

# The Rise & Rise Of Management Education In India.



*The Indian Institute of Management Calcutta (IIMC) was established as the first national institute for Post-Graduate studies and Research in Management by the Government of India in November 1961 in collaboration with Alfred P. Sloan School of Management.*

In the caricatured black-and-white India of the 1950s, there were two groups that the young and ambitious aspired to join: the *Babus* (the civil service), and the *Boxwalas* (the covenanted officers of corporate houses). The contours of corporate India in those days were, perhaps, colonial to a large extent.

The introduction of formal management education, however, started in India in the early 1960s, when a need was felt for providing managerial skills to the managers of public sector companies, who were supposed to capture the commanding heights of the economy in the era of planning. Over the years, the pace of growth of management education remained unabated.

It is estimated that India has more than 5,000 business schools in operation. If one includes unapproved institutions, the number could be as large as 7,000. Why is there this craze for management education?

## 1 MANUFACTURING LAG FEEDS MANAGEMENT PIPELINE



Prof. Biju Paul Abraham

A part of the answer lies in the structure of the economy. Notwithstanding the demand for engineering education, a not-so-dynamic manufacturing sector has failed to provide sufficiently challenging and remunerative jobs to engineering graduates. This is not surprising because the share of manufacturing in GDP stood at just around 18% in 2019-2020. By contrast, the services sector dominated GDP growth in India with the share of “finance, insurance, real estate & business services” exceeding one-fifth of GDP in recent years.

There is also enough evidence that salaries in the manufacturing sector tend to be far less than in the services sector — particularly at entry level. A large proportion of engineering graduates, therefore, tend to upskill themselves by going in for an MBA degree and then move to the services sector. It is not uncommon for a bright aeronautics engineer to end up as a manager in a consulting firm after completing an MBA. It is not that India does not need aeronautics engineers, but that in the presence of services-led growth, the demand for such trained engineers is far less than the need for professionals in areas like finance, marketing, human resources or consulting.

A related incentive may come from the rise of outsourcing. Again, it is not atypical to find an engineering graduate employed in the back-office of a financial services firm providing outsourced services to overseas clients. The salaries of fresh graduates in many outsourcing firms tend to be much higher than what they would have got in a traditional manufacturing or services sector role that caters to the domestic market. For the overseas client such outsourcing to India also has the appeal of both cost and quality. Thus, it becomes win-win for both.

However, one big question remains. Will the demand sustain in a post-Covid environment?

## 2 EMERGING TRENDS TO GRAPPLE WITH



Partha Ray

There are two emerging trends in the global economy that are likely to sustain, and substantially increase, the demand for management education in India.

The first is the rise of home-working. Once the pandemic began many firms began to allow their employees to work from home. Initially, many of the employees worked from their places of residence in the cities where they worked. However, once lockdown restrictions were relaxed many moved back to their home states and hometowns and continued to work from there. Some who were working abroad even returned to their home country and continued to work. Most firms say they are unlikely to reverse this shift even when the pandemic ends. In the U.S. and Europe this has raised concerns that a new wave of outsourcing is about to begin. In this new wave firms in these countries will increasingly recruit employees to work directly for them from abroad, reducing wage costs substantially.

An added advantage is that a firm can have its employees work 24/7 with different groups of employees working in different shifts in different time-zones. This not only

increases productivity, it reduces risks as well.

The second source of increased demand for management education could be the increasing use of data analytics and artificial intelligence in businesses. The explosive growth of online work, online education and online shopping ever since the pandemic began is generating huge volumes of data that is helping firms understand their customers better and innovate rapidly to respond to customer demands. Firms are changing their product and service offerings to reflect fast changing customer needs.

## **A NEW DEMAND TO BE MET**

However, exploiting this data will require trained data analysts who also understand modern business concepts in areas such as finance, logistics, supply chain management and marketing. It is only data analysts who are skilled in these areas who will be able to understand what to look for in the large volumes of data that firms generate.

In post-Covid “new normal” aided by artificial intelligence, firms are likely to look for new employees who are not only technically skilled but also are ready to respond to managerial challenges. Hopefully, India’s management schools will be able to meet the requirements of the post-Millennials or the i-Generation.

*Biju Paul Abraham is on the faculty of the Public Policy and Management Group at Indian Institute of Management-Calcutta.*

*Partha Ray is a former professor at IIM Calcutta and director of India’s National Institute of Bank Management in Pune.*

Source: <https://poetsandquants.com/2021/09/29/the-rise-rise-of-management-education-in-india/?pq-category=admissions&pq-category-2=international-business-school-news>