

Critical Challenges for Indian Business Schools as Partners in Development

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Introduction

Outside of the US, India now trains the largest number of MBAs with about 75,000 degrees conferred annually (Gupta and Gollakota, 2004). India is experiencing unprecedented growth and emerging as a significant force in international business. If it is to sustain its growth and compete with foreign firms, it will need to have a supply of high quality business graduates that meet the needs of business organizations. Beyond this, however, in a developing country like India, with huge inequalities in income, institutions providing business education need to meet developmental goals. In this paper, we evaluate business education in the context of this twin mission.

We begin with a brief description of the evolution of business education in India. Then, we discuss the potential role of business education and evaluate Indian business education in this context. In the last part of the paper we suggest some interventions to help Indian business institutions better meet the challenges that they face and conclude by discussing the implications for higher education development.

If India is to sustain its growth and compete with foreign firms, it will need to have a supply of high quality business graduates that meets the needs of business organizations. At the same time, in a developing country like India, with huge inequalities in income, institutions providing business education need to meet developmental goals. This paper evaluates business education in India in the context of this twin mission. We begin with a brief description of the evolution of business education in India. Then, we discuss the potential role of business education and evaluate Indian business education in this context. Finally, we suggest some interventions to help Indian business institutions better meet the challenges they face and discuss the implications of these for higher education development in the country.

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Evolution of Business Education in India

Traditionally, business knowledge was transmitted informally through the family or caste based community groups. Formal education in business began during the British colonial era. The earliest business education was oriented towards commerce related issues meant to develop clerical and supervisory skills, as opposed to managerial and leadership competencies. Most of the clerical and supervisory jobs were in the administrative centers, so the larger cities tended to emerge as the centers for business education. The medium of education was English, and most of the students tended to be from the larger cities, where this medium of education was more popular at the school level. Also, higher education in business evolved as an upgraded version of the school-level education in commerce, and was more developed in the larger cities.

India's 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 till this point associated with "babu-ism" and therefore lacked a strong social status, started to evolve. The government of India introduced commerce as a third, vocational stream of specialization at the high school level, science and humanities being the two basic specialization streams. Many of the graduates of the commerce stream joined their family businesses. For most others, taking a clerical job, or becoming an apprentice auditor at any public accounting firm were the most popular career options. More talented students were expected to join the science stream at the high school level, and take the engineering stream at the college level. They then joined corporations as technical supervisors, and moved up the management cadre.

A shift in the social status of business education began occurring only during the 1980s, with a growing shift of the national policy towards services. Many parents encouraged their children to take up the commerce stream at the high school level, so that their children could perform relatively well in the commerce domain and get a great corporate position without the intense competitive pressure in the science streams. In addition, supply side economics favored commerce-related education, because that did not require laboratories and other testing facilities unlike the science-related education.

A further shift from commerce orientation (focused on clerical, supervisory, and junior executive jobs) to management education (focused on management careers) was

evident; and this shift accelerated during the 1990s. 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. Companies found that the skills of business graduates 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.

Since the 1990s, buoyed by the high demand for management graduates, many private entrepreneurs have set up management institutes in various parts of India. Many of these private business schools have shown considerable dynamism in understanding the changing needs of the local industry, and customizing their diploma programs to those needs, thereby establishing their own niches. Illustrative specialized niches for management education include agri-business, banking, computer and information technology, construction, cooperatives, defense, education, entrepreneurship, finance, human 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 the special management needs of the specific sectors to which the B-schools have tried to cater, for instance, hospital management has become a highly popular offering over the recent years. Healthcare is one of the largest segments of most industrial economies. The hospital management curriculum has been adapted from hotel management, as both hotel and hospital managers oversee functional areas such as front office, reception, billing, security, finance, marketing, customer relations, food and beverages, laundry and housekeeping. In addition, training is offered in managing diagnostic and various other patient-care services, which traditionally had to be managed only by the senior doctors (Dhaundiyal, 2002). Similarly, retail management is being offered by some B-schools. Retailing employs about 1 million people in India, but mostly in the 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 B-schools, and have begun granting a "deemed" or "private" university status to several private B-schools that have excellent brand names and resource infrastructure. These forces have created a

very positive climate for the growth of B-schools, albeit heightening the challenges of ensuring a consistent quality of education at the national level (Gupta and Gollakota, 2004). 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 1000 distance education students. The number of approved institutions has now grown to approximately 1200, with an annual MBA intake of about 75,000 (Gupta and Gollakota, 2004). This explosion in the growth of business schools should be a great opportunity for India. But have these schools fulfilled their potential?

Impact of Business Schools

Business schools potentially have many contributions that they could make. Pfeffer and Fong (2004) suggest that business schools could contribute by “developing important knowledge and serving as a source of critical thought and inquiry about organizations and management.” This requires business schools to do rigorous research and provide critical consideration of business practices. A second role might be to take the lead in making management a profession. To do this requires developing standards of professional conduct and sanctions for those who violate these standards. Although Pfeffer and Fong (2004) made these recommendations in the context of the US, one can have the same expectations of institutions of business education in India. In addition to these roles, in India especially, business education can be a means to address social goals such as reducing income inequality and economic growth. This goal can be achieved if business education is accessible to all – not just the rich and privileged. Another role business schools might play is to foster economic development in the region or community. In summary, the business schools must assume leadership in four major roles:

- a) contributions to knowledge generation and exchange
- b) professionalizing national management
- c) facilitating regional development
- d) enabling educational accessibility

Unfortunately, neither in the US nor India, have business schools completely met their potential.

