

FUTURE OF BUSINESS SCHOOLS: A STUDY TO UNDERSTAND INDIAN PERSPECTIVES OF BUSINESS SCHOOLS TO COMPREHEND ITS VALUE ADDITIONS TO BUSINESS LEARNERS.

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Abstract- The growth of management institutions in India in last 15 years has been rapid. Data on number of business schools established in India from 1995 suggest a ‘mushrooming’ growth in terms of numbers and often at the cost of quality. India has 2000 B-Schools, awarding MBA degrees, or an equivalent and often, more valuable post-graduate diplomas (like those given by IIMs). It is heartening to find two management institutes from India, the Indian Institute of Management, Ahmedabad (IIMA) and the Indian School of Business, Hyderabad, are placed 11th and 13th in the global ranking of 2011 by Financial Times.

Key words- Business Schools, Management institutions

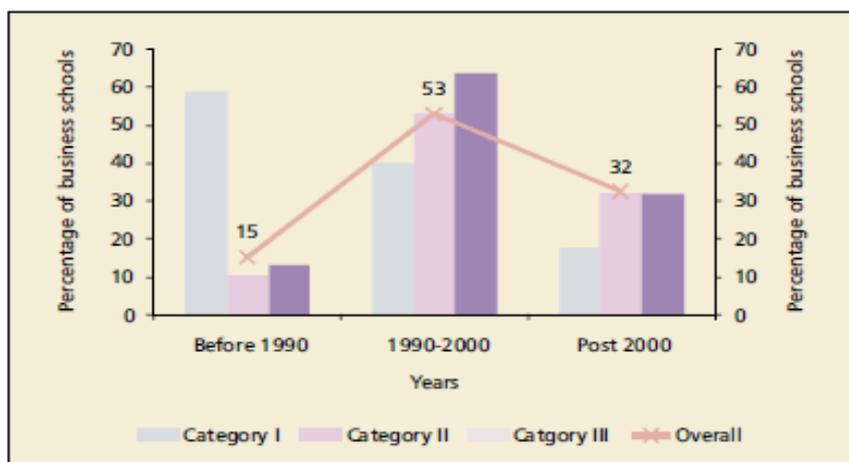
I. INTRODUCTION

Around 15% of the surveyed business schools were established before 1990. However, the scenario of business education changed dramatically after liberalization, with the Indian market becoming very competitive in every field. Many MNCs entered the Indian market in pharmaceuticals, insurance, FMCG, banking and engineering sectors. This led to substantial increase in demand for professionals with managerial skills. The post-liberalization effect is clearly visible from our survey results, which reveal that around 53% of the surveyed business schools were established during 1990-2000 and 32% entered this space after 2000.

One of the most interesting facts highlighted by the survey was that 59% of the category I business schools were established before 1990. Considering average placement salary as one of the most important indicators of success, a majority of business schools in this category have been around for many decades and have emerged as leaders among peers.

On the other hand, only 9% of the business schools belonging to category II and III were established before 1990.

