Chapter 7

Assessment of Technical Efficiency of Indian B–Schools: A Comparison between the Cross–Sectional and Time–Series Analysis

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ABSTRACT

In the present economy, both at national and international front service sector, is playing a pivotal role as a major contributor towards the GDP. The importance of service sector necessitates the efficiency measurement of various service units. The opening of Indian economy (Liberalisation – Privitisation – Globalisation) has affected every segment of Indian industry and service sector, education being no exception. Today, management education is one of the most sought after higher education options for Indian students. Management education in India has also undergone many changes in the last decade or so, meeting the need of industries. Meeting this growing demand has lead to proliferation of management institutions, and in many a cases the quality of education is compromised. Some popular Indian magazines and journals started ranking the Indian B-Schools intending to give information to all the stake holders involved. All these methods either use weighted average or clustering method to rank the institutes. This chapter proposes an alternative method based on efficiency analysis using Data Envelopment Analysis to rank the Indian B-Schools. The B-schools are observed over multiple periods of time, and the variations of efficiency are used to draw a conclusion about the performance of B-schools. Window analysis is used to compare the performance of B-schools over the period of time.

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INTRODUCTION

The development of management education in terms of Post Graduate program in India dates back to 1960’s. The growth of management education has become very much prominent in 1990s particularly after the initiation of New Economic Policy (NEP) in the year 1991. The main feature of NEP like Liberalization, Privatization and Globalization (LPG) marked an end to protectionism and saw the expansion and diversification of private sectors resulting in improved industrial growth in the country as compared to the pre reformed era. But at the same time it exposed the Indian industries to competition not only from within but also from multinational companies (MNCs) and foreign companies. In this scenario it becomes expedient to manage the companies in a more scientific way to face the challenge of competition.

These factors necessitated the development of business professionals to manage business in a more scientific way, thus creating a huge demand for business professionals. This resulted in mushrooming growth of B-Schools in post liberalized period in India.

The growth of B-Schools in an increasing number is a recent phenomenon and there are more than 1400 B-Schools approved by All India Council for Technical Education (AICTE) at present. But what we find is that there is a wide divergence in the standards of B-Schools in terms parameters like placement records, infrastructure availability, quality of the faculty, number of companies visiting the campus, average salary of the students recruited from the B-Schools etc. When the B-Schools are so much in number and there are wide differences among them on the basis of various parameters, it becomes necessary to rank them in a more judicious and scientific way so that the ranking exercises rightly informs all groups of stakeholders linked with management education like current students, prospective candidates, employers, programme administrators. The ranking helps all stakeholders involved in the management education— it helps the students in choice of institution in which to pursue the academic programme, university administrator for defending their budgets, obtaining government assistance, justifying new faculty and students etc., Faculty for job and inter-institution mobility, Parents in deciding where to send their children to maximize return on investment (ROI), Employers in deciding from where to recruit, and Government in deciding the funding (Natarajan, 2003).

Since last decade various Indian magazines & journals publishes the ranking of top B-schools in India, the leading being Outlook –Cfore survey, survey done by All India Management Association (AIMA) through Indian Marketing Research Bureau (IMRB), Business World survey etc. This ranking of B-Schools can be useful in knowing where one stands. The results of these ranking are all the more important in building popular perception about the institutes and provide a basis to the aspiring students to choose the school, affect the undergoing students by influencing their salaries and Corporate can use these to decide which schools shall be chosen for campus recruitments. Thus, the ranking helps all the stakeholders involved in the management education.

The ranking method attempts to measure a number of factors that they think are important, and then assigns weightage to these factors and emerges with a single number that depicts the overall quality of the school (Martin, 1993). The major criticisms about the media effort lie in the subjective methodology and the apparent ‘profit and publicity’ driven motive. To correct these two flaws, academics can offer a reliable methodology and the merits of both the approaches can be combined (Stella and Woodhouse, 2006). Another area of concern is weightages assigned to each parameter. As per Van Dyke (Van Dyke, 2005), the choice of weights is subjective and arbitrary, with little or no theoretical or empirical basis. The difficulty, of course, is how to report results without assigning weights, since the various measures cannot then be combined into any