Contributions to Knowledge Generation and Exchange

Business schools, in general, have not fulfilled their potential to make active contributions to the development of knowledge that is relevant to business. In the US, the most prestigious research journals are very academic and are hardly ever read by business

practitioners. Practitioner journals or magazines are often based on armchair theorizing and not based on rigorous or reliable research. Although the Indian business environment is different from the US environment, most Indian business schools rely on textbooks that are used in the US and based on research done in an American context. The reason for this is the paucity of research in Indian business schools. On the positive side, although insufficient in volume, the research done in Indian business schools is often case based and closer to the issues of business practitioners.

A major challenge emerging for business now is how to manage in a changing, multi-cultural, and diverse milieu. Contemporary societies are oriented toward a culture of inclusiveness, and a culture of appreciating and celebrating the uniqueness of different groups of people. Historically, exceptions and variations in behaviors, beliefs, and values were frowned upon, because those implied an extra burden for the management, such as in terms of designing different training programs, adapting one’s leadership and decision making style, and demands for flexibility in work practices and standards. The thrust was on ensuring standard, predictable behavior, through strict selection procedures and hard socialization into the organizational work norms. During the 1980s and 1990s, as firms expanded across regional boundaries, the ability of the firms to ensure consistent and predictable behavior based on a standard set of selection procedures weakened. There were also revolts against the organizational attempts to socialize people in other cultures in their own “ethnocentric” ways. The solution proposed for the organizational quandary was a “transnational” mindset (Bartlett and Ghoshal, 1989), based on the principle of shared values. The transnational solution held that organizations should institute a shared set of core values that define and distinguish their corporate identity, and these values would then provide a sense of coherence, bonding, and brotherhood to all the diverse employees and other stakeholders who work for and with the organization around the world.

The assumption that certain core values may be cross-cultural universals has, however, not been supported by the cross-cultural research. Studies by Shalom Schwartz, involving school students and teachers, for instance, suggest substantial cross-cultural differences in even such core values as aesthetics, social harmony, compassion, and self-actualization (Schwartz and Sagiv, 1995). An alternative is to recognize, celebrate, and foster a diversity of perspectives, including beliefs, values, norms, attitudes, and experiences – both within the organization, as well as outside the organization.

The first step in this process is to generate and exchange knowledge about the comparative cultural orientations and endowments of different groups of people. Consider, for instance, the Marwari group – a community known for its eminence in the business field. A representative of this group is L.N. Mittal – the “Man of Steel”

who runs Ispat International from the U.K., and is the richest Indian in the world.

Marwaris are believed to have their roots in Marwar – the land of desert (Maru = desert, Sanskrit), which roughly corresponds to northeastern Rajasthan (Hardgrove, 2004). A hypothesis on cultural origins that may consequently be derived is that the harsh desert homeland generated a brave and enterprising spirit amongst the Marwaris – ‘an ability to produce money out of nothing’ even in a desert condition. Taknet (1996) encapsulates the theory of climatic effects of the Marwari work ethic as follows: “Nature taught them to follow its rhythm, dust storms and famines inspired them to tolerate pain and suffering. Lack of resources motivated them to work assiduously, hot winds and burning sun strengthened their vigor, and scarcity of water urged them to adopt a frugal way of life. Had they not learnt these lessons from adversity, they would not have turned out to be nationally reputed warriors and top industrialists.”

A related hypothesis on cultural origins may be derived from the historical-effects. The cultural identity of the people of Rajasthan has its strong roots in the Rajput ethos. During the Moghul era, the princely states of the Rajputs held their forts and even challenged the imperial power of the Moghuls in Delhi. And during the British era, these states entered into alliances with the British Empire, without actually being governed by the British. These historical effects engendered a norm of strict upbringing, disciplined work habits, and thrift-based economic behavior, which may have allowed the community to excel in small businesses, banking, and trading activities.

Yet another hypothesis could be based on ethnic-effects. Marwaris are a ‘transregional’ migrant community – a community deemed to be an outsider even in Rajasthan (Hardgrove, 2004). Their migration has been characterized as ‘semi-permanent’: earning a livelihood in one place but maintaining a connection with old homes. On the other hand, they have cultivated transregional community sensitivity based on a diaspora mindset, ethnic linkages, and trade networks. The Marwari community played an important role in embracing Hindi as a language during the early 20th century, and promoting its use as a way to enact their national political, social and cultural identity, as opposed to the more local identities of regional communities – such as of Calcutta – where they had migrated (Hardgrove, 2004). Through their successful business and industrial empires, the community has continued to play an exemplary role in the national and international integration of India.

