side of business, seeking to fulfil 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.

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. 25

4.2.3 Overview of Business Schools in India

There are more than 1800 plus business schools in the country. Since the dawn of the new millennium, a large number of universities and colleges from not just the US and UK but also from Australia, Ireland, Canada, Russia, France, Germany, and Singapore have been very active in India.

The following table shows a growth of business schools in the country since 55 years.

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Period</th>
<th>No. of Business Schools Added</th>
<th>Average Annual Addition</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>1950-1980-30 years</td>
<td>118</td>
<td>04</td>
</tr>
<tr>
<td>02</td>
<td>1980-1995-15 years</td>
<td>304</td>
<td>20</td>
</tr>
<tr>
<td>03</td>
<td>1995-2000-05 years</td>
<td>322</td>
<td>64</td>
</tr>
<tr>
<td>04</td>
<td>2000-2006-06 years</td>
<td>1017</td>
<td>169</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1761</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Table No. 4.2

**Growth of Business Schools in India During 2006-2012**

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Year</th>
<th>Management Institutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>2006-2007</td>
<td>1132</td>
</tr>
<tr>
<td>02.</td>
<td>2007-2008</td>
<td>1149</td>
</tr>
<tr>
<td>03.</td>
<td>2008-2009</td>
<td>1523</td>
</tr>
<tr>
<td>04.</td>
<td>2009-2010</td>
<td>1940</td>
</tr>
<tr>
<td>05.</td>
<td>2010-2011</td>
<td>2262</td>
</tr>
<tr>
<td>06.</td>
<td>2011-2012</td>
<td>2385</td>
</tr>
<tr>
<td>07.</td>
<td>2012-2013</td>
<td>2450</td>
</tr>
</tbody>
</table>


Business education in India is in the phase of change. The two current developments sweeping India, namely liberalization & globalization have led a considerable impact on management education. The spread over of business schools in different states of India is depicted in the following table.

### Table No. 4.3

**State-Wise Distribution of Business Schools in India**

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>State</th>
<th>No. of Business Schools</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Andhra Pradesh</td>
<td>239</td>
<td>13.5</td>
</tr>
<tr>
<td>02.</td>
<td>Bihar</td>
<td>14</td>
<td>0.8</td>
</tr>
<tr>
<td>03.</td>
<td>Delhi</td>
<td>60</td>
<td>3.4</td>
</tr>
<tr>
<td>04.</td>
<td>Gujarat</td>
<td>50</td>
<td>2.8</td>
</tr>
<tr>
<td>05.</td>
<td>Haryana</td>
<td>34</td>
<td>1.9</td>
</tr>
<tr>
<td>06.</td>
<td>Karnataka</td>
<td>116</td>
<td>6.6</td>
</tr>
<tr>
<td>07.</td>
<td>Kerala</td>
<td>247</td>
<td>14.0</td>
</tr>
<tr>
<td>08.</td>
<td>Madhya Pradesh</td>
<td>51</td>
<td>2.9</td>
</tr>
<tr>
<td>09.</td>
<td>Maharashtra</td>
<td>202</td>
<td>11.5</td>
</tr>
<tr>
<td>10.</td>
<td>Orissa</td>
<td>247</td>
<td>14.0</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>1.0</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><strong>Total</strong></td>
<td></td>
<td><strong>1761</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Others: Himachal Pradesh, Assam, Chhattisgarh, Jammu & Kashmir, Manipur, Meghalaya, Goa.

*Source: AICTE Hand Book, Year 2006 - 2007.27*
Table No. 4.4
India Business School Ranking in 2002*

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Name of the Institute</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Indian Institute of Management Ahmedabad</td>
<td>I</td>
</tr>
<tr>
<td>02.</td>
<td>Indian Institute of Management Bangalore</td>
<td>II</td>
</tr>
<tr>
<td>03.</td>
<td>Indian Institute of Management Calcutta</td>
<td>III</td>
</tr>
<tr>
<td>04.</td>
<td>Fore School of Management Delhi</td>
<td>IV</td>
</tr>
<tr>
<td>05.</td>
<td>XLRI Jamshedpur</td>
<td>V</td>
</tr>
<tr>
<td>06.</td>
<td>NITIE Mumbai</td>
<td>VI</td>
</tr>
<tr>
<td>07.</td>
<td>Jamnalal Bajaj Institute Mumbai</td>
<td>VII</td>
</tr>
<tr>
<td>08.</td>
<td>Indian Institute of Management Indore</td>
<td>VIII</td>
</tr>
<tr>
<td>09.</td>
<td>Indian Institute of Management Kozhikode</td>
<td>IX</td>
</tr>
<tr>
<td>10.</td>
<td>S P Jain Institute Mumbai</td>
<td>X</td>
</tr>
</tbody>
</table>


