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**SWP 29/87    SOCIAL RELEVANCE OF MBA EDUCATION  
A CASE STUDY OF INDIA**

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## ABSTRACT

### SOCIAL RELEVANCE OF MBA EDUCATION

#### A CASE STUDY OF INDIA

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When the three Indian Institutes of Management were established between 1962 and 1974, there were two main objectives. First, the explicit objective of providing trained managers for various sectors of the economy. The success of this objective is assumed away as the graduates of the IIMs obtain a pay premium and placements are no problem. Some 80 % choose to work for private Indian and multi-national firms.

The second objective stated by one institute but implicit for the others is that they will attempt to inculcate values of social responsibilities so that future decisions are guided by values relevant to social needs. In view of the large amounts of public resources used in educating the graduates, this particular objective is important. There are many studies which have attempted to examine the relationship between business schools and industry. This study is different from them in that it has focussed on the issue of social responsibility, attempting to define and measure the perceptions held by the graduates and comparing them with managers of equivalent seniority but without the MBA.

The preliminary findings indicate a strong work ethic among MBAs compared to non-MBAs. Perhaps of equal importance is that values of social concern, creativity and entrepreneurship are missing, therefore leading to question the basic role of business schools.

## INTRODUCTION

The three IIMs at Ahmedabad, Bangalore and Calcutta were founded to develop professional managers for the industrial needs of India. Harvard Business School and the Massachusetts Institute of Technology were the main sources of assistance when the Institutions were founded. Since their inception in the early 1960s, there have been many evaluation studies, mostly focusing on the economics of management education and the needs of industry.

Paul (1969) evaluated the returns to this form of education and found that there was a benefit to society. Mahajan and others (1981) examined the assumptions of Paul and decided that the increased income tax, imputed productivity of managers and the other indexes showed that this form of education was not fully beneficial to India. Dayal (1972), examined the course content and the reactions of the students at the IIM in Ahmedabad and made some suggestions for changes to the content. The main study of the relevance of this form of education to industry was conducted by the Nanda Commission (Business India, July 5, 1982) but the results have not yet been fully released.

The focus of the three IIMs is the two year " MBA " programme where the estimated cost per graduate is £ 10,000. This cost is borne almost entirely by society (Lipton, 1978) because government revenues in India are generated largely through indirect taxation. Therefore, if it is society which is paying for this education, or, as Vaizey (1962) put it, the poor and stupid are paying a tax to educate the intelligent and rich, what if anything is society getting in return ? This question raises the problem of measuring the economic returns to education. A summary of the approaches can be found in The Economics of Education by Blaug (1968).

The Indian Institutes of Management have recognised the need to integrate their efforts with society as a whole and not just meet the needs of a small interest group. The prospectus of the IIM at Bangalore states:

The spread of management education (1973) was confined to the limited areas of the organised private business and individual activities of large scale operations...public sector industries, utilities and social infrastructure, was largely ignored by ...management education ...which ...as it existed aimed at the...lucrative private sector, rather than for development of entrepreneurial talent or the needs of management in public organisations...

Since management education is expected to benefit the process of industrialisation, which in turn is meant for societal development, this study will attempt to examine a linkage between business and society, in this specific instance between managers and society. First , the profile of managers trained by the IIMs and secondly how they rate on some of the social responsibility constructs considered by this study.

The conceptual framework for this study is provided from the work of clinical psychologist George Kelly. His Personal Construct Theory (Mancuso and Adams - Weber, 1982) suggests that people develop a set of constructs, i.e. the way they construe events, people etc., as the result of learning and life experiences. These constructs will keep changing with time as new things are learnt and the result of the constructs is a given set of actions, which in themselves will result in new constructs as the actions add to the body of life experiences. Infact, Schumacher (1974) commenting on the nature of education suggested that one must be able to think through ideas, but these will be based on pre-existing values which will be applied to given situations; therefore,.." if one has

small, weak superficial or incoherent ideas then the world would appear insipid ". Where Schumacher refers to ideas, one may substitute with the term " construct " thereby joining the notions of personal construct theory with those of development in education. On the basis of personal construct theory it is suggested here that the linkage between managers and society is that:

**if managers actually have socially responsible constructs, then there is a potential for socially responsible behaviour.**

It is best if at this stage a definition of social responsibility is attempted.

The term, social responsibility (SR) seems to have a multitude of meanings, covering the idea of legal responsibility or liability; behaviour in an ethical sense; charitable donations; an awareness of the issues; as a synonym for legitimacy in the sense of belonging or being proper or valid (Votaw, 1973).