Evolution of Business Schools in India



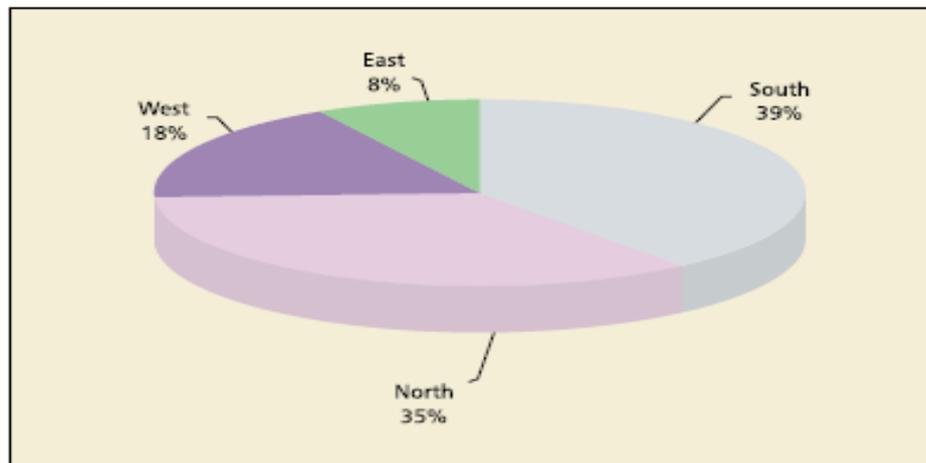
Source: D&B survey results

South India is the breeding ground for managers of tomorrow. Traditionally, a major part of all business activities in the country was concentrated in the western region. Invariably, demand for skilled and qualified managers was higher in Maharashtra and Gujarat. The survey revealed that of all the business schools established before 1990, 39% are located in the western part of the country followed by south and north.

However, the liberalisation policy of 1991 opened up new avenues for businesses to flourish in other parts of the country; consequently, number of business schools in south and north rose significantly. Of all the business schools established after 1990, 41% are in southern India and 37% in north.

Overall, 39% of the surveyed business schools are located in south, followed by 35% and 18% in north and west respectively.

Region-wise break-up of business schools in India



Source: D&B survey results

Recognitions and Affiliations – A step toward achieving global standards

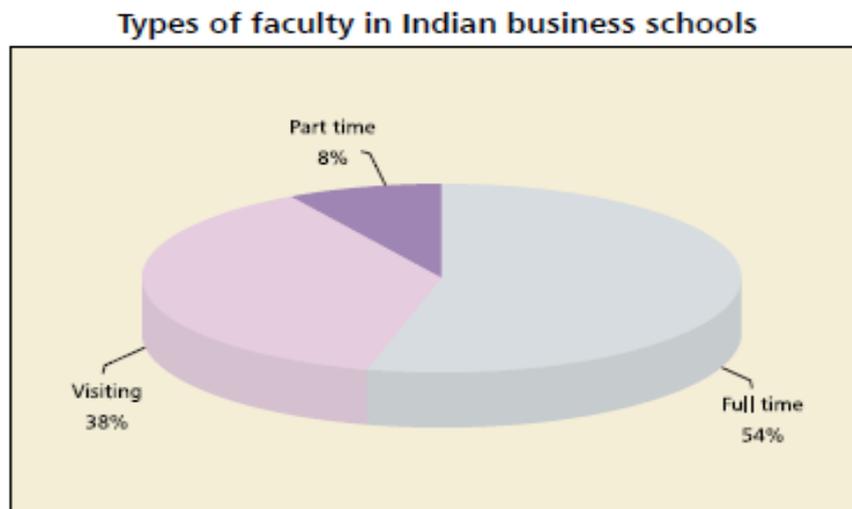
The number of business schools across the country is increasing with growing importance of business education. Thus, business schools are now concentrating more on quality of the education system and on having a competitive edge over other institutions. On the other hand, the role of various government education councils such as AICTE, UGC, AIU and MHRD has increased manifold — to periodically review the curriculum and subject content and the facilities provided by business schools. Thus, recognition provided by these educational councils to various business schools serves as a quality assurance.

The study also revealed that 87% of the respondent business schools are recognised by AICTE, which is one of the premier regulatory authorities for technical education in the country. Most of the business schools had recognition from multiple authorities including AICTE.

Around 71% of category I business schools had multiple recognitions and 61% and 76% of category II and III business schools respectively had recognition from AICTE only.

