



IIMs Expansion - Myths, Realities and Policy Choices

Ramesh Gupta

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**INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD-380 015
INDIA**

IIMs Expansion - Myths, Realities and Policy Choices

Prof. Ramesh Gupta¹

Abstract

This paper suggests a roadmap for IIM Ahmedabad to increase its intake substantially with available resources in its flagship 'Post Graduate Program in Management' (PGP equivalent to MBA). Solutions for other IIMs should be similar as all share similar programs, ethos and culture; differences would be only in details. The suggested measures are:

a) Restructure Fellow Program in Management (FPM) – IIMs Ph.D. Program

Currently 22 equivalents of faculty resources are used in teaching 10-15 FPM students in the second year alone. Only 6-8 students graduate every year. To justify efficient use of available faculty resource -

FPM intake either should be increased four-fold (to 60 from present 15), or merge all streams and award 'Fellow in Management' with specialization at thesis stage. This is very common in many universities facing similar constraints.

The first option would increase supply of faculty for hire in future (should have been done lone time ago); the second would immediately release 15 faculty for PGP expansion.

- b) Review expansion plans of PGP for Executives (PGPx). There is not much international about its student body or academic offering. Admitted students are mostly NRIs who are seeking leverages with PGP brand for better placement abroad after getting the cheapest possible MBA in the world. Moreover, it is heavily subsidized Rs. 3 lakh per participant (Rs. 2 crore for current batch) just to recover direct cost.
- c) Require faculty who migrated to centers/groups (like health, energy etc.) to have same teaching load as others. All these centers are leveraging on PGP brand and concerned faculty involved must fulfill their obligations to PGP.
- d) At present two dorms on new campus are kept for non-regular events (cultural and intellectual). These can house 60 students on regular basis. Temporary arrangements can be planned for non-regular events.
- e) There is no justification for offering married accommodation for one year program on campus, particularly when IIMs practice a 'pressure cooker' approach of teaching. Families with children are distraction. Two students can easily be put in newly built apartments accommodating additional 100 participants.

To sum it up, IIMA can increase its PGP intake substantially by a) better utilization of physical infrastructure b) better faculty time management by restructuring programs and active faculty recruitment in deficit areas; and c) by defining its priorities more sharply. IIMs PGP product is the best and why dilute it by allowing remotely related activities to have free ride on it?

The paper also covers issues like autonomy, increasing role of alumni and almost extinct faculty governance. It is not concerned with 'OBC reservation policy'.

¹ Dr. Ramesh Gupta is a professor at IIM Ahmedabad since 1977. He is PGP-1967 (IIM Calcutta) and Ph.D from University of California, Berkeley (1973).

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Post Graduate Program (PGP) is a flagship MBA program of IIMs. Without this program probably the brand would not exist. Two IIMs (IIMA and IIMC) offered their first PGP program in 1964 with practically no faculty and infrastructure. Initially, Harvard and MIT provided faculty resources on limited basis and plans were made to recruit competent research staff to train them to become faculty in a few years. Most of the early faculty was from this lot. By the mid-1970 the two IIMs were fully established. Then came IIMB (in the 70s), Lucknow (in the 80's), and Indore and Kozhikode (in the 90's).

In the mid-70s IIMA had three sections for PGP with a total intake of about 220 students each year consisting of 180 PGP students and others joining Fellow Program in Management (FPM) and Specialization Program in Agriculture (SPA). Later on, a non-degree Faculty Development Program (FDP) was started in 1981 to help educate faculty for university departments.

Since then practically no major expansion took place till 2001. During this period a notable feat was to build the corpus (in 1990s) from matching grants received from government and high interest earned on them. There were concerns about mixing agricultural background students with general PGP stream students. Specialization in Package Agricultural (SPA) was separated from PGP and rechristened PGP-ABM with 30 students intake in a new section. However, there was no overall increase in student intake.

However, this experiment did not last long. With continuous government's pressure to increase student intake another 60-65 students were admitted from 2003. Earlier decision to have separate first year classes for the agricultural stream was reversed and a common pool of students was distributed among four sections in first year. This resulted in increase in class size from 65 to 80. Effectively from the teaching point of view there has been no increase in the first year. However, some additional courses were required in the second year, but then increasing number of students started going abroad for fifth term resulted in the overall teaching load probably remaining the same.

To summarize, IIMA admits 300 students (250 PGP + 30 SPA + 15 FPM + some repeats) in the first year. Thus, the effective increase has been only 60-65 students in PGP over a period of 30 years. However, duration of FDP was reduced from nine months to four months and the FPM remained a neglected one with decreasing intake and practically no intake in critical areas like finance and marketing for many years. Most of FPM students now admitted are in centers like Public System Group - a clear departure from the original objective of increasing the future supply of hard core business faculty.