*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.*

Table No. 4.5
Growth of Intake in AICTE- Approved Institutions in the last 6 Years

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Year</th>
<th>Management Institutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>2006-2007</td>
<td>94704</td>
</tr>
<tr>
<td>02.</td>
<td>2007-2008</td>
<td>121867</td>
</tr>
<tr>
<td>03.</td>
<td>2008-2009</td>
<td>149555</td>
</tr>
<tr>
<td>04.</td>
<td>2009-2010</td>
<td>179561</td>
</tr>
<tr>
<td>05.</td>
<td>2010-2011</td>
<td>277811</td>
</tr>
<tr>
<td>06.</td>
<td>2011-2012</td>
<td>352571</td>
</tr>
<tr>
<td>07.</td>
<td>2012-2013</td>
<td>385008</td>
</tr>
</tbody>
</table>


The above statistics reflect that the growth of management institutes increases every year.

4.2.4 Overview of Business Schools in Pune City

Government within our country and the government outside like the US have led different perspectives in the due course of time. Many business
schools have been prospered with numerous courses within Pune city, but management education in Pune is a dream to nurture because of two main reasons:

1) Pune is the Oxford of the east. It is a place where almost every third person is a student within age group of 18-30. That makes the city vibrant, joyful, and conducive for further education.

2) Big business schools like SIIB, are fostering numerous industry aligned courses, which are researched and creates a value add to a student who wants to leap into managerial position within a blue chip firm.30

The following table shows the number of Management Institutes in Pune district.

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Year</th>
<th>No. Of Institutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>2008-2009</td>
<td>159^31</td>
</tr>
<tr>
<td>02.</td>
<td>2009-2010</td>
<td>187^32</td>
</tr>
<tr>
<td>03.</td>
<td>2010-2011</td>
<td>187^33</td>
</tr>
</tbody>
</table>


4.3 CURRENT STATUS OF TEACHING STAFF IN BUSINESS SCHOOLS

Identifying quality teachers for management institutions is a challenge today. Quality teachers include many aspects. The question is whether all the aspects can be build up in one teacher. The role of business schools is to create quality teachers with the available teachers. Teachers who are keenly interested in the teaching profession join management institutes, and as freshers they can be groomed, given a chance to participate in different academic activities and get trained to become the best teacher in a particular subject. The supply of quality teachers in the market is low in comparison with the other professions. And so identifying the teaching ability within the
faculty, grooming it and making expertise in a particular field should be addressed by management institutions. ³⁴

Presently the teaching staff in the business schools are prepared on a trial & error basis at the cost of present generation of students who are the real sufferers. Recently, AICTE had informed to business schools to depute their faculty members to undergo Faculty Development Programmes at the selected few centres but it is too inadequate. That will require another 5-10 years period to get the trained manpower with this system. Again the FDP programs which are implemented at the institutional level are also not adequate and rich in their quality. As a part of formality and conditions of the AICTE this activity is being implemented. In fact, this scheme must be implemented at the regional levels throughout the country with the help of top ranking business schools.³⁵

It has also been found that majority of teaching staff of business schools do not have a Ph.D, they have only an MBA or equivalent degree, usually with several years of industry experience. Moreover, often the full-time faculty frequently teach the core courses that are front-loaded into the program which makes the faculty development initiatives quite difficult.³⁶

4.4 ROLE OF HRM IN BUSINESS SCHOOLS

In an era of globalization and unprecedented competition, this is the time to think how business schools can gear up and reinvest themselves to become centres of excellence other than merely focussing on running yet another business school. Management problems always turn out to be people’s problems. The importance of human resource management (HRM) especially in a field where employees bring with them a wealth of knowledge is quite remarkable. Business schools too, in order to become winners in the globally competitive world, need to acquire, develop, motivate and retain the most talented faculty for which human resource management (HRM) practices are imperative. HRM in business schools covers varied dimensions and nuances of HR in business schools in a lucid manner and provides an opportunity to
know the vital role, HRM plays in shaping the competitiveness of business schools to become centres of excellence. The breadth of the themes of HRM is required to offer profound and practical insights to transform HRM practices in business schools.