Once the comparative cultural orientations of a group are understood, the opportunities for cultural exchange become evident. The role of women in the Marwari community has traditionally been one of homemaker. In this community, the role of writing and formal education itself has been rather subdued. For instance, there appears to have

been little formalization of the Marwari language, though several million people in Rajasthan reported their language as Marwari in the census conducted during the early 20th century (Grierson, 1908). Unlike other groups, such as the Parsis, Marwari culture has been characterized as conservative, old-fashioned, clannish, and socially and educationally lagging; a culture that has given them an image of pursuing rough and tumble business practices that are exploitative. They are believed to be only away from home to make money, and whose concept of home is elsewhere, if anywhere at all (Hardgrove, 2004). The Marwari entrepreneurs and leaders have sought to correct these beliefs by enriching their own cultural practices. The illustrative enriched practices include mapping their identity to Rajasthan for celebrating various rites of passage, such as marriage, constructing temples in home villages, and pursuing philanthropic ventures. In addition, wives have often been involved in family businesses, and charged with managing philanthropic activities such as schools, hospitals, and performing art centers. Similarly, daughters have gained education and freedom to launch successful boutiques and restaurants, though only rarely, full charge of the family business empires.

There exists currently substantial resistance to an academic recognition of the unique cultural orientations of different communities of India, and researching their implications for management, leadership, and entrepreneurship. However, internationally, the value of gaining appreciation of the cultural distinctiveness of different groups is well established. Within Europe, despite common currency unification, substantial resources are devoted to the understanding of differences in the cultural orientations of Germans, Swedes, French, and other cultural groups. Once these differences are understood, they remain less of challenges that are problems for the managers, but more of opportunities that allow the leaders to discover diverse ways of approaching and solving problems, and of adding value for the benefit of different stakeholders. A differentiated appreciation allows the firms to operate as value-adding and value-perpetuating differentiators, rather than simply offering standard commodity recipes that may be easily contested away in the global competitive marketplace. Moreover, a differentiated appreciation of cultures allows firms to engage as enlightened citizens with the communities in which they operate and which they serve. On the other hand, assuming away the cultural uniqueness as irrational stereotypes only adds to friction and frustration, as the firms seek everybody to abide by a shared set of values.

Professionalization of Management

Another important role for business schools is to take the lead in the professionalization of management. This involves creating standards of ethics and performance and

inculcating the same in their students, benefactors, communities, and corporate and non-corporate affiliations. The major scandals that broke out in America and in other parts of the world are testimony to the failure of business education to create professional standards. Pfeffer and Fong (2004) assert that many business schools position themselves merely as a means to earning a higher salary. This mentality is transmitted to students who then focus on the credentials the school gives them, and how these credentials give them a distinctive advantage in a supply-driven market where the quality of the product is difficult to compare. Similar criticism has been leveled in inculcating in students an orientation that a business exists only to serve the needs of shareholders in exclusion of other stakeholders such as employees.

With only a few exceptions, the graduates of most leading business schools, whether in India or in the US, predominantly gravitate towards multinational firms and large corporations. Most graduates also tend to gravitate towards service positions, such as those in marketing, finance, accounting, and human resources. Both the interest as well as the competencies of the graduates to succeed in research and development, or in manufacturing positions, have been rather limited.

A dominant percentage of people in the India are employed in the unorganized and informal sectors, including trade, distribution, transportation, and construction. An even larger percentage lives in the rural areas, and is employed in rural industries. While several vocational and trade training programs are available, this group of people has remained largely outside the domain of formal business education. The rural market has been the fastest growth area for many national and multinational companies in India. However, rural businessmen have not been as successful in marketing their products and services in the national and international markets.

The result is an increasing disparity of income and wealth between the rural and urban areas, and a growing tendency among the rural people to migrate to the urban areas. Such tendencies play havoc with rural lives, as old parents, wives, and daughters are left behind in the rural homes, while the husbands and sons join the vast urban slums struggling to make a living and striving to improve their lot. Socially, it puts urban businesses and urban communities at a superior social and economic plane than the rural people and communities. In a nation, where there is hardly anybody who does not trace his or her ancestry to some or other village, this is a very disturbing trend with little rationale. These developments signal a failure to impart, shape or strengthen, the entrepreneurial and leadership competencies of the rural people, which has forced many of them to be awe struck with the urban people and their wealth amassing abilities. The same is true, to a large extent, for the people in smaller towns and cities, where any enterprising initiative by one person is quickly imitated by many

others because of the lagging organizational skills to fully develop and execute one's own original ideas.

Another problem with business education in India is that there very little interdisciplinary business education. There are few joint and inter-disciplinary degrees available in, for instance, different disciplines of science and technology and business, different disciplines of arts and business, and different disciplines of humanities and business. An individual must choose either to go into business management, or to pursue one's hobbies in arts, humanities, science, technology, or mathematics; one can rarely pursue both simultaneously for an integrated and unique career about which he or she is deeply passionate.

Several alternative models may be examined for addressing this larger challenge of management professionalization. One extreme is the government-led model. The government may be held to have the charge for developing the nation, and for mobilizing and allocating appropriate funds and other resources for making this happen. However, the government has limited funds, which need to be allocated to many other pressing needs, including primary and secondary education, and other social and public services. More importantly, research has increasingly shown that the government by itself lacks the leadership and entrepreneurship expertise required for developing appropriate business education solutions.