Defining Priorities

IIMs were set up to promote managerial education in India. This they did it for a long time. However, in recent years the priorities have changed. A significant event occurred when the previous NDA government advocated a reduction in fee. Alumni and media were helpful and acted as white knights to protect IIMs' autonomy. With the change in

the central government, to-day IIMs enjoy a greater degree of autonomy. However, faculty governance got a big jolt. Increasing domination of Alumni on the IIMA board pushed the institute into 'business of education' rather than the 'education of business'. Faculty has become mere employees with little control over new programs and academic alliances. Media reports have become a major source of information to know the latest business ventures approved by the board. Whenever there is a public debate about issues concerning the future of IIMs (for example, setting up a campus abroad or OBC reservation) select alumni act as spokespersons for IIMA and not the faculty who should know best about the academic implications. Alumni do provide media sound bites to build the brand; however their contribution in finances or academic (facilitating case writing etc.) has been almost nil. Alumni's contribution to IIMA's corpus has been less than Rs. 2 crore since inception.

Brand IIM:

Since the fee cut fiasco, the IIM brand has increasingly become a barometer to measure any policy decision and rightly so. However, to evaluate its usefulness, certain critical questions need to be asked (a) How does brand value get defined? (b) Who created and nurtured the brand? (c) Who are the beneficiaries and are they the target group?

a) In recent years the IIM brand value is increasingly getting defined by students' placement abroad on international salaries. About 20% of graduating students are getting hired by banking firms based in USA and UK. Jobs generally involve financial engineering (involving complex math probably learnt in IITs and management concepts learnt at IIMs). Continuous media coverage after the fee cut fiasco and having at the helm an icon like Mr. Narayana Murthy and other well placed domestic alumni also helped a great deal in building the IIM brand. Unquestionably, placement is an important measure for world wide recognition, but in everything else IIMs seem to have no international standing.

b) IIMA till recently was getting grants and subsidies from the government for its functioning. For example, IIMA was allotted 100 acres of land (current market value approximately Rs. 2,000 crore) and received generous financial support for 40 years till 2002. Now it is able to function without government subsidy. The contributing factors are: yearly increase in tuition fee unlike in the past; enhanced consulting opportunities because of general explosion in training needs of industry; and interest income on the corpus made up of savings and government's matching grants. An important fact to note is that alumni contribution has been less than Rs. 2 crore in all these years.

Corpus of most of the reputed business schools in USA is from alumni and not from government except land grant. Most of the top business schools in USA are part of the university system and land available to them is much less than what the government has provided to IIMs. Still business schools in USA graduate about 800 students each year compare to 300 by IIMA. One wonders why IIMs can't do so.

c) Who are the beneficiaries of this brand value? It is difficult to make an exhaustive list of beneficiaries of IIMs brand. However, there are some direct beneficiaries who can easily be identified while others are a matter of conjecture and dependent on one's biases and/or beliefs.

The direct beneficiaries are:

- The limited number of students who migrate and get hefty salaries in Wall Street. Retrospectively students resist the increase in numbers because it would dilute their job prospects since supply would increase for limited foreign jobs.
- Some faculty (including director) who now can and do earn close to Rs. 30 lakhs plus liberal perks mainly thru consulting. Remuneration package if adjusted for purchasing power parity is comparable with the best business school in the world (including Harvard); however, in IIMs distribution of consultancy income is highly skewed.
- PGPx participants who are largely NRIs and probably would go back to make more money. Education with the PGP brand value and best living facilities is the cheapest in the world.
- Some alumni who benefits by using it to leverage for professional networking and social positions. They also want to make sure that membership to this club is restricted to avoid dilution in membership value by increasing number or compromise on its elite image.

If facilities and brand value are built over a period of time using public money, one needs to ask: What is the value of benefits derived from this brand by Indian society who has contributed heavily? Brand Value for whom? The icon status of highly placed students abroad can inspire a few but this can also frustrate many for their failure to achieve this goal as they were not born with the advantage of having the right connections and background. And this does happen to many IIM graduates who are at the lower end of salary range (almost 1/10th of their classmates).

‘Should society allow a select elite group to appropriate all the gains accruing from facilities (or brand) built over decades using large sums of taxpayer’s money or insist on being more inclusive?’ The issue here is increase in total intake at IIMs and not the reservation (whom and how to admit). Reservation is a social justice issue.