A phenomenal growth in the number and size of business schools has thrown up a stiff challenge of acute scarcity of quality teaching faculty who are woefully short of impact research. Widening the gap between classroom theory and boardroom practice, escalating competition among business schools vying for top slots, etc., are other challenges business schools must address. Hence, an unique approach to HRM practices in business schools is utmost required, which can provide a systematic account of uniqueness of management education from both faculty and student perspective, array of HR strategies pursued to attract, develop, compensate, enhance performance and retain the faculty and the challenges management institutions are poised to face. In addition, an incisive analysis of resource based view of the institutions on the basis of prestigious business schools of the country is required.

The analysis of a distinct and multifaceted view of a management teacher deserves a great mention. While presenting the uniqueness of management education from both students’ and faculty’s view, it is required to make a wide range of prescriptions to enhance and multiply the calibre of faculty and the practices that can attract, develop, motivate, and retain them. A remarkable observation about HR professionals being at the helm of institutional operations and strategy, diversity of workforce, lifelong learning, corporate-like academic environment to inspire learning, performance management as an engine to drive performance, high-impact recruiting practices, sense of mission and goal for institutions, adapting the curriculum to dynamic needs, inculcating soft skills among students, intense focus on quality among faculty, ethical contribution of business schools, etc., are to be determined.

Management education can play an effective role in Indian economy if it can develop student potential by revamping their HRM practices and putting
them to deliberate practice to fulfil stated objectives. Better understanding about each function of HRM in business schools is the key factor. Only then it is possible to prepare an action plan to apply the same in a business school and to offer insights, expositions and discussions on critical issues like retention, leadership and governance and offer profound and practical insights on HRM in business schools. The practical guidelines and illustrations to guide those who want to adapt such practices can be thoughtfully prepared. Attracting and finding a faculty with the right attitude and the right abilities depends on whether the business schools has a comprehensive manpower plan in place and how methodically it puts it to practice, and the efficacy of the plan depends on the validity of the methods followed. “Recruitment and Selection” presents an overview of manpower planning for business schools and elaborately discusses the composition of selection committee, parameters for selection.

Moreover, training and practice are vital components in the creation of excellence. “Training” deals with the need analysis of the faculty at various stages of teaching and identification of appropriate training and methods to impart required learning. “Research and Consultancy” provide insights to stimulate and ensure capacity building among the faculty to take up quality research and consultancy assignments with attractive compensation policies to sustain them.

4.5 MODELS OF HUMAN RESOURCE MANAGEMENT

Various models of HRM have been developed from time to time by different teams of the researchers. All these models have helped the HR practitioner to effectively manage the human resources. Some of the important models are given below:

4.5.1 Harvard Model

This model works as a strategic map to guide all managers in their relations with employees and concentrates on the human or soft aspect of HRM. It strives at employee commitment not control. It also works on the
premise that employees needed to be congruent, competent and cost effective.\textsuperscript{38}

### 4.5.2 Michigan Model

This model focuses on hard HRM. It holds that people should be managed like any other hard HRM. It holds that people should be managed like any other resources and so obtained cheaply, used sparingly, developed and exploited fully. According to this model, selection, appraisal, development and rewards were geared towards organizational performance.\textsuperscript{39}

### 4.5.3 Guest Model

It works on the premise that a set of integrated HRM practices will result to superior individual and organizational performance. It holds that HRM strategies like differentiation, innovation, the focus on quality and cost reduction will lead to practices like better training, appraisal, selection, rewards, job designs, involvement, and security leading to more quality outcomes, commitment and flexibility.\textsuperscript{40}

### 4.5.4 Warwick Model

It was developed by Hendry and Pettigrew (1990) at centre for strategy and change. It emphasizes on analytical approach to HRM. It also recognizes the impact of the role of the personnel functions on the human resource strategy content.\textsuperscript{41}

