Management Education In India: Attuning to the Changing Corporate Needs*

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Managerial competence of the corporate sector in India appears to be proving the arrival of the professional managers, who are capable of managing giant corporations. The emergence of some of the Indian entrepreneurs as world-class managers provides credence to this observation. That seven Indians are among the top 200 richest men in the world is indeed another strong evidence of the capabilities of Indian corporate giants, working with all the constraints and limitations. This in fact is the remarkable development that has taken place during the last one decade. Though the stage was set soon after the adoption of the Industrial Policy Resolution in 1948, it took nearly half a century for the advent of professional management in India. Transformation of the managers of family-owned companies into professional managers of huge corporations has been induced by a number of factors including the emergence of business management schools – good and not so good– in different parts of the country. With the steady increase in the number of management schools and the growing demand for good managers, there is the urgent necessity of attuning the management education to the diversified needs of the corporate sector.

The Beginning:

Under the British rule, management of 'big' industries operating in India then, was handled largely by the British managers. Only a few of the other Indian industries existing were the family-owned units. Plantations were the first major enterprises, managed by the white masters, before they ventured into setting up industries. Owning large tea or coffee estates, they were managing them by engaging a huge labour force. While the higher managerial functions were handled by the British managers, managing the labour force only was done by Indian supervisors. Literature in Indian languages is replete with the atrocious exploitation of the helpless labour indulged in by this tribe of supervisors. *Jnanapeeth* award-winner, Dr. Shivarama Karanth's novel *Chomana Dudi* also vividly depicts this type of exploitation. The natives were kept at arm's length from the managerial duties while the masters made enough money.

Indigenous industrialists were very few till the 30s. In 1933, for example, out of the 20 top business houses in India, 17 were British, mostly based in Calcutta. One of the characteristic features of management during those years was the non-segregation of entrepreneurial and managerial functions. There was greater reliance on family members for managing the growing business empires in the case of Indian companies. The foreign companies looked to the expatriates to fill up these positions. The Managing Agency system, which was in vogue for a long time, thrived with the family member or the trusted retainer being employed as a proxy for the entrepreneur in the management of a variety of business enterprises.

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* Presidential address delivered at the National Seminar on ***Management Education: Industry Expectations and Academic Responses*** held at the Institute on March 10, 2008.

Under this system, there was almost no scope for independent professional managers to flourish.

The Second World War brought in many changes in the economic conditions all over the world. American economy, attuning itself to the war-created demand, adopted functional specialization in production as well as in providing services. This created the need for the services of professional managers. Independent India saw the process of industrialisation being ushered in from the beginning of the Second Five Year Plan. The accent on heavy industries resulted in the sudden growth of the public sector. Operationalisation of the policy of mixed economy encouraged many industrial houses to take advantage of the incentives offered for establishing industries in different parts of the country. At the same time, there was the growing clamour for Indianisation of managerial positions in the multi-national companies operating in India. Responding to this demand, some of the British companies started allowing the locals to the 'covenanted' positions in their hierarchies. The need for professionalization of management was felt as a result of these changes.

The Changing Profiles:

The amendments to the Companies Act in 1956 brought the curtain down on the managing agency system. However, the system continued in the garb of 'secretaries of the managed companies' until 1970. One of the objectives of the amendments was an attempt to improve the quality of corporate governance, making the managements responsive to the stakeholders. Managers gained more importance under these circumstances. The young entrants into the corporate sector with a degree in management science obtained a ready market and a fairly decent pay packet. These smart kids managed to grow with the companies and did not adopt the practice of job-hopping, which the latter batches of MBAs could master easily. In a case study of *corporate loyalty and executive compensation* of a multi-national, FMCG company, I have observed this phenomenon.(Thingalaya, N.K, 1999) It was found from the length of their service that the MBAs of the earlier batches have remained loyal to this corporate giant while the duration of service of the MBAs from the later batches is not more than a couple of years. This is despite the fact that the company is one of the best paymasters in the Indian corporate sector.

The public sector was expanding during the same period very rapidly, entering into all fields, wisely or other wise. Government-owned under-takings were not new to the Indian economy, as railways and post and telegraphs were under the government since the British days. These mammoth organisations, though not run as independent companies, were fairly well-managed. When the state-owned enterprises proliferated, the bureaucrats expanded their hold on them at the top. Many of these 'new mangers' also got the benefit of management training in India or abroad, by virtue of their posting to these enterprises. Their main grouse, however, was the unjustifiable discriminations in their emoluments compared to that of their counter-parts in the private sector. In my study of the executive compensation, mentioned above, it is observed that total salary of the executive assistant to the CEO of the multi-national company is much higher than the salary of a chairman and managing director of public sector bank. And the *monthly emolument* of the CEO himself is a multiple of the *annual emolument* of CMD of bank. Added to this, the corporate baron has not one but, two executive assistants!