Managerial social responsibility may be conceptualised along a continuum from total freedom of action to total control by society. Adam Smith (Hay, Gray and Gates, 1976) put forward the notion that managers will not take decisions which harm society because the results will not benefit them. Friedman, has reinforced this suggestion (Elkins and Callaghan, 1975) by saying that the only responsibility of managers is to make a profit for their employers, within the rules of society. There is a considerable body of literature on defining social responsibility, (Elkins and Callaghan, 1975) its application to education, (Bok, 1982) and aspects of it such as consumerism, (Straver, 1977) corporate control, (Votaw and Sethi, 1973) origins and history (Hay, Gray and Gates, 1976) and a study of social responsibility as a doctrine. (Sethi, 1974). The free market definitions of Adam Smith and Friedman are countered by a number of authors (cited above). Indeed,

the opposite end of the continuum may be seen as the socialist (or Marxist) definition which suggests that corporations cannot be responsible and must therefore be controlled by the state (Mintzberg, 1985).

Much of the literature on social responsibility relates to issues and problems of developed countries thereby suggesting to the reader that the doctrine of social responsibility discussed in the literature is perhaps not relevant to developing countries, because they cannot afford the luxury of socially responsible behaviour when the priorities are in wealth creation. Industrial development is therefore seen to conflict with socially responsible behaviour. However, industrial growth and societal development are major national objectives, to which management education is expected to contribute with professionally trained managers. It is hypothesised here that the training imparts knowledge relevant to industrial growth and not to social development. Therefore, reiterating the notion of personal constructs, it is suggested that only those managers with socially responsible constructs have the propensity to contribute to social development. The constructs measured in this study, at the " macro - level " include involvement in politics, voting in elections, assisting charities, rural and urban projects. Of slightly lower importance were items on cultural, sporting, professional and family involvement. The latter group of constructs are seen as being less important to the measurement of social responsibility because they provide immediate short term benefits to the respondents.

## RESEARCH APPROACH

A total of 57 graduates of the IIMs were interviewed. A non - MBA group was required in order to draw comparisons, so the graduates were asked for names of people who were at an equivalent level of seniority but did not possess the " MBA " from any of the IIMs. 53 such people were interviewed. The gap of 4 respondents is the result of not finding correct matches for some of the respondents. The process of matching was essentially based on equivalence of seniority in the employing organisation, or if there was no such person then a person outside was used. In some cases the matching person had undergone some formal management education at another institution and this was accepted on the basis that it was not from the IIM. The two groups will be referred to as MBAs and non-MBAs for the balance of the study.

The study was conducted during two visits to India during 1985. Respondents were almost equally drawn from firms in Delhi, Bombay, Bangalore and Madras. The distribution of respondents between the private (80%) and public sectors (20%) match a larger sample reported in Business India (5.7.1982). The public sector in India is the larger of the two sectors and the preference of the MBAs to work in the private sector is due largely to the differences in pay scales and promotion prospects according to senior faculty interviewed at the IIM in Bangalore.

## FINDINGS

### 1. Types of Schooling

There is clear evidence from Chart 1 that both MBAs and non - MBAs went to fee paying schools, (denoted by Mission and Private). In general one can assume that these schools are qualitatively better than those run by the state and government. The distinction can be blurred in the metropolitan schools which have access to good teachers and resources. It might be inferred from this data that that all MBAs and non - MBAs are from the same socio - economic group. In addition, both groups have had a similar quality of education. The trends which can be observed from Charts 2 to 5 demonstrate the growth in disparities which arise through University and into their careers and suggest that the MBAs might be better academically and may in fact be from slightly higher socio - economic groups. The subtleties of social origins can be observed in the following data.