On the other extreme is the market-led model. Local private players, who have knowledge about the gaps in the market for business education, may play an entrepreneurial role in launching relevant educational and training programs customized to the needs of their rural areas, small towns, and occupational and professional groups. However, the quality of the services offered by the local private players tends to be suspect and highly variable, and the fragmented nature of the market implies that few players could afford quality infrastructure and investments. In Indian culture, a well-known saying is "neem hakim khatra jaan" – i.e., an unqualified doctor is dangerous to one's life. When the private players offer variable and unstandardized quality of education and training, then their target market ends up being primarily those with few other career or livelihood prospects. The market thrives by delivering the lowest common denominator of quality expectations, and is unable to equip graduates and the community with skills adequate to allow standing up against the better-endowed national and international corporations.

A more appropriate third model is therefore needed, to complement and support the above two alternative macro and micro models. This model may be termed as "meso-development". In a meso-development model, the leading business schools would assume a leadership and entrepreneurial mandate to enable the development and

delivery of quality business education and training programs in the regions within their geographical domain. For instance, consider the Indian Institutes of Management which have a broad national mandate. These institutes cater to a national stakeholder body, though they have been formed with the support of regional governments and businessmen, the representatives of whom sit on their governing boards. These Institutes could put a priority on developing a comprehensive inter-disciplinary business model for the people of their cities and states, and on implementing this model through collaboration with the government and various private players. The model may entail sharing syllabi with the faculty of the local business schools, helping design doctoral programs for these faculty, enabling cooperative learning of the larger student body with their own student body, helping with the job search and business incubation through their own alumni and corporate contacts, and so on. While the Indian Institutes of Management have been looking at strategically collaborating with foreign institutions for offering enhanced learning to their students, and support to their faculty, they have not looked at similar strategic collaborations with the local business schools in their own cities, states, and nation. The current support by the Indian Institutes of Management may at best be described as tactical, for instance, in the form of short-term faculty development programs for a select number of faculty from different business schools. However, such tactical approaches have little influence on the overall competencies of the local business schools, and the evident benefits are too limited, and too slow, for the respective communities.

Currently, there exists considerable resistance to the idea of strategic collaboration with other business schools from India. The collaborations, where they exist, involve affiliations of local private business schools with the state universities; and such affiliations are an artifact of the regulatory framework that bars private business schools from offering degrees, unless they are affiliated with a university. The syllabus and other norms imposed by most universities tend to be restrictive and degenerative, as they do not allow flexibility to respond to the local conditions and do not build competencies for quality teaching, service, and scholarship. Internationally, consortium approaches are becoming increasingly popular amongst the institutions of higher learning. It would, therefore, be appropriate for the leading business schools in India to become the promoters and developers of strategic alliances with smaller and less equipped academic institutions in their region, and help with the improvement of the quality of learning and teaching as an integral part of their institutional mission.

Facilitating Regional Development

Assuring quality business education at the regional and national levels is only one of the elements of development. The products of the business schools are expected to

play a direct role in the processes of economic development, technological and organizational innovation, and social wealth creation. One may inquire about the boundaries of the role of the business schools. Should the business schools play a purely passive role, whereby they admit a select group of candidates on presumably some merit criteria, and then graduate this exclusive group for presumably taking a leadership and entrepreneurial role in the developmental process? Or, is there any basis for the business schools to be more active players in the developmental process?

Consider an off-context example. In the 1980s, Japanese firms used to export automobiles and electronic products to the USA. They held that the American employees are not as productive as the Japanese employees, and believed that the Japanese success in vendor management and quality circles derives from the uniqueness of Japanese group culture. Eventually, Japan ran large trade surpluses with the US, propelling the Americans to start campaigning for buy American and for putting restrictions on Japanese imports. Japanese firms became reluctant multinationals, and they began investing in the US. They strived to understand American culture, and developed new, culturally appropriate modalities for strategic relationships with American vendors for realizing high quality and productivity. For instance, they worked with the local high schools in the US on a one-to-one basis, and helped the school administrators transform their syllabus and curriculum, so that the graduates could substantially improve their linguistic, scientific, and mathematical skills. Some of these approaches were so effective that the Japanese firms had their expatriates implement the same systems even within Japan, which by then was showing signs of severe stagnation and productivity erosion (Gupta, 1998).

Now consider this scenario. In the 2000s, many graduates from the IIMs/XLRI have joined large national and multinational companies that are invading the rural markets. These graduates are typically from large cities but trying to reach markets in rural areas and small towns where women users are the principal decision-makers. This domination has resulted in people from rural areas and small towns and cities becoming frustrated, and expressing their frustration by campaigning for local identity.

Now, the IIM/XLRI community could either follow the successful path shown by the Japanese firms, or they could follow a policy of status quo, or ignore the local communities assuming that they are illiterate and traditional. These authors would rather have us be active participants in the national developmental process, as opposed to passive observers and judges.

