

ISB, the new IIM

Here's why Hyderabad's Indian School of Business (ISB) is bolting past the best Indian Institutes of Management (IIMs)



Rohit Bansal

It is ten years and a few hours since Atal Bihari Vajpayee, on December 1, 2001, inaugurated this 260-acre expanse of rock and ravine in Gachibowli. A visiting IAF commander-in-chief negotiates an air pocket with his slides, linking melting polar caps to the next generation of maritime security challenges, because a child has decided to babble just as hard. The indulgent mother makes no attempt to vacate the ISB's Khemka auditorium. To my surprise, the host audience of 400 doesn't scorch her. Why aren't Arjun Sharma and Vijayalakshmi Bommaraju, my two 'shadows' from the PGPM Class of 2012, betraying the slightest embarrassment? I wonder in irritation, until the retired air marshal signs off, and dean Ajit Rangnekar explains: "Twenty-five percent of our students are married. Many of them

have families on campus. So, we not only allow (their) children (in), we passionately encourage the children to express themselves...(and) as you noticed, they give feedback on what we're saying!"

There isn't just a cultural implication here or one on the imperative of more fetching slides. The story illustrates how a b-school designed to house families for the entire year of its flagship management programme (ISB even claims to have a vibrant Spouses and Family Association, a special children's section in the library, and a day-care facility) ends up attracting more experienced applicants.

The merits of the road less travelled kick in. More often than not, these practising managers, their average work experience being five years plus, have richer insight to share in class. In comparison, 'work ex' (work experience, for the uninitiated) as a principle is relatively alien for the 2,750 folks India's 13 IIMs select annually, despite solid proof of concept shown by Ivy League business schools.

Low-on-work-ex follows because the IIMs take their pick largely on the basis of scores in the Common Admission Test (CAT), arguably one of the toughest tests on the planet, with the exception of the Joint Entrance Exam (JEE) for the Indian Institutes of Technology. By its

nature, the CAT has been penalising non-mathematical applicants heavily, more so in each progressive avatar. So it is far easier for mint-fresh IITians and some from lesser known 'quant factories' to swamp the IIMs.

Since I have some familiarity with IIM Rohtak, having been invited to speak there recently, I noticed that over 87 percent of the inaugural batch of 48 were engineers, just four having work ex of over three years, and 77 percent having less than 12 months of work-life exposure. This isn't to say that quant jocks are lesser beings. It's just that their math is so overwhelming (and their experience so little) that courses here take a number-crunching form.

Unlike ISB, the IIMs are accountable to governmental oversight. So, the safest option for CAT question setters is to script the most difficult test and then skim the one percent nerds at the top.

In contrast, ISB being privately-owned has built flexibility in its class mix. In the present class of 2012 of 573, there's a 65:35 ratio of 'rocket scientists and poets', the latter being the in-house euphemism for non-engineers! The school uses the Graduate Management Aptitude Test (GMAT) to draw a floor level, but thereafter criteria that are constantly tweaked help recruit variety to the class.

The most visible manifestation of variety are the ladies one sees in the class. The 2012 class has 165 women, a healthy 28 percent of the total. In contrast, in my 48 friends in IIM Rohtak, there are just three ladies. IIM-Ahmedabad has a ratio of 93:7. Among its 12 sister institutions, only IIM-Kozhikode could select 30 percent women in 2010.

Seen in another way, not having to answer Big Brother allows ISB to open its doors to a decorated UN peacekeeper, who might just about have the requisite GMAT score, but has loads of real-life perspective from the killing fields of Africa. The IIMs, on the other hand, can't look at anyone outside the top 51 percent on the merit list, the CAT score being the major determiner.

Flexibility has other benefits too. In ISB this year, 300 student volunteers assisted the admissions committee prepare a long list from the raft of applications, reading through each essay on criteria such as coherence of career plan. An example cited by Bommaraju, an Infosys alum in the US before ISB, was that she saw someone with two years of work ex and a stated plan to be a CEO right after ISB. This person's 710 in GMAT counted for less than a competing application with a more logical career plan and a lower score of, say, 700.