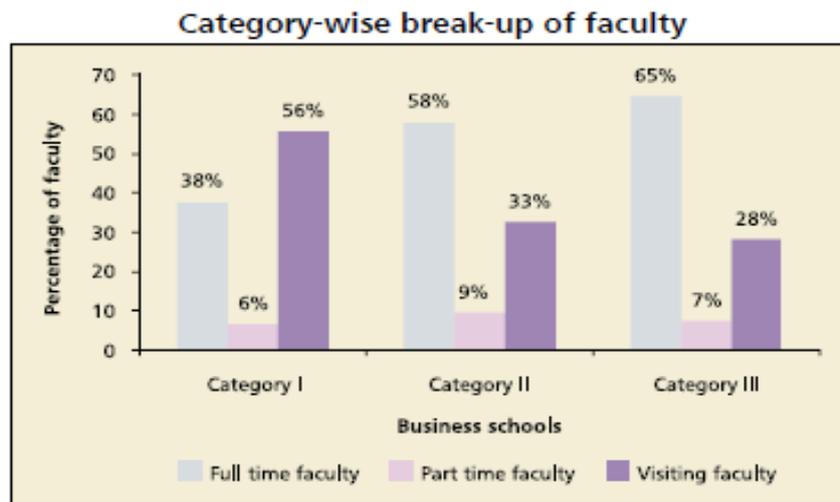
Due to globalization, India has now become a part of the global economy. There is an immediate demand for business schools to provide a strong platform for students, to enable them to become competitive in the corporate world. A step taken by Indian business schools to achieve global standards is forging affiliations and tie-ups with various renowned domestic and international universities and corporate houses. The survey found that 69% of the business schools are affiliated to various domestic central and state universities and 34% have affiliations with foreign universities and corporate houses. Visiting faculty play a big part in molding category I business school students. Robust infrastructure and financial resources are the two pillars of higher education, whereas skilled faculty forms the base of a globally-competitive academic foundation. However, many business

schools are facing the problem of lack of quality faculty, which in turn affects the quality of education imparted.



Source: D&B survey results

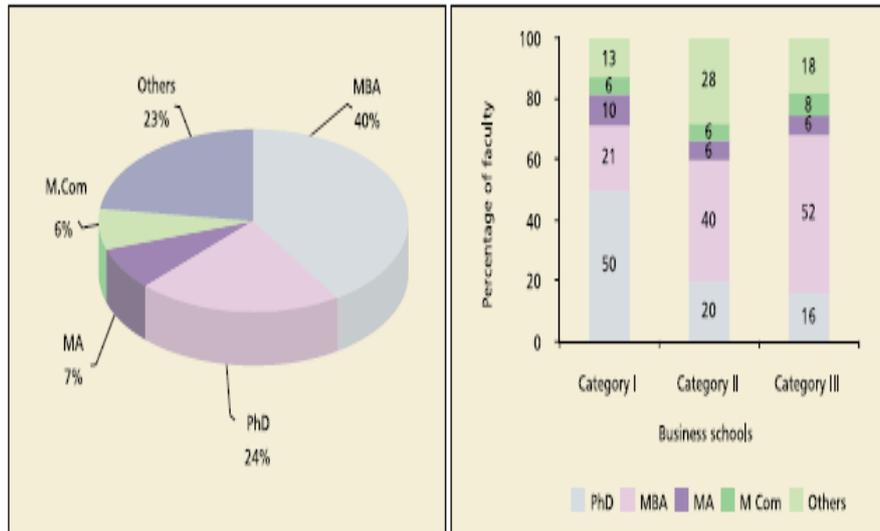
Thus, there is an increasing need for suitable and competent teachers to ensure quality education. The study revealed that of the total faculty, 54% are full time and 38% are visiting professors; the trend of visiting faculty is increasing as they have vast industry experience and are instrumental in moulding the students to sustain in the competitive corporate world. Interestingly, 56% of faculty in category I schools are visiting professors, whereas category II and III are dominated by full-time faculty representing 58% and 65% respectively.



Source: D&B survey results

The qualifications of faculty are one of the key components for a business school to provide strong learning platforms to all stakeholders. The survey revealed that the business schools in India have a decent mix of faculty members from various academic backgrounds. Further, 50% of the faculty members falling under category I are PhDs, whereas majority of faculty of category II and III schools are MBAs.