Women have entered the management arena in large number, especially from the business families, graduating through the prestigious management schools. While their rise to the board level postings is relatively smoother in the family-owned companies, they could reach the top with flourish in areas like advertising and tourism including the hospitality industry. IT has not yet attracted many of them. The electronic media are likely to be another field, where they may make a mark. Banking is one area, where the feminine charm could not reach the board, either in public or private sector, except for a few recent cases.

The Indian managers, by now, have proved their versatility in managing the ever-expanding corporate sector. It is very flattering to hear that there are more Indian managers in London than the number of all the foreign managers working in India. Most of the successful managers at the helm of affairs in the Indian corporate world are the products of Indian universities and management schools. Foreign degree in management does not have a high premium any longer. One of the weaknesses of this elite group is the lack of social commitment, when they go higher up in the hierarchical ladder. Coming mostly from the middle class background, they often grow with a streak of authoritarianism. Globalisation offers immense opportunities to them for growth. The opening up of the rural markets is bound to provide a fillip to Indian industries and along with it the promotion prospects of Indian managers brighten up. The probable threat to them would be the rapidly widening gulf between the *haves* and *have-nots* resulting from demographic pressure and concentration of wealth in the hands of a few. There is the imperative need for encouraging corporate benevolence, by earmarking a small percentage of annual profit for the benefit of those who are cursed to live below the ubiquitous poverty line. Transforming most of them, if not all, into a ready market for wage-goods is the greatest challenge to Indian managers, whatever may be the efforts made by the state.

Diversity is the beauty of Indian ethos. This is equally true of our management styles. We have quite a few successful management models of proven utility. The entrepreneurs of the earlier generation, Tatas, Birlas, Lalbhais, and Ambanis have developed their own management philosophies for building their empires. Operating at different levels, the Amul and Nirma models are also successful. In the computer-savvy modern world, the Infosys and Wipro models have catapulted Indian management models into world class role models. No doubt, the Indian management has come of age.

Indian corporate sector has come a long way since the dawn of Independence. The recent developments emanating from globalization, privatization and liberalization have influenced its emergence as a very competent global player. Cross-border acquisitions of larger companies from different segments have enhanced its stature. With the Indian economy growing at an annual rate of over 9 percent, it is now being counted as one of the top 10 fast growing economies in the world. While poverty still remains deep rooted, the country has produced some of richest people in the world. Four of the captains of Indian industries are listed among the world's multi-billionaires.

Emergence of Management Schools

Along with the growth of the corporate sector, management schools have sprung up to train the managers required by it. In the recent years, the area of management education is getting over-crowded with the mushrooming of management schools and institutes of all types in different parts of the country. There are over a thousand of them of various sizes and stature, attracting the young aspirants planning to join the corporate world. Demand for degrees or diplomas in management is on the increase, as is evident from the growing number of candidates applying to these institutes. Among the institutes of professional education, management institutes seem to be preferred, perhaps partly because of the lower volume of investment required. Invariably all the state head quarters in India have management institutes. Now, it is the turn of the district headquarters to aspire for the establishment of management schools, where the local universities are too willing to give them affiliation.

There are three types of management institutes now functioning in India. Firstly, there are the three IIMs in Ahmedabad (established in 1961), Calcutta (1961) and Bangalore (1973), who stand aloof as centres of excellence in management education, because of their pedigree, distinguished by their linkage to foreign universities. They deserve the credit as pioneers in transplanting the western management concepts on the Indian soil. A few more IIMs have come up closely emulating them. The latest addition to this elite group is Indian School of Business, established in Hyderabad in 2001. Secondly, the management institutes sponsored by some of the business houses, which have adequate financial support and are growing strong. Thirdly, the smaller, new management schools, some of which are yet to make their presence felt by the corporate world. They are started by the organizations or trusts which are managing many educational institutions. Besides them, there are also the business management departments of almost every university which are in no way different from any other department of the university. They are conferring MBA degrees in good number every year and in many cases placement of the students gets low priority. And strangely, many business management departments are cropping up as an appendix to engineering colleges.

The aspirants seeking admissions to these three types of institutes are distinctly different. The bright and ambitious students seek admission into the first group of management institutes. Students from the families of higher middle classes, professionals and business classes flock at the second group of management schools. Students from the rest of the society knock the doors of the other management schools and business management departments of universities and those of engineering colleges. They out-number the applicants going to the other two groups.