### 4.6 HRM PRACTICES AND OTHER VARIABLES

HRM practice directly or indirectly affects several other variables in the organization. Following relationships are as follows:

#### 4.6.1 HRM Practices and Job Satisfaction

HRM practices also affect the level of job satisfaction of the employees. Petrescu and Simmons (2008) examined the relationship between HRM practices and workers overall job satisfaction and their satisfaction with
pay. The result indicated that several HRM practices raise workers overall job satisfaction and their satisfaction with pay.42

4.6.2 HRM Practices and Effective Management of Employees

Tripathy and Tripathy (2008) found that the majority of IT companies sampled, institute such HRM practices that are complex in nature and a majority of the IT companies do follow such HRM practices which can be termed as adaptive in nature. They suggested that offering job plus education referral recruitment, online and open house tests (in case of recruitment and selection), flexible training choice, skills and project centric training (in case of training and development) and lastly, transparent appraisal systems, above average salary, more non-salary benefits, flexi timing and opportunity for growth are some of the selective practices which, if followed with rigor, would help managing enhance human resources of an IT company.43

4.6.3 HRM Practices and Employees Productivity

Some studies show that certain HRM practices, such as working in teams, greater discretion and autonomy in the workplace and various employee involvement and pay schemes, do motivate workers and generate higher labour productivity.44 Employees involvement in terms of delegation of responsibility and systems of collecting proposals from employees may have a positive impact on productivity.45 Cross functional teams, job rotation, quality circles and integration of functions may all contribute positively to labour productivity. 46

4.6.4 HRM Practices and Growth and Innovations

Panayotopoulou and Papalexandris (2004) found that HRM has a more significant influence on growth / innovation indices as opposed to financial performance.47 Li Y., Zhao Y. and Liu Y., (2006) examined the relationship between HRM, technology innovation and performance in China and found that employee training, immaterial motivation and process control have positive effects on technological innovation, while material motivation and outcome control have a negative influence on technological innovation. It is
also found that technological innovation is positively related with performance. 48

4.6.5 HRM Practices and Employee Commitment

Smeenk et al. (2006) examined the factors which affect organizational commitment among Dutch university employees in two faculties with different academic identities. The analysis of data reveals that in the separatist faculty decentralization, compensation, training/development, positional tenure and career mobility have significant effects. Age, organizational tenure, level of autonomy, working hours, social involvement and personal importance significantly affect the employees’ organizational commitment in the hegemonist faculty, participation, social interactions and job level are factors that are important in both faculties. 49

4.6.6 HRM Practices and Effective Utilization of Employees

Bailey (1993) presented an argument for the application of promoting HRM practices on the grounds that human resources are frequently underutilized. Employees often perform below their potential. Bailey points out that HRM practices may have an influence on employee skills and motivation.

HRM practices influence employee skills through the acquisition and development of a firm's human capital. Recruiting procedures and selection regimes will have an influence over the quality and type of skills new employees possess. 50

4.6.7 HRM Practices and Organizational Performance

HRM practices enhance organizational performance. Rondeau and Wager (2001) examined the relationship between HRM practices, workplace climate and perceptions of organizational performance, in a large sample of Canadian nursing homes and found that nursing homes, which had implemented more progressive HRM practices and which reported a workplace climate that strongly valued employee participation, empowerment and accountability tended to be perceived to generally perform better on a
number of valued organizational outcomes. Joseph & Dia (2009) found that there are significant connections between HRM practices and firm performance; that the strategic alignment of HRM is also a driver for firm performance.

4.6.8 HRM Practices and Employee Intention to Leave

Employee turnover is a major challenge for the organization but the companies implementing effective HRM practices can reduce the rate of the employee turnover. Abeysekera (2007) empirically evaluated six HR practices (realistic job information, job analysis, work family balance, career development, compensation and supervisor support) and their likely impact on marketing executives intention to leave (MEIL) in the Sri Lankan leasing companies. The result indicated job information variables were negatively and significantly correlated with MEIL. The work family balance was not negatively correlated with MEIL. Results of regressing the HR practices on MEIL showed that compensation and job analysis are strong predictors of MEIL.

4.6.9 HRM Practices And Financial Performance

Huselid (1995) conducted a study to evaluate the link between systems of high performance work practices and firm performance and found that these practices have a statistically significant impact on intermediate employee outcomes (turnover and productivity) and short and long term measures of corporate financial performance.