Enabling Educational Accessibility

Access to higher education is the passport to increased income and a reduction in the income inequality that is the cause of many social problems. According to the US

Census data, the average high school graduate earned \$26,059 in 2000, while the average bachelor's degree recipient earned \$49,674. Over a working lifetime, this earnings gap is estimated to add up to more than \$1 million. The wage premium associated with the higher education degree has been rising over time (Wolanin, 2003). An even larger earnings premium is seen in India. Again, in both India and the US, business education has failed to serve the needs of lower income and socially depressed groups.

In theory, higher education is accessible to all. However, in practice that is not the case. The reasons that have prevented underprivileged and minority students accessing higher education may be classified into the following categories: cultural barriers, academic barriers, financial barriers, capacity barriers, quality barriers, and institutional barriers.

Cultural Barriers

Cultural barriers refer to social attitudes and perceptions that undermine the motivation of low income and minority students to benefit from the opportunities for higher business education (Wolanin, 2003). Under privileged students and their parents may lack understanding of the factors critical to gain access to and succeed in higher business education. Research in the US has indicated that first generation students (students who are first in their family to attend college) are less academically prepared to go to college, take fewer college preparatory courses, and fail to take college entrance exams (Wolanin, 2003). Further, research indicates that low family income is negatively correlated with the completion of college education. Only 21% of college qualified low-income high school graduates, compared to more than 60% of the high income college-qualified high school graduates, complete a bachelor's degree (ACCSFA, 2002). However, regulation has driven universities to extend their programs to underprivileged students and, as a result, first-generation students now comprise 40 percent of all undergraduate students on the US college campuses (Wolanin, 2003).

Problems of access in India are much more severe. The student body in the business schools in India is relatively homogeneous – predominantly male, urban and from well-to-do and upper middle class families. This student body background is to be seen in the light of the fact that only 59 percent of the children enrolled reach grade 5 in India, and 44.3 percent of age 15 and above are illiterate – defined as people who can't even write their own name (Mallick, 2001). More than 70% of the population of India lives in rural areas (World Bank, 1997). However, fewer than 5% of high school teachers are from the rural areas. Such a system fails to provide role models for rural students and, at the same time, does not offer urban students exposure to teachers who represent the country's diversity and changing economic landscape.

Moreover, gender is a very significant issue in India. India has a low gender egalitarian culture. Female children receive less active encouragement than male children to pursue business education (House, Hanges, Javidan, Dorfman and Gupta, 2004).

Academic Barriers

In many situations, lack of academic preparation prior to college prevents students from successfully accessing higher education. The reasons for poor academic preparation are often based on income and social problems. Research shows that students from low-income families and minority students have lower academic performance and grades than other students (Fitzgerald and Delaney, 2002). A recent report in Britain supports this view and suggests that this gap in academic performance is the result of poverty, living in rough neighborhoods and family situations that are not conducive to focusing and gaining a good education that allows students to prepare for classes (*Economist*, March 2005)

Financial Barriers

Many students who are motivated and informed about their higher education options and have adequate academic preparation for higher education may not be able to afford to pay for it. Supporting the enrollment of qualified individuals who would not otherwise attend a higher education institution generates public benefits, such as higher productivity and growth, and a more just and fair society. Therefore, there is a basis for public support of higher education. Research shows that grant aid is particularly well suited for low-income and minority students, who tend to be reluctant to borrow because of limited confidence in their future earning capacity, and who are more likely to attend higher education when grant aid is available (Wolanin, 2003). In conditions where grant aid is scarce, critics have objected to providing grand support for business education. According to this contrary view, individuals who get access to higher education enjoy private benefits in terms of higher earnings and higher social status, and should be responsible for bearing the costs of their education to the extent possible (Wolanin, 2003). Indeed, more than 80% of the federal student aid for higher education in the US is now in the form of loans (Wolanin, 2003).

In India, financial constraints are a bigger problem and almost impossible to surmount. Currently, applicants spend an average of Rs. 25,000 on application fees for various business schools, and on travel for taking different examinations, and taking group discussions and interviews. They also pay an average of Rs. 15,000 to various private institutions that help them prepare for the tests – on the whole, the test preparation is estimated to be a Rs. 2 billion business. In a nation where the annual per capita income averages only about Rs. 20,000, access to business education is

thus limited to only the more affluent segments.

Though bank loans and scholarships are now available in plenty to cover the expenses of business education, these funds become an option only after successful admissions. Moreover, families from the smaller cities and lower income families tend to have more conservative attitudes towards loans and have a less optimistic attitude towards the availability of scholarships, based on their negative experiences with loans and scholarships in the past. Not only does the student body in the business schools, including the IIMs, come largely from "well-to-do middle-class and upper-middle class families with salaried backgrounds" (Anand and Bakshi-Dighe, 2003), the graduates of these business schools command a huge premium in the job market, earning an average of Rs. 200,000 annually after graduating from a second-tier business school, and Rs. 500,000 annually after graduating from a first-tier business school. Consequently, the financial access to higher education for children from richer families is being assured, while the potential barriers for children from poorer families are continuously escalating.