Diverse Employment Markets:

The employment markets for the MBAs of these institutes are also obviously different. The snobbish students of the first category of institutes have a ready market provided by MNCs and software companies. Some of the domestic, high flying finance companies in their heydays were another employment market for them. Now foreign banks and financial outfits are inducting them into their growing branch networks in India. Big industrial companies also recruit these students who appear to be developing a mercenary culture of non-adherence to any company for long.

Most of the family-owned companies which are now planning to professionalize their business, are recruiting MBAs, invariably from the second category of institutes. The cultural ethos of these students is slightly different and perhaps more suited to their employers. They readily identify themselves with the organizations they choose and continue to work for longer periods. May be they are influenced by the environment of their institutes. They are likely to replace the STD (serving-till-death) managers who are associated with the family-owned companies for long time. It is becoming a common feature that the scions of the family-owned companies are going abroad to get MBA degrees from the internationally acclaimed business schools. Examples are too many and most of them are also turning out to be successful in their career.

For the students who come out from the third category of institutes and the universities, the employment market cannot be properly demarcated. Most of them come from the middle class families and those associated with small business. Children of bank employees, teachers and other salaried classes also are among them. While their aspiration levels are not very high, their competence levels prove to be reasonably high, given a chance. The banking sector in India, which employs over seven million staff, hardly recruited any MBAs till recently. In the case of a few banks which recruited them in good number, the result was not very encouraging. Of late banks, insurance companies and mutual funds have been recruiting a good number of them from the finance stream, for marketing their products.

The employment market readily accessible to most of these MBAs is the **middle level corporate segment (MLCS)** - the family-owned private limited and public limited companies, whose annual turnover may be between Rs. 50 crore to Rs.200 crore. This is quite a formidable segment of the corporate sector in terms of its spread. And it is this segment which would generate greater demand for effective middle level managers in the future. The Micro, Small and Medium Enterprises form a part of this segment. The proprietors or the chief executives of the MLCS would be at ease with this genre of management students rather than those coming from the top ranking management institutes. This type of relationship is likely to be useful for the development of this segment. ***The future market for a majority of our MBAs therefore would be the MLCS and not MNCs.*** It is necessary that the management institutes recognize this feature of the employment market and tailor their academic programmes accordingly.

The Course Contents:

But are the course contents of these management schools in tune with the needs of MLCS? The twin objectives of the formulation of the course contents, or the syllabus in common parlance, should be ***academic excellence*** and ***market relevance.*** The academic inputs should be comprehensive and up-to-date. The theoretical foundation has to be strong enough for analyzing objectively the relevance or irrelevance of the conceptual frame needed to innovate and sustain the growth of business.

Adequate knowledge about the administrative, legal and fiscal measures is essential besides a broad understanding of the macro-economic dynamics. Corporate morphology - a study of the structure of the corporate institutions would be a very useful area of study. This is more relevant in the Indian context where the diversity in the size and shape of corporate institutions is conspicuous and perhaps inevitable. An insight into their ethos, strengths and weaknesses is a prerequisite to be a successful manager in India. Efforts should be made to use Indian case studies and role models rather than depend exclusively upon those adopted from western masters or management gurus.

Market relevance of the course contents should be given due consideration while formulating the course. The final product of management schools should be able to fulfill the felt needs of the corporate world, particularly the MLCS. Greater exposure to the rigidities of the real life situations in the fields of labour legislation, tax matters and environmental policies would certainly enhance their managerial capabilities.

Institute –Corporate Sector Inter-action Needed:

Regular interaction with the corporate world is necessary to keep abreast of the changing market conditions. Interfaces with the captains of industry, including the traders, would serve a useful purpose. Trading and retail marketing of the fast moving consumer goods are going to get precedence over the manufacturing sector in making its contribution to GDP and in generating employment. This segment needs special attention of the academicians while revising the course contents.

Rigidity is often the hallmark of the syllabus and course contents, once formulated and put in place. It is a lengthy process to revise it as the revision, it is learnt, needs the approval of the chancellor, after it is vetted at various levels and forwarded by the vice chancellor. Business is transacted in a dynamic situation and hence the business management science also grows very fast. We cannot afford to teach the MBA students concepts which are outdated. It would be essential to revise and refine the course contents at least once in three years. This necessitates the teaching faculty also to keep abreast of developments in management science. The book seller should not be the one to initiate them to new concepts of management, he should be ordered to supply the books required. Managers of the new millennium should be prepared to take the corporate sector towards greater heights and in this, management schools have a crucial role to play.

References:

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