4.7 CHALLENGES FACED BY BUSINESS SCHOOLS IN INDIA

In India management education is still facing number of challenges which are as below:

1. Though, India produces a large number of graduates perhaps next to U.S. But still a scholarly debate on curriculum pedagogy and innovation is negligible.
2. Most institutes depend on curricula and materials developed elsewhere and have not developed an intrinsic capacity to respond and evolve to changing needs of various sectors of industry.

3. Many institutions still are unable to fulfill the mandatory changes imposed on them, such as upgrading of the curriculum by the universities or the board of management studies.

4. Business schools in India are today estimated to be graduating approximately one lakh plus students annually. However, what proportion of the total requirement will be for the increasing more expensive graduates in management and what proportion would be for the less expensive lower levels of managers is not yet clear. Again there is a need to raise the number from the current level of 1 lac plus managers to about 3 lacs plus managers a year over the next 10 - 15 years.

5. With the opening up of trade and cross border movement of goods and services, the country needs a paradigm shift in management education and management training for working professionals.

6. Presently, business education is treated as sub-department of engineering by AICTE rather than recognizing that management itself. The working group recommends a fully autonomous governing councils for management education.

4.8 ISSUES AND CONCERNS OF BUSINESS SCHOOLS

Though the number of committees on management education have suggested improvements. Still there have been no significant changes in management education except in the top ranking business schools. Now the time has come to examine the major issues that need to be addressed if at all management education has to improve in India, so as the present managers can
respond to the challenges of global competition. Following are the major issues

4.8.1 Ensure Quality Faculty

Owing to the sanction of large number of business schools through AICTE resulted into shortages of qualified faculty. At present number of faculty members are without Ph.D & research background. In fact, at the university level UGC expects either Ph.D or NET/SET as an essential qualification in the selection process at college or University level. But due to shortages of faculty in management only a master’s degree is enough to become a faculty member in the business schools. In selection process industry experiences has given a special weightage but due to shortages of faculty, the industry experience is also not being judged properly in number of cases. Moreover AICTE has no machinery to develop & train the faculty to teach management courses with an applied basis. It is also observed that some of the institutions either engage part-time faculty or appoint them on contractual basis where they have a little involvement either with the institution or with the students.

Newly joined faculty members adopt only lecture methods and impart theoretical or conceptual knowledge to the students rather than brainstorming or its application. New faculty members without any experience can not take up the research or development of teaching materials and deliver only the lectures mainly drawn from the text books.

4.8.2 Promote Research Culture

The Management institutions do not have culture that is supportive of research. Imbibing a research culture requires a good library support system. Scholars should be invited to undertake research in certain areas of national interest. Regarding the research grant procedure there is a need to support more to individual project proposals. Encourage to those institutes who have adequate support system to start Ph.D programme. Being a recent development of management discipline there is a shortage of Ph.D guides and hence those who would like to pursue for research degree they are forced to
register for their Ph.D degree under the faculty of commerce. Many times these research guides in this field are unable to guide the candidates in the area of management.

4.8.3 Develop Reading Materials Relevant to Indian Context

It is observed that the ideas and concepts which are effective in the countries of their origin but have been less effective in Indian context. So also the management practices adopted in industrialized countries are in perfect harmony with their culture and tradition, while as India has yet to do this exercise through systematic research and study. The materials available are not yet specific or relevant to Indian context namely ICFAI, Hyderabad, MDI, Gurgaon, XLRI, Jamshedpur and Wellingkar, Mumbai.

4.8.4 Develop Interaction with Industry

Except in case of top ranking business schools, there are no mechanisms to forge close relationship between business schools and industry groups. The main strength of top class business schools like kellog, Wharton, Sloan & Harward is their strong relationship with industry through teaching, research, student placements, problem solving and case study preparation. This issue in India is to make this happen in case of the low ranked business schools in the country. There should be institutional mechanism for developing liaison with industry in each business schools.