Institutional Barriers

Systems for selecting and assessing participants at higher education institutions have also come under scrutiny in recent years as important sources of impediments. A growing amount of research evidence in the US is showing that women score lower than men on standardized tests that are required for admission into colleges and universities (Silverstein, 2001). Further, "minorities and women may receive lower scores because the tests are not written objectively, and the questions reflect the writers' subjective and cultural experiences." (Silverstein, 2001: 679). Standardized tests were expected to measure the "physical property of the brain", and it was presumed that preparation for those tests could not influence test results (Silverstein, 2001). But this presumption lays shattered with professional test preparation programs, such as The Princeton Review, even guaranteeing a significant score improvement (Kiehl, 2000). Since only those able to afford the courses have an opportunity to improve, the standardized tests limit access to higher education for the low income groups. In 1998, students from families whose income ranged from \$10,000 to \$20,000 a year averaged 171 points lower on SAT (Scholastic Aptitude Test) than students whose family income ranged from \$80,000 to \$100,000 a year (Silverstein, 2001). In the US, the leading business schools have increasingly shifted away from using the standardized GMAT scores as a dominating criterion for admission decisions; instead the thrust is on leadership in the academic, work, community, and other contexts.

In India, the Common Admission Test (CAT) serves as a selection device for admission to major business schools. The institutionalized system of standardized admission

tests, however, appears not to be in the favor of minorities, women, and people from smaller cities. The admission processes used in business schools in India are largely designed to predict the ability of the candidates to cope with the high pressure and competitive academic environment. The fundamental premise is that individuals rely on their personal abilities to cope with the intense pressure. However, research shows that individuals vary in their pressure coping strategies – minorities, the poor, and women tend to build stronger social capital, and rely on cooperative strategies for minimizing the occurrence of pressure situations, and for coping with the pressure situations. Not surprisingly, therefore, minority groups such as women tend to score lower on such admission tests (Silverstein, 2001).

In high power distance and low gender egalitarian cultures, as is the case of India, men, especially those educated in the larger cities, or belonging to the dominant ethnic groups, or who are from well-to-do families, are likely to do better in the high-pressure situations of interviews and group discussions and score higher on competitive admission tests, as compared to the rest (House et al, 2004). Such applicants tend to score higher on the admission tests, and are more likely to go through the admission process. On the other hand, those educated in the smaller cities, those from poorer families, and women, are less likely to be accepted.

The percentage of women taking the Common Admission Test of the IIMs, for instance, hovers around 22 percent; and this percentage declines further after selection to 5 to 15 percent of women in the student body (John, 2003). According to the Dean of IIM Ahmedabad, "The low number of women applicants at IIMs could be because they feel the competition is so stiff, so why apply" (quoted in John, 2003). The difficulty and high pressure levels simulated by the Common Admission Test continue to be anchored in a world of ranking, contests, and pyramid-shaped hierarchies, with fewer and fewer plum jobs as one approaches the top.

The fact that modern management is increasingly based more on teamwork, than on individual ability to cope with pressure, is not reflected in the design of the competitive tests. The graduates of the IIMs and other business schools get better placement opportunities, and are more likely to be placed in management and leadership positions. The minority, the poor and women who are more adept at a consensus decision-making, the use of social capital, and cooperative strategies are thus put at an added and long-term disadvantage (Woolcock and Narayan, 2003). In totality, a heavy reliance on competitive admission tests as the screening device acts to limit the diversity of personalities, ethnicities, and gender in any institution, and to that extent, limits the development of creative potential and learning of all members of that institution.

Capacity Barriers:

The demand for higher education generally exceeds the supply. In the US, it is possible for most students who can cope with higher education to find a school that will admit them. However, even in the US, there is considerable competition for spots in the top business schools. The ratio of students applying and the spots available at the most selective schools in the US is up to 9 to 1; on the other hand, some of the low-end schools may not even be able to fill the available places.

As in many other areas, the problem is much more severe in India. Every year, the premier business schools in India – the IIMs – graduate only about 1,500 students, out of a total of 75,000 business graduates in the nation. A large demand for business education remains unmet. About 140,000 apply for admissions to the IIMs every year, and about half of them are unable to get admission to any of the business schools in India.

Quality Barriers

Many of the places available for higher education are not necessarily of adequate quality. In the US, there is a lot more consistency in the quality of education from various schools. Driving quality assurance in higher education is the accreditation system. Accreditation, usually carried out by specialized private non-profit organizations, attests to the quality and consistency of education offered by an institution. Foremost among this is the AACSB (The Association to Advance Collegiate Schools of Business) International, which accredits that the institution (1) is guided by a defined and appropriate mission, (2) has established systems under which its mission can be realized, (3) is accomplishing its mission substantially, (4) is organized, staffed, and supported so as to continue to accomplish its mission, and (5) meets the standards of academic quality (AACSB, 2003).