If advantages are meant for a select few, why not have more of ISBs? International School of Business (ISB) in Hyderabad was given land by the government but run with its own finance just like best business schools in USA. ISB has increased its intake to 400 in five years while IIMs after four decades of existence are finding it hard to go beyond 250 in each IIM.

Decline in Quality due to Increased Intake:

Quality is a matter of perception and depends on the parameters one uses to measure it. Parameters could be those which are acceptable to (or valued by) Wall Street recruiters or the ones which would be acceptable for managing the best of Indian companies. International recruitment is mostly in areas such as finance, investment banking, and consulting. It requires knowledge of high math for jobs requiring financial engineering. Increasingly, training at IIMs is at variance with what is required by domestic companies except for few. If technical subjects can be supplemented with liberal arts subjects, IIM graduates would make better managers and social leaders.

If IIMs compromise a little bit on English (particularly language devoid of western cultural influences) and knowledge of complex mathematical modeling, a large number of students should be available for admission. This would also satisfy the parameters of quality which most domestic companies may require. Ancillary industry (coaching for CAT) need not be larger than main industry (IIMs).

Performance of Students admitted with Lower Cut-off Points

In more recent years the design of admission tests has changed. The emphasis is more on understanding of higher level of maths and English language to meet the need of foreign recruiters. This also presumably enhances the IIMs brand value.

To admit unprivileged students and for general category admission in PGP-ABM (agriculture) and FPM, CAT cut-off points are lowered for them. Without any extra help, they compete with high cut-off students. Since, teaching methods and evaluation methods are similar to both classes of students; deficiency not only continues but further gets accentuated.

For evaluation, grades are assigned on relative grading basis and are not based on absolute marks. Relative grading requires fitting a kind of normal curve and students at lower end (about 10-15%) invariably get awarded D and F. Generally these are the same students who were admitted with lower cut off points. At the end of the year, when comprehensive evaluation is done, some of them are asked to repeat/ or leave the program. Inferences are drawn that forcing the institute to accept underprivileged candidates would lower the Institute's standards.

If the evaluation criteria were changed to absolute grading in which if a student receives, for example, 80% of the maximum possible marks he is considered having satisfactorily completed the course, many students would be off the critical list. Here we do not have to compromise on content and level of coverage.

Finally, IIMs believe in pressure cooker approach to teaching. Eight to nine courses are taught in 11 weeks term with quizzes, assignments, exams everyday. Probably this has more to do with building mental stamina and learning to take the stresses and strains in the corporate world rather than learning management concepts and skills. This results in limited understanding and internalizing of the subject matter. One wonders how valuable this approach is.

Available Resources and Their Utilization:²

Expansion requires adequate faculty and physical infrastructure.

Faculty Resources:

IIMA currently has about 84 faculty. In a year each faculty is required to do equivalent of 6 units of work. Of these 3 units are meant for classroom teaching (one unit is equivalent of 25 sessions of 70 minutes) and 3 units are for research, consulting and administrative work.

² *Disclaimer: All these data (faculty and infrastructure) are based on publicly available information. Institute administration does not make comprehensive data available to faculty or any other group. Possible estimation error could be 5-8 % on either side.*

IIMA offers PGP, PGPx, PGP-ABM (agriculture) and FPM as degree programs. In addition, the Faculty Development Program (FDP) and some non-consulting management development programs are also offered every year. A faculty can teach required 75 sessions (equivalent to 3 units) in any of these programs. Faculty members get salaries and allowances as per UGC norms. For excess teaching additional Rs. 4,000 per session is paid. In addition, faculty also teaches in in-company programs on consulting basis. Current rates vary from Rs. 20,000-30,000 per session. An initial consulting income of Rs. 600,000 earned during a year is exempt from sharing. Any excess amount earned is shared with the institute on 50:50 basis. On sharing basis maximum consulting allowed is Rs. 40 lakh per year.

The following table is a gross estimate of students' intake and faculty resource used in different degree programs. For FDP and non-consulting MDPs it is difficult to estimate the number of sessions taught since it varies from year to year.

Program	Year of the Program	Number of students	Units taught	Equivalent full time faculty
PGP	First year	300	4 sections*20 unit each = 80	27
PGP	Second year	250	= 60	20
PGP-ABM	Second year	30	= 15	5
FPM (Ph.D.)	Second year	15	44 courses each 1.5 units = 66	22
PGPx	One year program.	61	600 sessions /20 per unit =30	10

Points to be noted:

1. The FPM (Ph.D.) intake is about 15 students of which only 6-8 students graduate every year. Others leave or are asked to quit for unsatisfactory performance. However, to teach only the second year FPM courses 22 equivalent faculty resources are used. This is a gross underutilization of scarce faculty resource.