Qualification-wise break-up of faculty members of Indian business schools



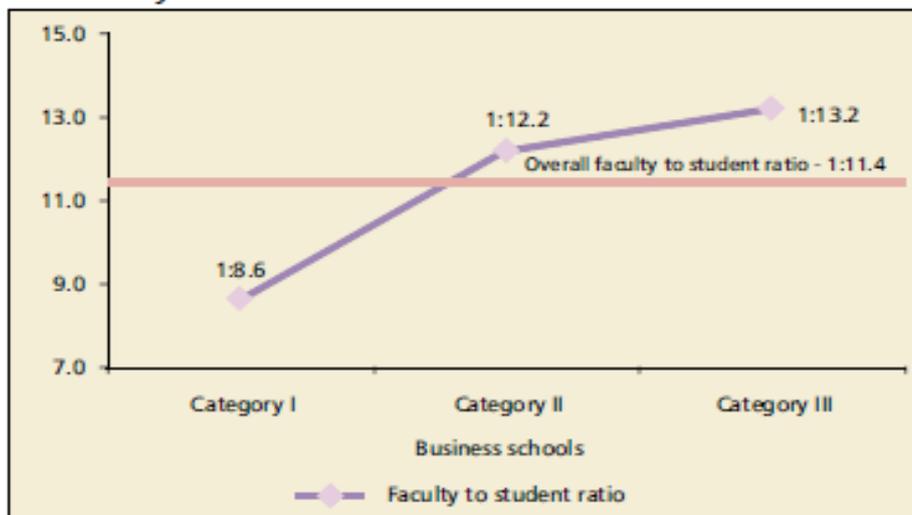
Source: D&B survey result

A student-focused approach – Mantra for Indian business schools

One of the prerequisites for imparting quality education is to maintain a rational faculty to student ratio. A lower faculty to student ratio implies that a faculty can have a better student focused approach.

The faculty to student ratio of all the business schools stands at an expected 1:11.4. In this regard, the category I schools appear best placed, with a ratio of 1:8.6, and category III schools have the highest ratio of 1:13.2. Category II business schools accounted for 56% of the total students and 60% of the total faculty members of all the surveyed business schools.

Faculty to student ratio of Indian business schools



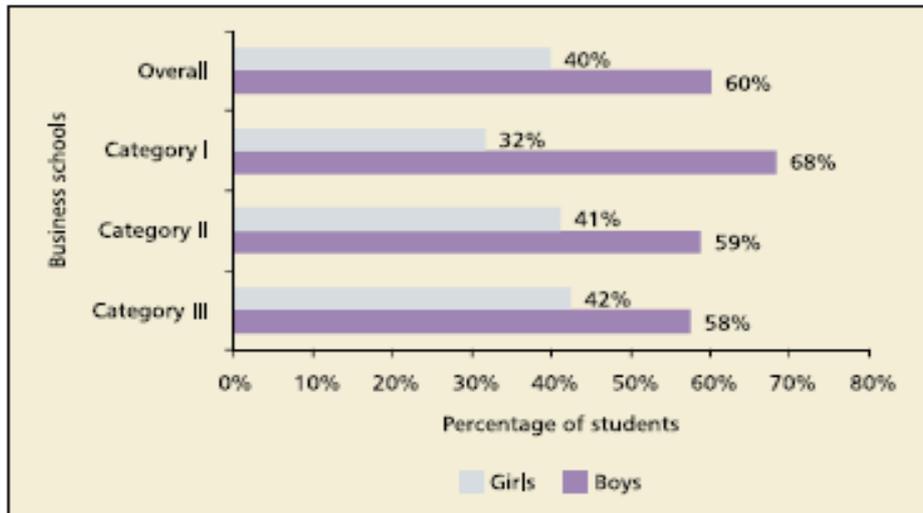
Source: D&B survey results

Increasing number of female students taking up management studies

For the academic year 2007-09, total student enrolments increased 6% y-o-y. For the 2007-09 batches, on average, female students constituted nearly 40% of the total enrollments. Female students enrolling in business schools grew 7% y-o-y, as against 6% growth for male students.

Among the different categories, category II business schools registered highest growth of 9% y-o-y in terms of student enrollments in 2007-09 batches. In fact, this category recorded the highest y-o-y growth of male and female enrollers at 7% and 11% respectively.