Unfortunately, there are no widely accepted accreditation bodies in India and the quality of education varies widely. Although there are about 1,200 business schools in India offering a graduate program, most of them do not have faculty members with relevant doctoral qualification. A recent survey showed that while 550 out of a total of 773 full-time faculty, or 73%, at the top 15 business schools in India had a Ph.D. degree, only 1,181 out of 2,361 full-time faculty, or 50%, at the top 100 business schools had a Ph.D. degree in 2003 (Cosmode Management Research Centre, 2003). About 70% of Indian business schools don't have even a seven-member faculty, and the faculty they have generally does not have a Ph.D. degree (Zachariahs, 2003). The estimated current demand for Ph.D. faculty members at the nation's business schools is 7,200 (Cosmode Management Research Centre, 2003).

With the privatization of business education during the 1990s, many business schools have been set up even in the smaller cities of India. However, the quality of programs offered by these business schools is suspect. Not only is the infrastructure poor and faculty under qualified, but also the curriculum is often copied from those of the business schools in larger cities and is not adapted to the needs of students and businesses in the smaller cities. Further, the region's cultural factor is ignored. Each region of India has its own peculiarities, such as in terms of the profile of industry and inter-linkages with the rest of the nation and the world, and these factors are rarely incorporated in the curriculum. There is little academic research conducted on these factors, and whatever research is conducted rarely finds its way to the classroom.

Further, considerable diversity exists in the pedagogical quality of business schools in India. The case-based and experiential approach is not universally used. In traditional business schools, curriculum is influenced by the traditional syllabi-oriented academic pedagogy. Consequently, these graduates show deficient technical and social skills; and demonstrate a theoretical and self-oriented attitude. If indeed the quality of education in most other institutions falls short of that at top tier schools such as the IIM's, then one cannot expect graduates from top tier schools to add as much value to their workplace as they could if their peer group also received an enhanced quality of management education.

Another problem with the big difference in quality of education is that it leads to an elitist mentality. As institutions attain success, some become wrapped up in their reputation, and lose focus of real accomplishments. This attitude rubs off to students graduating from such institutions. Often, applicants who gain admission into any of the top schools, tend to view themselves in elitist terms, and enact behavior such as looking down on those from second tier schools. However, considering that most of their colleagues in their workplace will have degrees from less prestigious institutions, such an attitude will come in the way of the teamwork that is becoming increasingly important in organizations today.

Many companies have been concerned that graduates lack a sense of social citizenship and service. Most companies had to put "re-education" programs in place, to reorient the graduates to the industry they were recruited to. Guided by the mindset in commerce-oriented programs, it was traditionally assumed that quality might be enhanced by tougher examinations, where they are asked to prepare a large number of topics. However, in reality, evaluators typically lower their expectation and award marks liberally so that the proportion of students scoring different grades more or less remains constant. Recently, there is an increased focus on trying to test critical application competencies, such as one involving project work. Examinations remain an important

element of the curriculum, guided by a philosophy that every worthwhile activity must be reviewed, monitored, appraised, and fed back to increase efficiency and effectiveness (Natarajan, 2003).

Discussion: How to approach the Barriers?

In this article, we identified a substantial need and opportunities for the business schools to assume a leadership role in the developmental process. A major factor in the developmental process is to make the capabilities for entrepreneurship and leadership accessible to all, so that each and every one of the one billion plus members of the nation can become effective partners in the developmental process. Dr. Abdul Kalam, President of India, recently narrated an incident where a child from a village asked him how the nation could help her play a worthwhile role in the national developmental process. Until now, if a similar question is asked to any one of us, the only convincing answer we may have is to suggest finding a benefactor from a large city, or praying to god to be born as a boy in a rich family in a large city in the next birth! As among those privileged to have best education – not just in the nation, but also in the world – we assert that it is up to the leading business schools to assume a bigger role in the developmental process than they have taken traditionally.

Besides playing a leadership role in generating and exchanging cross-cultural and culturally appropriate knowledge, in professionalizing business education through strategic alliances with other educational institutions at the regional and national level, and in pursuing meso-development opportunities for regional economic growth, the IIMs/XLRI should also adopt a more entrepreneurial mindset in relation to the challenge of the accessibility of business education. The lack of responsive programs for the smaller cities, smaller businesses, and women have resulted in access to quality business education being limited to the larger cities, being oriented towards the needs of larger businesses, and slanted towards the male-dominated business world.

In India, at the national level, the in-take of business schools in their graduate programs is only about 50% of the current demand from the applicants. Much of this demand is from students who join multinational and large professional organizations. Meeting the needs of such organizations is important. However, considerable economic activity takes place at much smaller micro-enterprise levels in much of the developing world (Brown and Masten, 1998). Individuals, families and cooperatives are involved in various economic activity from selling fish to handicrafts. While there is no need for a formal MBA education for micro-enterprises, certainly, there is considerable need for knowledge of sound business practices.