2. PGPx is a new program having 61 participants. These are mostly Indians who have worked abroad as software engineers for about 4-5 years and want to do MBA to enhance their market opportunities. In a bid to internationalize the programs, IIMA decided to offer PGPx (one year executive MBA program). For this program, GMAT score (considered easier than CAT) is used for admission. Competition to get in is much less as there are about 1200 applicants for 60 seats in PGPx compared to 1.5 lakh applicants for 250 seats in PGP. IIMA offers the cheapest program in the world with top class facilities and fully paid five week international sojourn.

IIMA charges an all inclusive fee of Rs. 8 lakh for the program. This includes tuition fee, five weeks of fully paid international immersion program, lodging and boarding, computer and library usage fee, teaching materials, placement fee, etc. A rough estimate suggests that this is a highly subsidized program costing the Institute about Rs. 2 crore (roughly Rs. 2.5 to 3 lakh per participant) just to recover direct costs.

Recommendations for better utilization of faculty resource:

1) FPM program – two possible alternatives:

- a) Increase intake of FPM four-fold (about 60 each year) so that faculty time spent in second year teaching can be effectively utilized. This would also ensure supply of faculty for management education in India. FPM program was intended to produce enough teachers for expanding management education in India, but somehow this did not happen.
- b) Have one general stream called ‘Fellow in Management’ and allow functional area specialization at dissertation level. Most of the universities with faculty constraints and/or limited student intake follow this route. This would save about 15 faculty teaching load enough to start a new section of PGP.

2. Review Expansion of PGPx

IIMs would need to clearly define its priorities. With limited faculty resources one would need to make choice between following alternatives:

- a) Use IIMs infrastructure to serve local needs and aspirations by increasing intake in PGP

OR

- b) Use its resources to train people who were making close to \$ 100,000 a year; offer them a subsidized program and create opportunities for them to go abroad again for higher salaries. PGPx is heavily subsidized program and does not add much international value, except four weeks of international immersion.

With limited faculty resource, IIMA can't have both. Choices have to be clearly stated and practiced.

3. So far discussion about faculty resources was limited to an aggregate level. A greater problem is the mismatch of faculty recruitment and faculty required to teach highly demanded courses in finance and marketing areas. Limited faculty in deficit areas end up teaching more in degree programs compared to faculty in surplus areas. Further, by sheer number other areas faculty tend to dominate the decision making process at the Institute. They also have greater freedom to plan their time and end up earning substantial amount in consulting income. Faculty in deficit areas naturally being critical about inequity in the system also become ‘unfavoured’ with administration resulting in further alienation. Recent monetization of internal teaching has not helped much as the reward of an extra session is only Rs. 4, 000 compare to Rs. 20,000 per session in consulting teaching. Therefore, there remains a chronic shortage of courses in finance and marketing.

To strengthen the deficit areas, recruitment and reward system need to be thoroughly reviewed. This is possible if total emoluments and recognition are commensurate with market demand and supply in each functional area. In best business schools in the world, a fresh Ph.D. in finance gets twice the salary than other areas. Here it is

other way around. Faculty in deficit areas are forced to teach compulsory courses while surplus faculty enjoy higher consulting income/foreign trips.

Physical Infrastructure

Presently IIMA has 26 dorms with a capacity to accommodate 690 students. It is likely to have 80 fully furnished air conditioned apartments by March 2007. Besides there is KLMDM with 62 double rooms and the new international MDC with more than 100 rooms for residential purposes. There are 13 large class rooms (each can seat 85 students) and dozens of syndicate rooms for smaller classes.

Presently only 24 dorms are occupied, 2 dorms (with 60 student capacity) are kept to accommodate visitors for cultural and other academic public events like Chaos and Confluence and other uses at the discretion of the Chief Administrative Officer.

Of 80 planned apartments by June 2007, 27 have been and occupied by PGPx married participants. Fully air-conditioned apartments are so big that some participants even house their maid servants to take care of their children while living on campus. A rare treat for PGPx participants only IIMA can provide.

Once priorities are clear and IIMs do decide to increase PGP intake, solutions are obvious. If two students are put in each apartment (a very common practice abroad) and two dorms with 60 rooms are made available for residential purposes, 150 new PGP students can be accommodated. For short duration program of less than one year, the Institute need not provide married accommodation.

To sum it up, IIMA can increase its PGP intake substantially by a) better utilization of physical infrastructure b) better faculty time management by restructuring programs and active faculty recruitment in deficit areas; and c) by defining its priorities more sharply. IIMs PGP product is the best and why dilute it by allowing remotely related activities to have free ride on it?

The paper is not concerned with 'OBC Reservations Policy'.