4.8.5 Need to Evolve a Proper System of Accreditation & Rating

In Indian management education is one of the emerging issues to identify the process to be adopted for implementation of an accreditation system. The accreditation has to be fair, transparent, independent as well as ruthless. The rapid growth in number of management institutes require a specialized body rather than all encompassing AICTE to carry out accreditation. In fact a council, exclusively for management education is required and the process of accreditation and recognition need to be made separate. Recently the (NKC) National Knowledge Commission has recommended rating as an additional measure to inform the students, the parents and the public of the quality of Management Education Entity (MEE)
because of mushrooming growth of schools in India. Many of which do not meet even the minimum requirements for the acceptable quality. By requiring disclosure of information on rating a great service will be performed to all stake holders including students and recruiters. Hence, the group has recommended that all MEE must have mandatory rating.

4.8.6 Need to Create Independent Institutional Mechanism

There are too many agencies deal with management education. Management education must be a concern of the body created by law for governing management education i.e. The All India Council for Technical Education and its subsidiary. The Board of management studies combining the technical and management education under one body was a mistake. A National Task Force (NTF) on management education should be appointed. All India Management Association is of the opinion that there is a need of formation of All India Council for Management Education quite independent of AICTE.

4.8.7 Corporate Governance of Business Schools

As indicated by S. L. Rao, a major weakness is the lack of a corporate governance system in business schools. This issue needs careful consideration. There is a need to have independent directors as well as to implement independent audit committee for managing the business schools. The business schools should become process driven. corporate governance has to be made an element of accreditations. Faculty development as well as faculty involvement in the administration needs to be a part of the corporate governance agenda. Issues like qualifications of faculty members, size of libraries, and other academic as well as infrastructure facilities must also become a part of governance.

4.8.8 Need to Broaden the Specialization

There are some businesses which are context specific to India. e.g. agricultural services, infrastructure management, contract research, hospital management and NGO are rapidly growing areas in business. These business need customized management education. Curricula customization, specific
material development and faculty specialization are some of the neglected factors that led to poor quality of management education in India. No doubt some of the business schools have introduced MBA program, focused on telecom, financial services and infrastructure management but still it requires more efforts on customization in order to broaden the specialization.

4.8.9 Create a Global Mindset

This is an era of globalization, industry needs executives with world-class talent. The issue is how to inculcate a global mindset through the managers who act locally.

4.8.10 Internationalize Management Education

As the business is getting global, day by day there is an increasing need for the institutions (business schools) to produce global managers. Therefore, it has become necessary that the Indian management education should also become more global. The response to globalization of business is the globalization of management education.  

4.9 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 Labour Relations Institute (XLPI) at Jamshedpur- the city of TISCO (Tata Group). TISCO had been a pioneer in progressive labour 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 instituities 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 collaborations 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 professionalise vital sectors of the economy, particularly agriculture, education, health, transportation, population control, energy, and public administration. Towards this end, they helped to 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, 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 enrolment 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 decentralise 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.

### 4.10 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 institutions, 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 there are some of the common ones:

4.10.1 Quality of Students including the Admission Process

The quality of students entering business schools is very important to consider. 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 business 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).

4.10.2 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 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.

4.10.3 Placement

It is also 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.

4.10.4 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 business schools have encouraged faculty to apply knowledge through extension and consulting. Such extension activities help faculty to bring real life experiences to the classroom, and allow business schools to augment their resources by sharing a part of the consulting fee.

4.10.5 Infrastructure

While the cost and resource limitations have made the development of infrastructure a challenge for most business schools, the developmental banks have of late become more willing to grant loans for viable educational projects. The typical tuition fee for business schools in India is $2,000 per year, or $4,000 for a 2 year MBA program. If the business 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 enrolments 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 business 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.

4.10.6 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 agribusiness, 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 and travel, and transport. These niches reflect special management needs of the specific sectors that the business schools have tried to cater to.

Similarly, retail management is being offered by some business 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 business schools, and have begun granting “deemed” or “private” university status to several private business schools that have excellent brand names and resource infrastructure. These forces have created a very positive climate for the growth of business 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.

4.10.7 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 business schools from the US, 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.56

4.11 CONCLUSION

Thus in this 21st century, India’s business schools is undergoing a drastic change. Globalization, cross cultures, strategic collaborations, partnership, mergers and acquisitions are the new trends in business education. Noteworthy improvements in the quality of business programs have taken place in India since liberalization. But still lot of efforts are required in order to gain the goal of excellence in the education of business schools.
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