The IIMs/XLRI may learn from the experiences of prominent international business

schools, who have developed viable education delivery models for the Indian market – despite vast differences in the cost of faculty compensation, infrastructure, and other investment and cost elements between their home institutions and the Indian operations. Many overseas business schools initially formed collaborations that offered some form of “international validation.” Under this system, the foreign B-school certified quality assurance on issues such as curriculum content, content delivery, and evaluation procedures. The level of commitment by the foreign B-school varied, and ranged from the provision of its own curriculum and visiting faculty, to assistance in developing local curriculum and in developing local faculty resources. For instance, Indian School of Business (ISB) offered a graduate degree in business, validated by the Wharton School, Kellogg’s and London Business School. These programs allow the foreign universities to reach out to students who may be interested in visiting overseas for only one or two semesters, and help the Indian B-schools harmonize their curriculum with international standards. Led by the success of these initiatives, many foreign business schools are now offering their international degrees in India, giving an option to take about half of the courses from the foreign faculty in India or to study abroad to take those courses. Similarly, the IIMs/XLRI could form strategic collaborations with the business schools in the rural areas, in the small cities, and those focused on women and other such groups; and offer various forms of support to these local institutions.

Such local collaborations would also enhance the international visibility and credibility of the IIMs and of the IIM faculty, and enable their participation as lead facilitators in similar initiatives at the global level. Figure 1 illustrates how such international collaborations may serve as one of the interventions.

Conclusion

The effort to connect globally will play an important role in the improvement of business education in India. Increasingly, business schools in India are striving to be responsive to local needs. Research, for instance, is emerging as something that goes beyond articles, books and publications, and should and does include personal and institutional introspection that enhances the quality of the learning experience within the classrooms and in the industry. Such a broadened perspective is perhaps more appropriate for the diverse cultural and emerging market context of India.

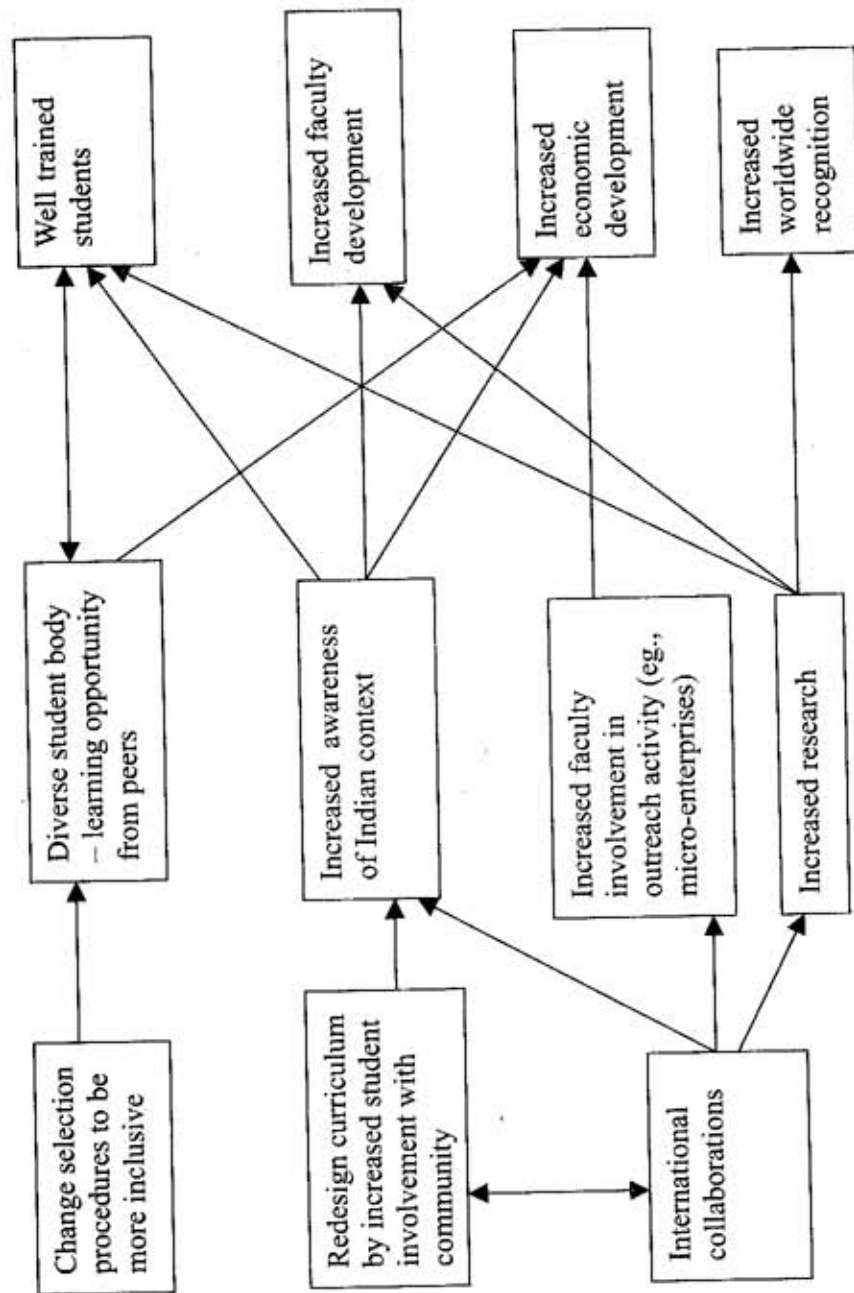


Figure 1 : A Framework for Developing Business Education in India

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