# CHART 1

## SCHOOLING

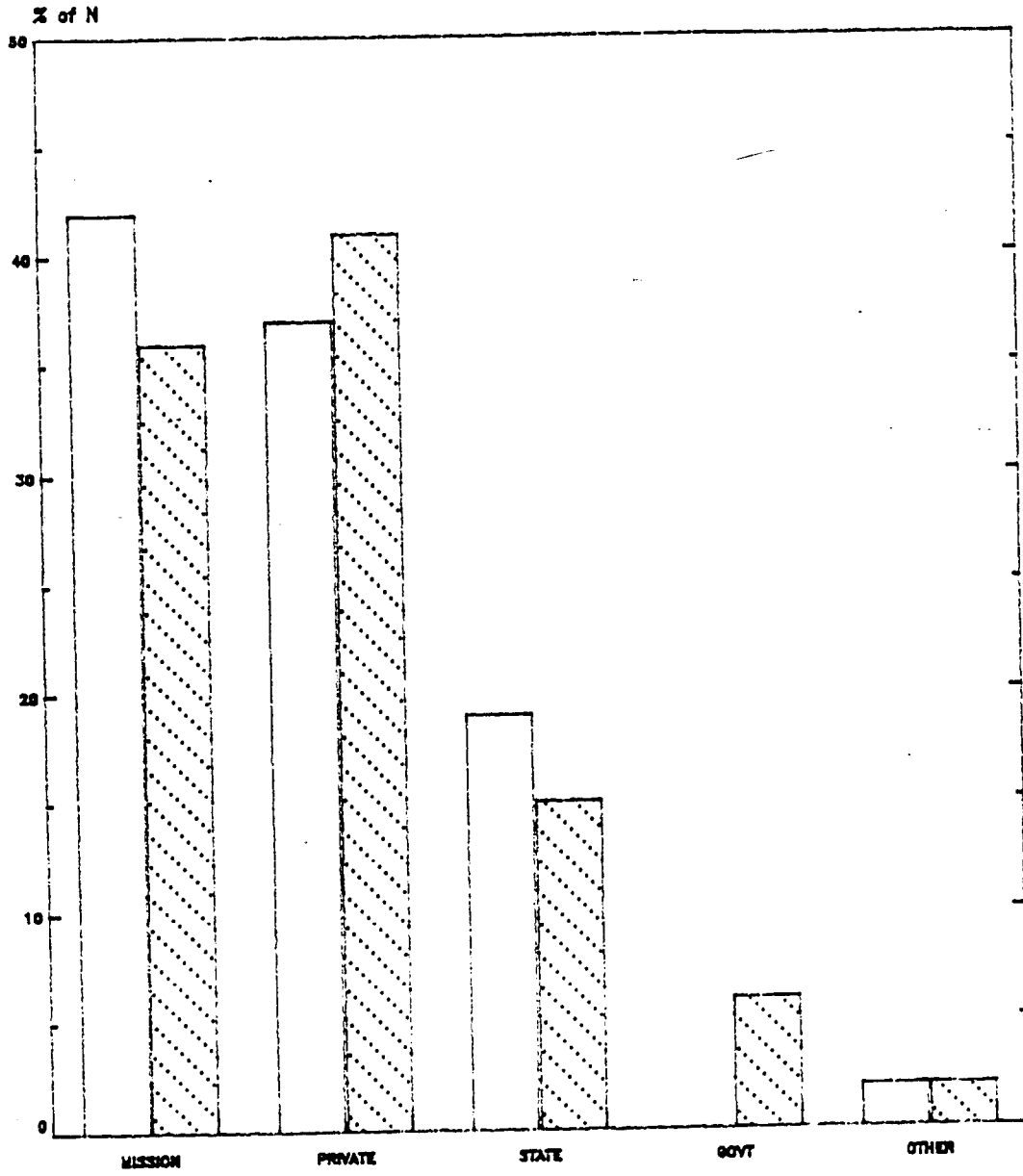
MBAa

n = 57



NON MBAa

n = 83



TYPES OF SCHOOLS

Field for versus Free

## 2. UNIVERSITIES and FIRST DEGREE SUBJECTS

In Chart 2, it is seen that the MBAs went to the premier Institutions and to the main Universities in the metropolitan areas. These are Delhi, Bombay and Madras Universities, while the premier Institutions are the Institutes of Technology around various parts of India and the Institute of Science in Bangalore.

In terms of entry requirements, the premier Institutions are the most competitive (as with the IIMs) and are followed by the metropolitan Universities. The immediate implication of such an observation is that the academically more able students get into the better institutions and the others go to the regional Universities. The higher representation of MBAs from the better institutions is reflected by the admissions process of the IIMs, which select from people who have performed well academically.

At the graduate level, the subjects chosen by the MBAs and non- MBAs is indicative again of the IIM selection process which appears to have a bias for people with science and engineering degrees. The IIM selection process reflects society in India where the attitudes are that the priority choices for graduates must be medicine, science and engineering because one is better able to secure jobs through these subjects, or indeed to pursue management courses which further enhance career prospects. The phenomenon of seeking ever higher qualifications in developing countries has been called " The Diploma Disease " by Dore (1976).

As a result of the demands on these subjects, entry requirements are highly competitive. There is a clear difference between the MBAs and non - MBAs in the subjects they studied. Although engineering is popular with both groups, the non - MBAs appear to be more diverse in their subject choices.

