

♦ COLUMN ♦

The next twenty years

I got my MBA outside India 15 years ago. Fifteen years is long enough for the perspective of distance but short enough for real memories. But my look-back is not only complicated by the multiple global crises that are changing the world of business but also because this period coincided with opportunities for Indian business that don't occur once in a decade or once a millennium, but once in the lifetime of a country.

The future of the Indian MBA will be influenced by one global issue – the global MBA introspection – and three interrelated domestic issues: foreign MBA offerings on Indian soil, the strategy and execution of the new vocational training industry, and reform of regulatory arthritis. Let's look at each one of them in detail.

The fundamental assumptions of many MBA finance and economic courses I took – rational expectations, liquidity risk, risk free sovereign, diversification reduces correlation, etc, are challenged by the many induced economic crises, i.e. dotcom, real estate, banking, employment, and so on. But more damaging has been the “ethics deficit” of many MBAs which challenge the assumption that incentives are self-regulating and reinforces that we don't live in an economy but in a society.

I worry if an MBA sufficiently recognises – and highlights – human fallibility and our inability to calculate long-run self-interest; we play tic-tac-toe better than we play chess. MBAs must get a deeper understanding of the complementary roles of the state, market and civil society. With financial and consulting employers under pressure, global business schools will have to work harder to offer a better return on investment.

The first domestic issue is foreign competition on Indian soil. Anybody not intimate with parliamentary proceedings would assume that the Foreign University Bill has been passed because of the mushrooming of joint offering, online offerings, partnered offering, co-branded offerings and outright fraud. As with most regulatory arbitrage, the quality of many of these programmes has been uneven and poor as the delayed bill creates adverse selection among MBA school entrepreneurs. But a level playing field will only make a difference if foreign players take a long view and invest in infrastructure, faculty, employer linkages and product differentiation. If anything, the global

The future of the Indian MBA is challenging because of global and local factors. But there are unique opportunities

♦

crisis has blunted blind “firang” infatuation; you don't have to be Western to be modern.

The second domestic issue is the advent of a credible vocational training industry. Many of the 2,000 MBA schools in India offered the ‘vocational training on steroids’ that many employers were happy to pay for in high tide. But not only did they misprice their product, the lack of quality at exit gate greatly diluted signalling value. This will be further challenged as credible players scale quality vocational options that pray to one god: employers.

The lack of student interest in many schools – about 30 per cent of MBA seats are empty in many states this year – means that these schools have four options: reprice themselves to fee levels commensurate with exit gate salaries, formally rebadged themselves to vocational training with lower duration and fees, pay faculty more and take students with prior work experience to improve exit gate quality, and shut down since real estate makes many of them worth more dead than alive.

Pankaj Ghemawat, professor, IESE Business School, estimates that only 20 of the 2,000 MBA schools in India are internationally competitive. Why? This brings us to third domestic issue of an arthritic regulatory regime that over-regulates and under-supervises. It focusses on inputs rather than outcomes and on hardware rather than software. This licence raj created a window where the ability to print degrees meant an MBA school was an ATM machine because showing up was good enough. As with all licence regimes, this has created dysfunctional situations where institutions like the IIMs and ISB – highly valued by employers – do not offer degrees, while the regulator could not stop places like IIPM. And the return on an MBA investment declined. The market is working but we urgently need to move to a different regulatory regime. A different but important regulatory issue is the governance challenge of IIMs; the *status quo* could erode their pre-eminence.

An MBA is not an academic degree but a professional one whose upsides include learning, networking, career wine tasting and employer signalling. Wharton changed my life by changing the size of my thoughts and teaching me that our minds keep us safe but our hearts keep us happy. The faster MBA schools in India adjust from having hostages to clients, the faster they will regain their position in corporate India's people supply chain. ♦



MANISH SABHARWAL

The author is
chairman,
TeamLease Services