Female to male ratio of business school enrollers



Source: D&B survey results

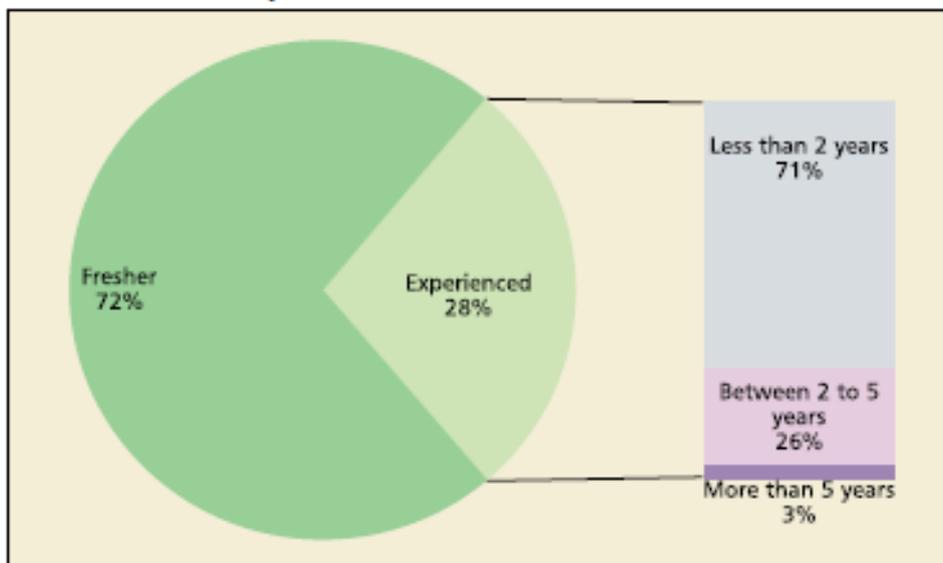
Number of students with work experience up 24%

The number of new courses and programmes offered by business schools has increased, to meet industry demand for employees with certain skill set and talent; consequently, the number of students with work experience increased 22% from 1764 in 2006-08 batches to 2167 in 2007-09 batches. Current globalisation and robust economic growth in India are driving more students to pursue a career in business management, but the percentage of students with work experience, on average, remained almost same at around 25% and 28% respectively during 2006-08 and 2007-09 batches.

The survey further revealed that although the number of students with work experience of 2-5 years increased 28% y-o-y in 2007-09 batches, those with less than 2 years of experience form a major proportion of experienced students. The number of students with work experience of more than five years has been declining over the past two academic years.

Overall, students with work experience have a fair amount of advantage over freshers as they have first-hand experience of the corporate world and are better placed to understand practical applications of the curriculum.

Student profiles in Indian business schools



Source: D&B survey results

Some interesting insights relating to students with experience:

- Category I business schools registered an impressive 54% y-o-y growth in number of students with work experience of 2-5 years.
- For 2007-09 batches, category I business schools have a staggering 60% of experienced students whereas category II and III have 23% and 18% of students with work experience.

Category I business schools dominated by engineering students

As the importance and need for management education is increasing, students graduating from different backgrounds such as engineering, management, commerce and pharmacy are choosing management for further education. The survey revealed that of all the students enrolling in business schools, a majority have commerce background (35%) followed by others at 27%, which include science and technology graduates.

The number of students with management background enrolling in business schools is rising. These students recorded highest y-o-y growth of 19% followed by those with pharmacy and engineering backgrounds seeing 14% and 11% y-o-y growth respectively. The survey further revealed that although students with management background are growing, they account for only 13% of the total enrollments in 2007-09 batches. Management is the least interesting field for students with pharmacy background, with only 3% students in 2007-09 batches from this field.