This leads us to the controversial policy differentiator between the IIMs and ISB. The IIMs by law follow the apex court's verdict of reserving up to 49 percent of total seats for scheduled castes, scheduled tribes and other backward classes. The entry criterion for these disadvantaged citizens is lower, with its unstated impact, especially when combined with low work ex. In contrast, being a not-for-profit private entity, ISB seeks no affiliation crutches from a government university, and has zero reservation. It also featured in an All India Council of Technical Education (AICTE) blacklist!

The advantage of remaining out of the clutches of AICTE, and unlike most private business schools who lean on a state university's masters degree to attract attention, ISB issues a piece of paper that only the marketplace recognises. The audacity of breaking out of the clutches of state fee fixation committees gives it enough bucks to achieve operational break even and capacity to research and



pay lush salaries. In return, Rangnekar, himself an IIT-Mumbai-IIM-Ahmedabad alum and once with ACC and Price Waterhouse, unlike deans in the IIMs, can penalise colleagues who choose to be slob. Result? Research output gets a boost as do linkages with what industry is ready to pay for.

Low-on-work-ex follows because the IIMs take their pick largely on the basis of scores in the Common Admission Test (CAT), arguably one of the toughest tests on the planet, with the exception of the Joint Entrance Exam (JEE) for the IITs. By its nature, the CAT has been penalising non-mathematical applicants heavily, more so in each progressive avatar. So it is far easier for mint-fresh IITians and some from lesser known 'quant factories' to swamp the IIMs.

In hindsight, the audacity of right-distancing from the government after getting land proved to be right. Powered by a raft of international associations, including Kellogg, Wharton, London Business School, MIT Sloan School and Fletcher-TUFTS, since 2008, ISB is in the Financial Times list of best Global MBA schools in the world. There in just its seventh year, this made ISB the youngest school ever to join the club. It's at No.13 in FT's numbers released for 2011. That's not very far from this year's 11th rank secured by IIM-A, a first-timer in the FT sweepstakes, though alongside the equally respected IIM-Calcutta, having 50 dazzling years of track record.

Even a cursory look at the weightages, divided among alumni salaries and career development, the diversity and international reach of the school and its MBA, and the research capabilities of each school, explain just why FT data shows the young 10-year-old school doing rather well. 5.5 percent ISB students this year have non-Indian passports and 141 out of 573 have already had international work experience. A London Business School paper rates its ISB research ahead of all Indian management schools.

A line therefore on 'Brand IIM.' Besides the iconic ones, IIM-A, IIM-C, and IIM-Bangalore, and, to a lesser extent, IIM-Lucknow, the remaining nine are like former East European states in the EU, each struggling to belong. Only

A bitter pill the IIMs never took

A five-member committee, headed by RC Bhargava to review the performance of the IIMS submitted its report in 2008. Here are the extracts from it:

1. Long term excellence of any institution is closely correlated to the quality of governance. Good governance requires that all involved should have clarity of roles, powers to execute the allocated tasks and accountability for results.
2. IIMs have been established by the government with public funds, are perceived as public institutions and thus IIMs cannot expect to become fully independent of the government.
3. At the same time there are several limitations inherent in government being directly involved in framing policies and strategies, and monitoring their implementation, so that IIMs become thought leaders and amongst the best business schools in the world.
4. This task would become virtually impossible when the number of IIMs increases to 13.
5. To assist the government in playing its role, it is proposed to create a pan-IIM board, consisting of 15 members. Five of these would be government nominees, and the rest would be eminent and highly successful individuals living in India or abroad, and who are willing to devote time to work on this board. The chairman should be nominated by the prime minister and the secretary of the board would

- be one of the five government nominees. This board should not be involved in any day-to-day management matters of an IIM, but would approve vision and mission statements, give guidelines for framing policy, and approve two-year business plans. The board would review performance of each IIM once in two years, and would advise government on all matters relating to the IIMs. Government should act only on the advice of this board.
6. The pan-IIM board should bring about coordination between all the IIMs in all areas where this would be beneficial. The establishment of the six new IIMs should be coordinated by the board. This board should also help in raising private funds for the IIMs.
7. The boards of IIMs should be reconstituted and consist of 11 members against the present 24-26. Six of these would be independent professionals. The other five would be one nominee each of the central government, state government, faculty, and the chairman and the director. No person should be a board member for more than six years, with a single term of three years. Board members would be expected to have a minimum of 75% attendance.
8. A committee headed by secretary MHRD and including three independent professionals should make the initial selections to the boards. Thereafter, vacancies