These figures (In Chart 3 below) perhaps reinforce the impression that the MBAs are academically more competent than the non - MBAs. They have studied at the better Institutions and undertaken more competitive subjects. There is a vocational orientation to both groups, with the MBAs seemingly more successful in attaining the most desirable courses. In the Indian context there is a pecking order of preference for subjects at undergraduate level. This is medicine first, followed by science, engineering, economics commerce and others. Entry to these courses at the better colleges is very competitive. The vocational orientation of the MBAs reinforces the comment made by Schumacher (op cit) acquisition of know - how does not in itself enhance the quality of life in developing countries. Therefore there does seem to be a need for a study of how to apply this know - how for the benefit of society.

It is clear from the large proportion of non - MBAs reading engineering and commerce that there is a tendency towards career oriented subjects for this group as well. Direct comparisons cannot be made with regard to their academic performance as all the conditions were not equal.

CHART 2  
GRADUATE EDUCATION

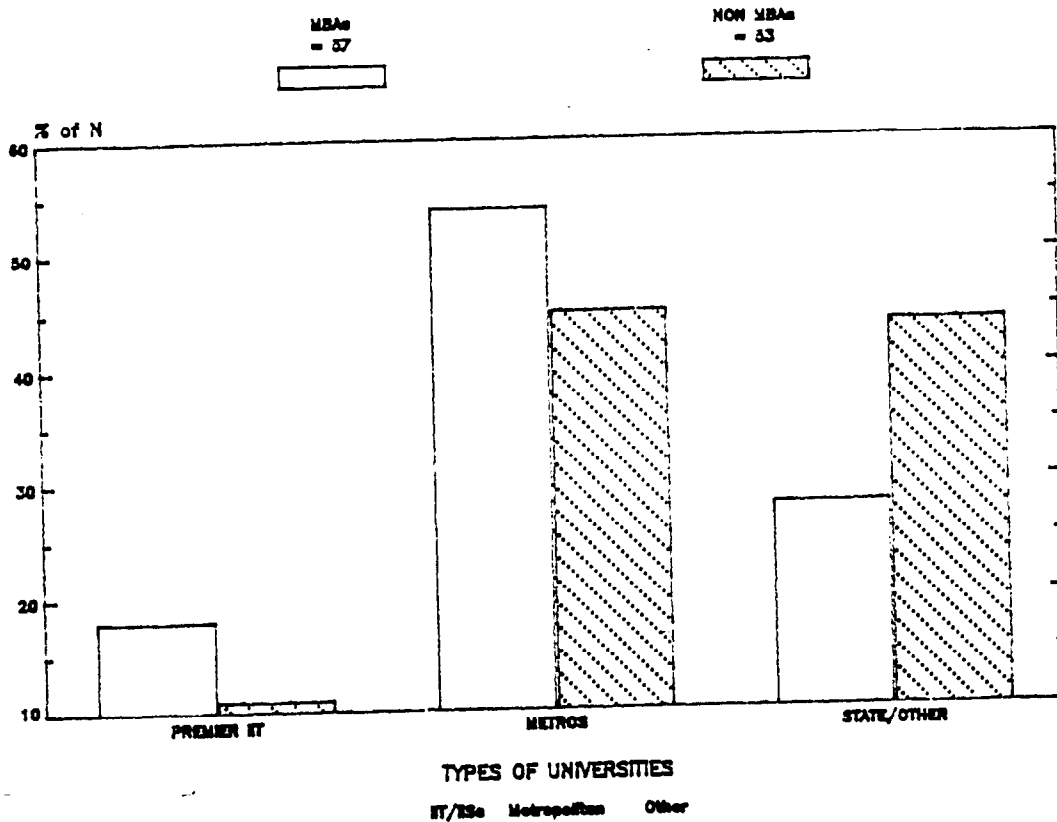
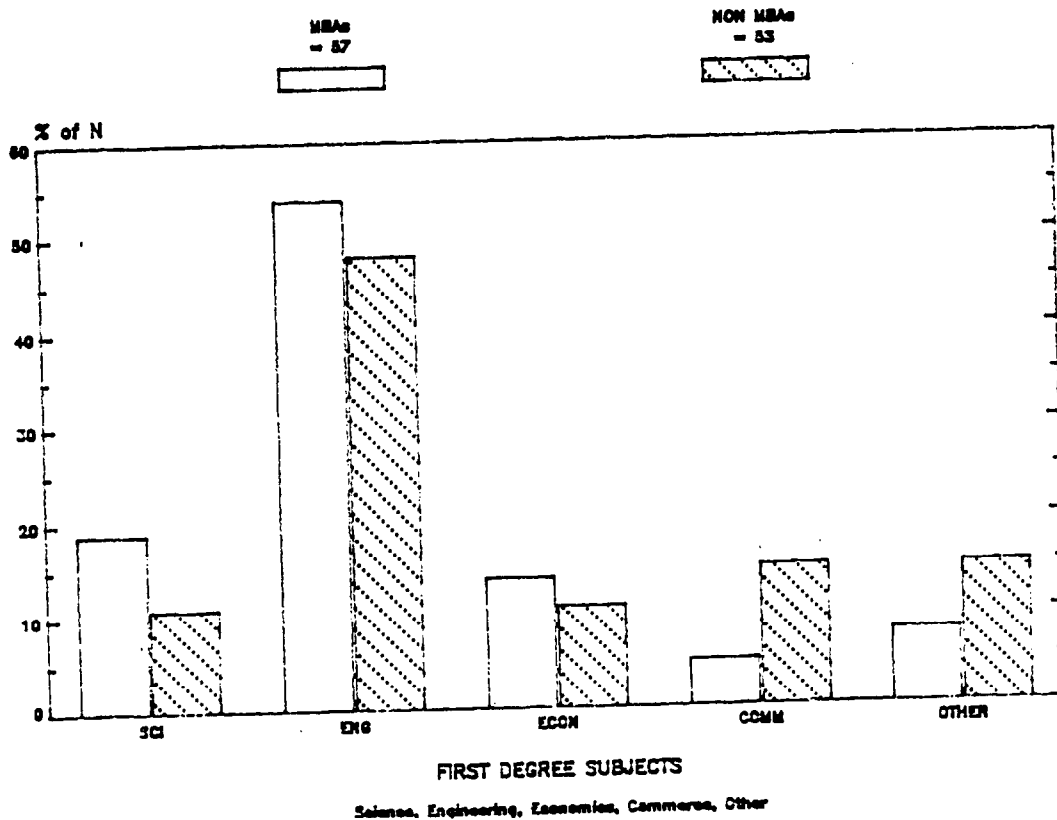