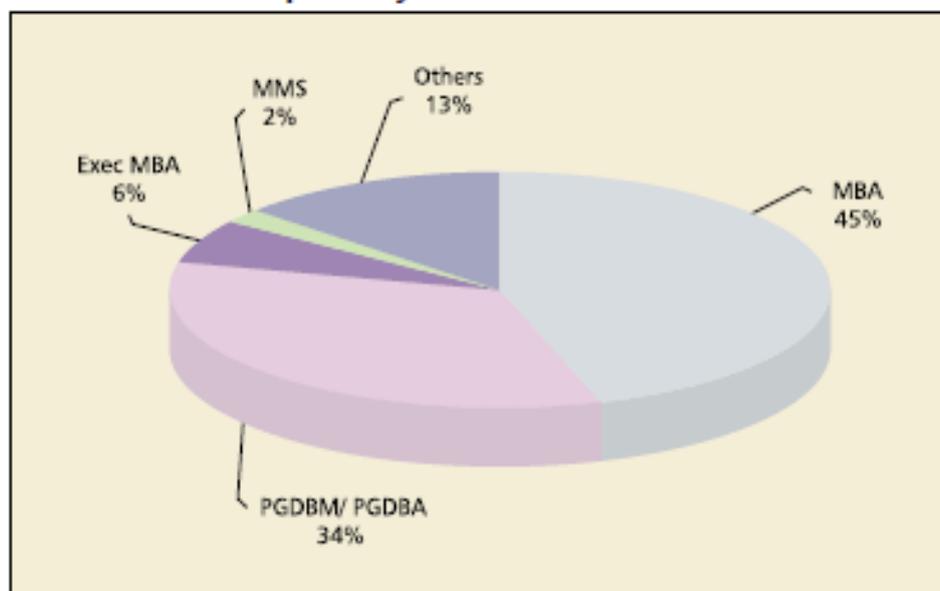
Category I business schools are dominated by engineering students whereas the rest of the categories comprise students with commerce background. Around 58% of the students of category I business schools have engineering background while only 19% of category II and 7% of category III are engineering students.

MAT scores are most preferable among business schools

One of the pre-requisites for securing admission in a business school is a good score in one of the prescribed entrance exams. These entrance exams test students on various parameters such as language, quantitative, verbal and data interpretation abilities. Some of the popular entrance exams are CAT, MAT, GMAT, ATMA, and XAT.

The survey revealed that 67% of the business schools consider scores of multiple entrance exams. On the other hand, 33% take into consideration scores from only one entrance exam from the basket of CAT, XAT, ATMA, MAT, GMAT, and KMAT.

Courses opted by business school students



Source: D&B survey results

Considering the popularity of each of the entrance exams, MAT emerged as the most preferred one with 64% of the business schools considering these scores in the selection process. CAT scores are preferred by 48% of the business schools. Furthermore, 75% of the total respondents do not conduct their own entrance exams and consider the scores of common entrance exams. Of the business schools that conducts own entrance exams, 67% belong to category II followed by 21% and 12% falling under category III and I respectively.

Some interesting insights relating to entrance exams:

- CAT emerged as the most preferred entrance exams for category I business schools with 59% in this category considering these scores.
- Around 69% and 73% of the business schools in category II and III respectively prefer scores from MAT.

Executive MBA courses gaining attraction among category III institute students

Business schools offer many post graduate courses such as MBA, PGDBM, PGDBA and MMS to name a few. These programmes can be full time or part time. The business schools also offer executive programmes for professionals.

Among students securing admission in 2007-09 batches, MBA and PGDBM/PGDBA are the two most popular courses. Around 45% of the students choose MBA followed by 34% opting for PGDBM/PGDBA. The number of PGDBM/PGDBA students increased 12% while MBA aspirants rose only 2%. Over the past three years, the popularity of PGDBM/PGDBA courses has increased as visible from its growth numbers — students choosing PGDBM/PGDBA courses in category I and category III business schools increased 26% and 19% respectively. Over the same period, the number of students opting for other programmes has remained almost same.

Some interesting insights relating to the courses:

- MBA and PGDBM/PGDBA are the most popular courses across all categories of business schools.
- In 2007 - 09, 53% of students in category III business schools chose MBA followed by 42% in category II and 24% in category I.
- Category I business schools experienced 56% growth in number of PGDBM/PGDBA students.
- MMS is the least preferred course among students of category I and III business schools.
- Category III business schools saw 75% y-o-y growth in the number of students taking executive MBA courses.

Retail management courses gaining popularity.

Business schools offer specialisations to students in various fields, with the most popular ones being marketing, finance and HRM. Over the years, marketing and finance have emerged as the two most preferred specialisations for students pursuing management studies.