- in each board would be filled by the boards themselves.
9. An attempt should be made to induct as many IIM alumni as possible, both in the IIM boards and the pan-IIM board.
10. The board of the IIMs should have full powers to manage, including selecting and appointing the director, proposing the name of the chairman to the pan-IIM board, raising funds, determining fees for all courses, creating or abolishing posts, and determining conditions of service of all those appointed on a contract basis.
11. The memorandum of association of each IIM should be amended to implement the changes being proposed.
12. The boards should ensure that the policy of 'means-blind' education is sincerely implemented. While bank loans would form the basis of financing education, IIMs should build an adequate scholarship fund to provide assistance in all genuine cases. A transparent and objective scheme should be formulated for providing assistance.
13. Wide publicity, on a centralised basis, should be given to this policy.
14. IIMs should sponsor and support students to procure PhDs, to substantially increase their availability over time.
15. To overcome the faculty shortage situation, various possibilities have been suggested, including the appointment of teachers on contract, use of technology, increasing output of PhDs, and rationalising the fellowship programme.
16. The MBA teaching programme should remain the core activity of IIMs, with adequate quality research being carried out. Income generating executive training programmes and consultancies should be balanced with the needs of teaching and research.
17. All IIMs which are over five years old should be able to generate a small operating surplus. The fee for the MBA programme should be fixed after taking into account all other incomes, and the need to have a small surplus. This surplus should be used to partially fund new infrastructure, and also to build the scholarship fund.



IIM, Ahmedabad



An artist's impression of the upcoming Mohali campus of ISB

IIM-Kozhikode and IIM-Indore have a campus of their own. Despite four years in existence, IIM-Shillong operates out of a temporary campus. Newer entities like IIM-Kashipur, IIM-Rohtak, IIM-Ranchi, IIM-Raipur, IIM-Trichi and IIM-Udaipur have a braver journey to catch up with the Big 6. Attracting and retaining top class faculty, pushing them towards a culture of delivering sustained value to industry, and harmonising standards with an international partner, is their challenge. Outcompeting ISB is a collective one. Particularly because ISB remains undaunted by a series of setbacks. In ten short years, its founder chairman Rajat Gupta and co-founder Anil Kumar have gotten embroiled in insider trading. Dean MR Rao and board member Ramalinga Raju have had to quit. Ironically, the one man who bought the story first, N Chadrababu Naidu, then chief minister of Andhra Pradesh, remains a political has-been.

Despite ISB's setbacks, and irrespective of their 40 years of lead time, IIM-A or IIM-C still doesn't have a second campus. (IIM-L has built one in Noida). ISB, generationally their great-granddaughter and with hardly any alumni in top positions, already has one coming up not far from Delhi, in Mohali. Four notables from India Inc. are footing part of the bill for the Max Institute of Healthcare Management,



Ajit Rangnekar, dean, ISB

Clearly, from current evidence, ISB 'dares you to dream beyond the IIMs'. Only that unlike Arindam Chaudhuri, the patent holder to that tagline, it needn't announce that in full-page newspaper adverts!

the Bharti Institute of Public Policy, the

Munjal Global Manufacturing Institute and the Punj Lloyd Institute of Physical Infrastructure Management.

Ignoring considerable criticism, the Badal government in Punjab has seen value in giving them 70 acres. The culture of getting industry to pay for naming rights helped several infrastructure facilities runs deep. Seven centres are already functional in the parent campus, including the Srinji Raju Centre for Information Technology and Networked Economy, and Wadhvani Centre for Entrepreneurship Development, besides a fair deal of social entrepreneurship in evidence around the neighbouring community and civil society groups.

Besides Mohali, the next big investment is the new one-year programme answering senior executive needs. Besides periodic stay in a plush residential facility maintained by Green Hotel, the course exposes delegates to classrooms at Kellogg, Wharton and FDC in Brazil.

Clearly, from current evidence, ISB 'dares you to dream beyond the IIMs'. Only that unlike Arindam Chaudhuri, the patent holder to that tagline, it needn't announce that in full-page newspaper adverts! ■

Bansal is CEO and co-founder, India Strategy Group, Hammurabi & Solomon Consulting LLP. Email: rohitbansal@post.harvard.edu.