CHART 3  
GRADUATE EDUCATION



### 3. PARENTS

Attention may be turned briefly to the parents of the two groups. Chart 4 below illustrates the level of education attained by the fathers and mothers of the MBAs and the non - MBAs. Considerably more MBAs fathers have had higher education. Including both postgraduate and first degree level the total for MBA fathers is 79% compared to 62% for non - MBA fathers. A similar distribution exists for mothers, albeit at a lower level. It can be inferred that the academic performance of MBAs is the result of the level of education attained by their parents.

Chart 5 indicates the level of seniority attained by the fathers. The various job descriptions of the fathers have been converted to a five point scale from senior manager to lower levels. The significant tendency to senior posts of MBA fathers is an additional indication of the IIM selection system being heavily inclined towards a small (elite) segment of society. A similar analysis of the few mothers who do have jobs reveals that the MBA mothers are in such professions as medicine, senior teaching etc., while the non - MBA mothers are junior teachers and clerical staff.

CHART 4  
PARENTS' EDUCATION

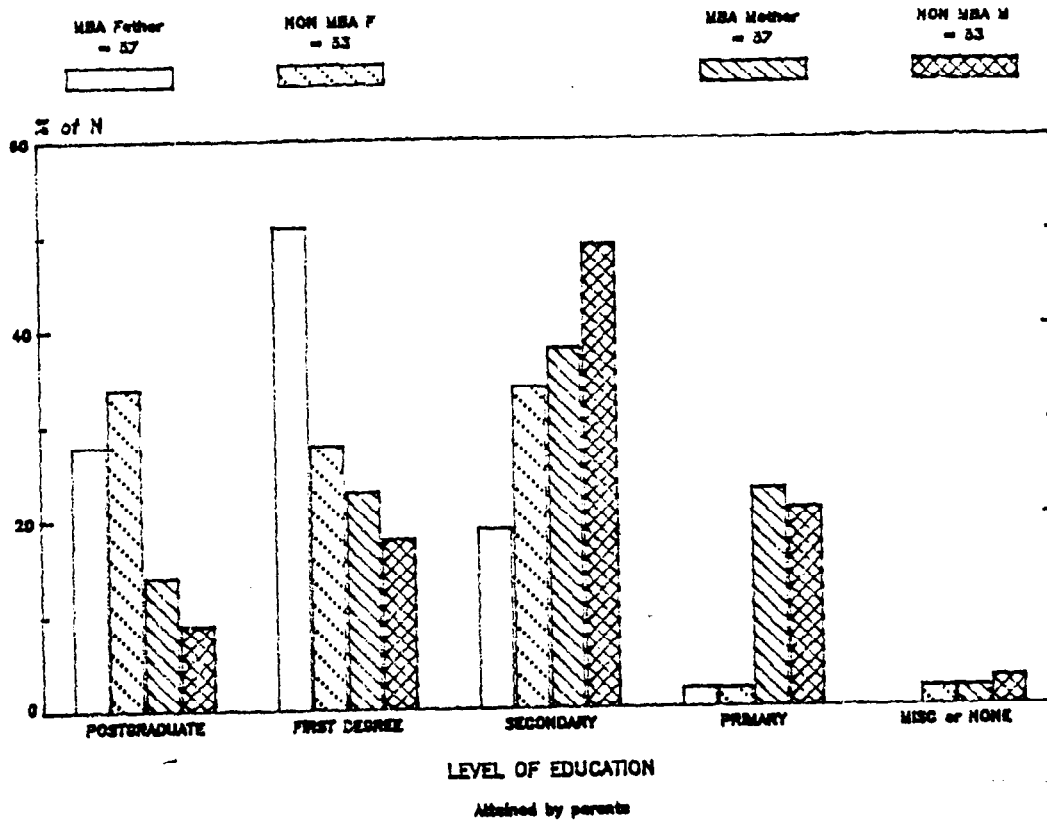
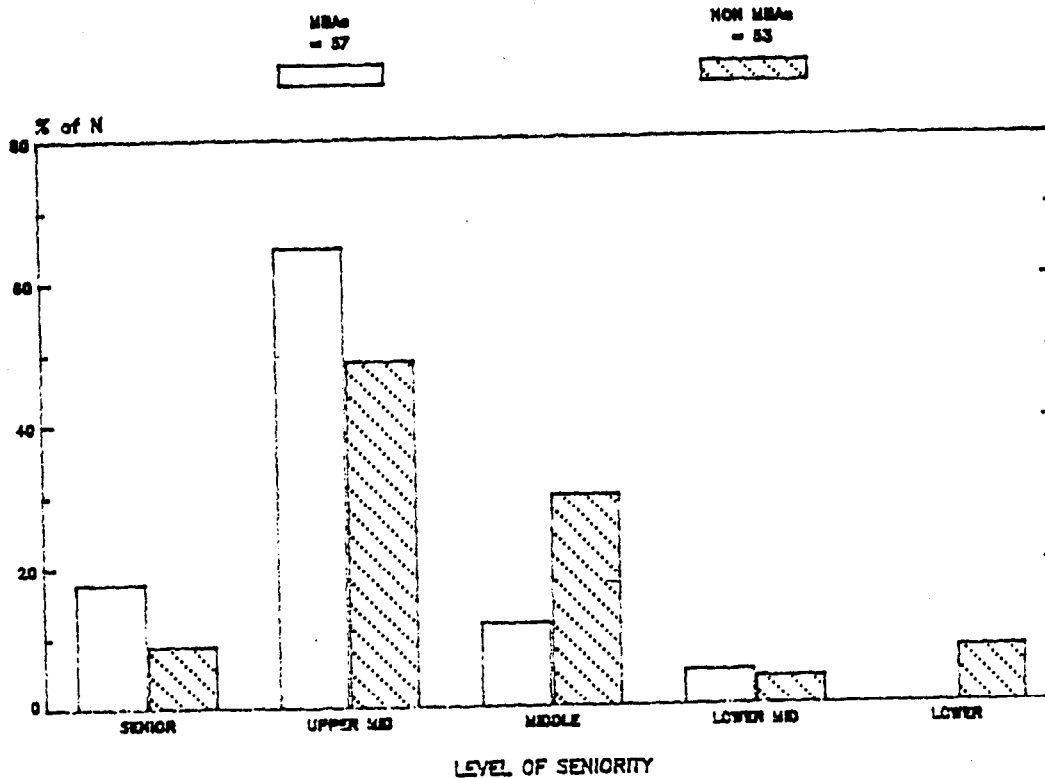


CHART 5  
FATHERS' JOB SENIORITY



#### 4. SUMMARY OF SOCIAL ORIGINS

In summary, MBAs appear to have been to fee paying schools, passed through competitive exams with success and taken subjects which are distinctly career oriented. Their parents are in the main educated to higher levels than the non - MBAs and are in more senior jobs. The non - MBAs are different to the MBAs in not having been through the better institutions, being more diverse in their first degree subjects and having parents who have had less education and are not as advanced in seniority as their MBA counterparts.