In the 2009 batch, 33% of total students opted for marketing and 30% chose finance. However, over the past three years, demand for marketing and finance has weakened, with its overall share falling 200 and 124 bps respectively since 2007. On the other hand, logistics and retailing gained importance in 2009 compared with their share in the past two years. Retail management is one of the fastest growing careers in India owing to massive expansion of the sector, which in turn has led to huge demand for trained professionals in the field.

- Finance is the most sought-after specialization in category I business schools, whereas marketing holds a major share in category II and III business schools.

- In 2009, the share of HRM fell in category I and II business schools, compared with the previous years, whereas in category III, it experienced a minimal increase.

Category I business schools achieve 98% placements

Management studies have gained immense importance among big companies from different sectors. Business school campuses have always been a preferred choice for companies from domestic as well as international sectors to grab the cream of talent. In 2009, around 61% of the business schools offered more than 85% placement. Of this, category I business schools emerged as most efficient, offering 98% placement. On the other hand, category III experienced only 76% placement.

With the global financial crisis hitting the world in 2007-09, controlling costs was one of the most important tools for companies to stay afloat. This led to a decrease in overall recruitment by domestic and international companies. Total placement of the surveyed business schools for 2009 was at 87.46%, a decline from 91.52% in 2007.

However, the impact of the economic crisis was lesser on India than on other economies, owing to which placement in domestic private companies was marginally affected; their share in total placements fell 350 bps to 89.36% compared with 89.71% in 2008. The placement share of PSUs has increased steadily over the past three years. On the other hand, international companies were the worst hit during recession and were downsizing. This led to fall in placements in international companies to 2.78% in 2009, 590 bps lower than in 2008.

Impact of recession reflected on the average placement salary

The average salary paid to students at the time of placement majorly depends on the demand for managers in the industry that has tremendously increased in the last few years.

The economic crisis of 2007 spilled over to the Indian economy by late 2008. This crisis had a cascading effect on the average placement salaries offered to business schools pass-outs as well. As the job markets dried up, especially in the international and private sector arena, the average salaries offered by these companies to the management professionals showed a decline in 2009. However, unlike domestic companies, the average salary offered by the international companies registered decline from 2007.

Category 1: Top 50 government and private business schools, including IIMs and Indian School of Business, which compare favourably with the internationally recognised business schools.

Category 2: University departments of management studies, both in government and private sector, such as Faculty of Management Studies-Delhi University and School of Business of Alliance University, would be about 250. It includes institutions that are declared as “deemed universities”.

Category 3: University affiliated private colleges, whose courses are designed and monitored by the respective universities and the MBA degrees are awarded by them. The quality of the courses offered by these colleges would mainly depend on the quality and reputation of the concerned university. The largest numbers of the management institutes – viz. about 1350 – are in this category.

Category 4: Private autonomous business schools approved by the AICTE, without any affiliation to any university, are numbering about 275. The examples of such institutions are Management Development Institute (MDI), Gurgaon and IMT, Ghaziabad.

Category 5: These are private management institutions that are neither affiliated to any university nor approved by the AICTE, such as Xavier Labour Relations Institute, Jamshedpur and Great Lakes Institute of Management, Chennai. It would be difficult to arrive at the exact number of business schools, but the number would be around 50.

Category 6: There are approximately 25 collaborations of private institutions with foreign universities, where the degree is awarded by the foreign university. For instance, UK based WLC

College offering 6 MBA in India and TASMAC Management institute offering MBA from the University of Wales, U.K., at Bangalore, Pune and Kolkata campuses. It is difficult to arrive at accurate figures in the category-wise business schools, as the relevant source of information, that is, AICTE web page was “under constructio

Increasing cost of managing business schools the biggest challenge

Demand for quality business education implies demand for better infrastructure. In the current scenario, it has become difficult for business schools to meet the cost of faculty salaries (as per stipulated norms), library and computers with rapid increase in real estate prices and huge cost of maintaining infrastructure. With rapid globalization of business schools, technologies such as Wi-Fi connectivity, database in libraries, and upgraded versions of desktops and laptops have become necessities for students. Moreover, increasing awareness among students and the phenomenon of independent learning have created the need for vast collection of books and subscriptions to international journals and magazines for business schools, which entail huge costs. The surveyed schools identified increasing costs of managing a business school as the biggest challenge for them.



Other major concerns for Indian business schools are lack of trained, high quality and experienced faculty. Retention of quality faculty with the desired pre-requisites is a major challenge.

- For category I business schools, lack of quality faculty is a major concern and paucity of funds is the least important one
- For category II business schools, increasing cost of managing their business schools is a major challenge followed by lack of quality faculty
- Category III business schools are grappling with increasing cost of maintaining their business schools as well as paucity of funds, mainly owing to the small size

Resilient economy fueling demand for business school professionals. Over the past few years, India has emerged as one of the fastest growing economies in the world. The economic boom has led to surge in business activities in the country, which in turn has led to increased demand for skilled and qualified managers. Indian companies are always looking out for best managers from the business schools.

Year	Number of Business Schools	Period
1988	100	1957-88
1993	200	1988-93
1998	400	1993-98
2003	800	1998-2003
2008	1700	2003-2008
2011	2000	2008-2011

According to the survey, a resilient economy and increased awareness among students are major growth drivers for Indian business schools. At the same time, the demand-supply gap has resulted in soaring placement salaries. In India, a business school is not only known by the kind of students it attracts, but also by placements. High average placement salaries and tie-ups with a number of business schools have been other drivers for the surveyed business schools.

- Increased awareness among students is a major growth driver for category II business schools.
- Resilient economy and increased awareness among students underpin growth for category I business schools, compared with other categories.
- Tie-ups with other business schools is least important for category I business schools. Increased awareness among students is a major growth driver for category II business schools.

To overcome the challenges posed by globalization of management education in India, business schools would have to upgrade and strengthen their curriculum with regard to faculty research, industry interaction, use of technology and case methodologies.

Indian business schools are entering into collaborations with international universities/ associations mostly for student and faculty exchange programmes and upgrade of curriculum and course material. The business schools are also working toward introducing new courses that will focus on domestic and global industry needs and standards. These business schools are also seeking global accreditations, given their importance in case of foreign collaborations. Global accreditations would bring about recognition of an institute's ability to match global standards, thus attracting foreign students. These accreditations also attract foreign companies and MNCs in India during the final placement period.

II. CONCLUSION

Increasing demand for management professionals to serve the various sectors of India's economy has resulted in setting up large number of business schools. The "mushrooming" growth in numbers has taken place at the cost of quality of management education. As long as demand for management education is more than supply, some of the poorly managed business schools may survive. However, there are signs of the supply side catching up with the demand. When the supply is more than the demand, as it is beginning to happen in engineering and MBA education systems, some of the poorly equipped business schools may have to cut number of student intakes or close down. Autonomy, quality and adaptability to new conditions are the requirements of success. The government controlled Indian university system is poorly equipped to win in a competitive, globalised and innovative market place. It is, therefore, necessary for the AICTE, UGC and Government to review some of the existing models of regulations for business schools in India. As mentioned earlier, the National Knowledge Commission (NKC) has made some of the revolutionary and innovative recommendations, which need to be implemented with necessary correctives and balance as required. A majority of the business schools are planning collaborations with international universities/ associations. Development of infrastructure and seeking global accreditations continue to be priorities for the business schools. Moreover, more than 80% of the

business schools plan to acquire global accreditations in the near future. Around 11% of the business schools have other plans focused on research, innovation in teaching methodologies, and corporate tie-ups.

The criticalities are existing in Business schools to make essential changes and responsive methodology of market. Business schools that adapt early will produce the graduates that are best able to generate wealth for themselves, their businesses, and their countries. They will do well financially as well as in business school rankings. Business school administrators have to take the next step in the process of transforming management education into a form that will best serve the needs of management students, the business community, and the society. Indian government should not stop the process of liberalization and globalization with industry and business only, but spread it to management education as well. We would then see the capability of Indian management education system contributing to new management concepts and to the holistic approach to management education.

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