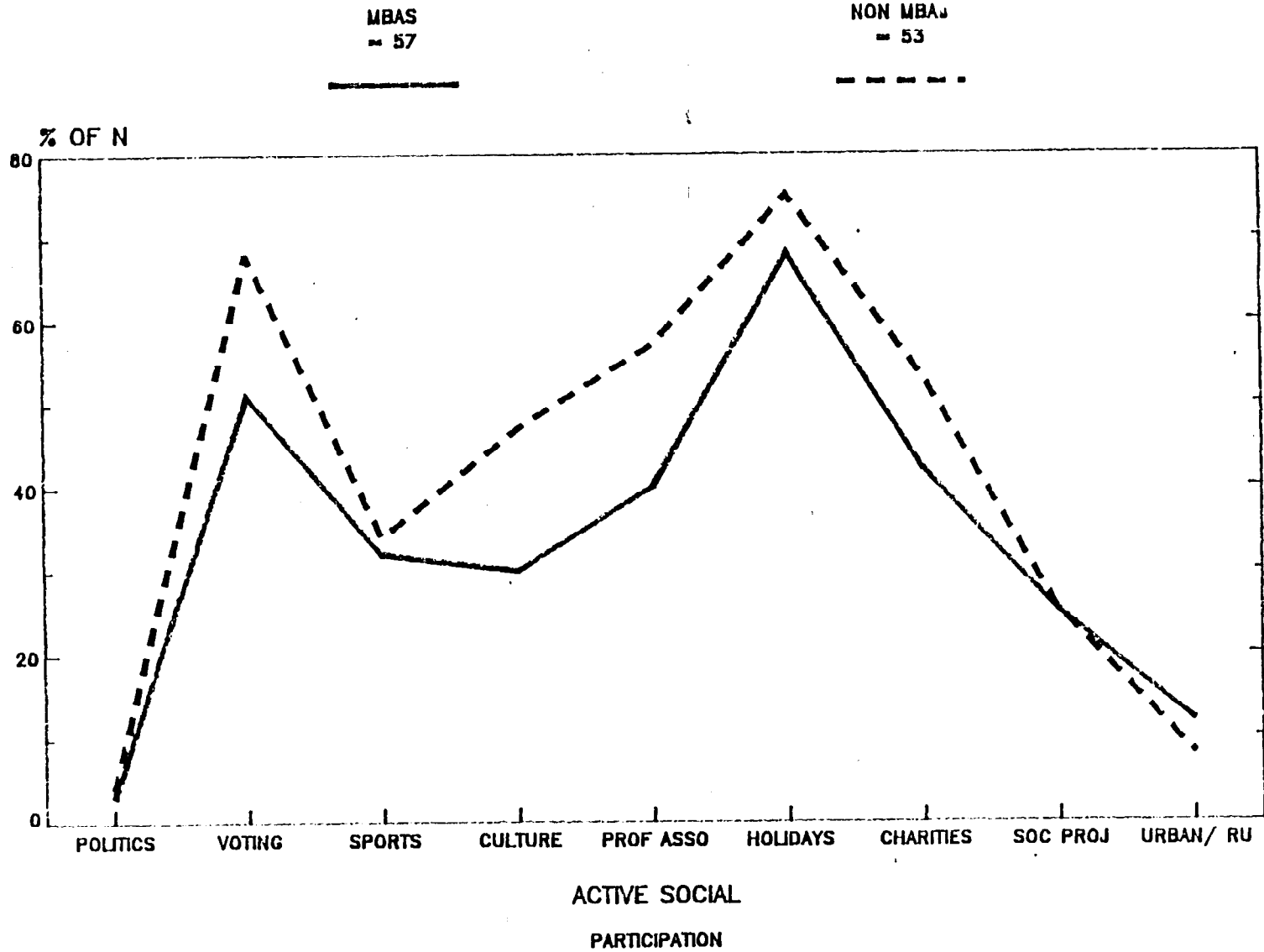
The differences have occurred due to the selection process of the IIMs. While both groups are from the higher socio-economic strata of society, the MBAs are in fact from a level or two higher than the non-MBAs. Higher levels of parental seniority imply greater remuneration and greater access to privileges.

#### 5. SOCIAL CONCERNS

What, therefore, are the social concerns of the two groups of people? Bearing in mind the higher levels of seniority of the MBA group, one might infer that they are closer to positions of decision making which have a wider impact on society and are therefore the very groups of people that Nehru (1947) must have had in mind when he suggested that it is the responsibility of the ruling elite to develop and implement those policies likely to create the widest benefit to society.

Chart 6 below is a comparison of the attitudes and behaviour of MBAs and Non MBAs at the present time. Five general issues are covered by the study:

CHART 6  
SOCIAL CONCERN





a. Political awareness and participation. Bearing in mind the overall turnouts in general elections in India is over 50%, it can be seen that MBAs participate less in politics and are less inclined to vote. They have the same opportunities to vote as the non - MBAs, as the electoral system is common to them and their job seniorities are equivalent.

b. With self development issues, such as sports and culture, both groups are less active compared to political activity although the non - MBAs appear to have more interest in cultural activities. One of the reasons for the relatively low level of sporting activity is the inadequacy of facilities and the higher commitments in the Indian setting to work obligations and family requirements.

c. Belonging to professional associations as a commitment to the profession does not seem to be important to MBAs and this could be for one of two reasons. First, the higher qualified MBA may not feel the need to belong to professional associations as he may perceive them as a crutch, and the converse may be true of the non - MBA. However, the other argument could be that the MBA is less prepared to spend time on professional associations due to the career preoccupations. In view of the relatively well organised Alumni associations in India, the level of participation demonstrated by the MBAs does seem to be low.

d. The issue of holidays is an indication of the level of interaction with ones family as the time during a holiday enables such activity. Both groups do appear to take holidays, with non - MBAs again seemingly more involved. During this research it was noted for example that a number of interviewees working for a multinational Bank appeared to work till atleast 9 pm during the whole week and also came in for most of a saturday.

e. There is an immediate drop in the level of participation in the community and in society as a whole when the respondents examine aid to charity, support for social involvement projects and specific urban or rural projects. The non - MBAs do appear to have given more to charity and have been slightly more involved with projects of various sorts.

## 6. SUMMARY OF SOCIAL CONCERNS

In the analysis above, the non-MBAs seem to be more concerned with the affairs of the country, as more of them vote. They also support cultural activities and their professional associations thereby involving themselves in the general development of the arts and profession. Finally, the non-MBAs give more of their time to their families and their support to charities.

On five of the items, the non - MBAs appear to perform "better" than the MBAs and only one of the items- that of urban and rural projects are there less non - MBAs than MBAs involved. Based on these 9 items, one might suggest that the non MBAs are more socially concerned than the MBAs, whose orientation appears to be driven by career progression, both at the time of their studies and now in the way they spend their time.

## GENERAL DISCUSSION

If the current social and education system is resulting in managers with a lower level of social concern it is less likely that they will be involved in the development of society. The lower level of involvement of MBAs reinforces the hypothesis that as a group they

are less socially concerned than society generally and the fact that they come from higher socio - economic groups implies that the MBAs are an elite group who merely reinforce their own benefits. There are ofcourse a number of exceptions to such a suggestion, but they are in very small numbers relative to the general population of MBAs in industry.

The relatively low level of social concern on the index used is likely to be reflected in other measures which might be used, such as the Berkowitz and Lutterman Scale for Social Responsibility (1968). This comment is based on the interviews which form part of the larger study using repertory grid technique (Stewart, Stewart and Fonda, 1981).

The implications of the findings is that, as a group the MBAs do not have the socially responsible constructs which can help with social development, although the IIMs beleive it their role to inculcate such constructs. Therefore, this form of education is not fulfilling the need to train managers able to contribute to social development.

Two common denominators between Indian industry and western Europe provide this study with wider relevance. First, many of the European systems have been transplanted into the Indian education and social structures in order to facilitate industrialisation. Cultural differences which exist are more nuances than fundamental. Secondly, the MBA programmes offered in India are from the same sources used by European management schools, these being American. Therefore the content, standards and basic assumptions about market systems, human behaviour and so on are similar if not identical.

In order to bring about wider benefits from this form of education, there are two possible areas of change. The first is at the entry level where the selection process does not at present consider the social awareness or constructs of the applicants. Further, the

data shows non - MBAs to be both from a lower socio - economic group and more socially responsible. If this is so, then the suggestion is that the entry to the IIMs must allow for more people from the lower socio - economic group. However, the critical factor is the social concern of the applicant rather than the social origin per se.

A second level of change which may be needed is a greater input to the metaphysical elements of the course. Perhaps the MBA programmes are too concerned with imparting know - how to the students who in turn are more inclined to receive this know - how as they perceive the " management tool kit " as the main offering of the management schools and their own main requirement for placement in well paid jobs. There is little in the way of discussion on the application of this know - how for the wider benefit of society and the benefits of the discussions are not apparent to the young graduates who are mainly concerned with the short term. The graduates arrive with a set of constructs, preconceived notions about themselves and society and the role of the management school. The Institutions at present seem to reinforce these constructs rather than bringing about the required change. The task for the institutions is not a simple one but they are in a much better position to bring about this change through the pedagogy they offer and the types of students they enroll.

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