

The Experiment

The Institute of Management (IMP) was set up by the Government of India as the sixth national level Institute of management. The Institute was created as an autonomous body, fully funded by the Central Government, with the support of state government. Consequent to increasing the number of seats in two classrooms from 60 to 79 and in another one from 36 to 59, the Institute decided to construct a hostel for training programme. However, instead of constructing single occupancy rooms, it was decided to have double occupancy rooms, a move that perplexed every one. Explaining the reasons, the Director said-

“It was all very confusing. The Institute located in southwest corner of the country, away from the mainland, the cost to sponsoring company used to be double than registration fee, because of high travel expenses. Besides, due to poor air connectivity, one had to spend one full day extra for each way to attend a short-duration programme. Train journeys entailed several times more the time (average twenty four hours). I was, therefore, not very sure whether it will be possible to have high capacity utilization to cover even out of pocket expenses and reach break-even point.

Luckily, our faculty development programmes had clicked, due to judicious pricing strategy. But the fee was to be kept very low, almost one-fourth of MDP conducted by other Institutes. Still filling the capacity was difficult. Then, an idea crossed our mind, to have double occupancy rooms which will be used for 9 months by PGP students, and in summers, the same can be used for faculty development programmes and other programmes/activities.”

The cost for such hostel was 33% more than single occupancy rooms for PGP students. But the hostel could then be used for 3 months more. The rate fetched by FDP was 18 times more. (Rs. 300 net per day per participant, on double occupancy basis compared to Rs. 1000 p.m for PGP). With occupancy of 20% on 80 days (in 42 rooms) in a year, it would mean an income of Rs. 20.16 lakhs (80 days*600 p.d*42).

It could thus add up to Rs. 21.16 lakhs in 3 months compared to Rs. 1.36 lakhs realized at PGP rates. Thus while the cost of civil work of hostel construction went up from Rs. 120 lakhs to Rs. 160 lakh (33% increase), the additional recovery would be a matter of two years. Further, for part of the period, it was used for MDPs, the rate could be 3-4 times more than FDP. The additional cost was estimated at Rs. 100 lakhs (in civil works as well as executive type furnishing), which would take maximum of five years to recover through FDP and 2-3 years if used for MDP.

In a nutshell, the Institute was getting one hostel extra for 3 months of summer (with cost covered in 4-5 years' time), whether one calls the building a PGP hostel or FDP/MDP hostel.

Explaining the reasons for furnishing the hostel in executive style, the Director said-

“There have been several considerations. Firstly and most importantly, I have always believed in multiutility buildings. That helps in optimal utilization of assets, reducing costs and making them useful for a variety of activities, which are important but not of long duration and not amenable to a charge on actual cost basis. I could recover cost with MDPs fastest, FDP over a longer period and PGP hostels over very long period. Secondly, we had started succeeding in organizing major conferences at an increasing scale, but were severely constrained by infrastructure and could not scale up. We couldn't afford to create 500 capacity boarding/lodging arrangements for big conferences that will be extremely important, but couldn't give enough occupancy during the whole year to make it viable. But, if decently

furnished PGP hostels are designed to meet the requirements of delegates of conferences, the same facility can be used for 10-20 days in a year and very high capacity gets created for large conference at a little extra cost, thus covering full expenses of large conferences despite low registration fees.

Thirdly, we did not want that faculty development programme participants get inferior treatment in terms of hospitality than MDP participants, though they can't pay even half of what junior level industry participants can pay. If we do not respect faculty ourselves, how do we expect others to do it?

Finally, if while doing so, the PGP students too get better facilities at no extra cost, what is the harm? They may not use air conditioning, refrigerator etc. and don't pay for it. But if they live in well designed room by choice, I see no reason why should not we let them relish facilities at no extra cost."

In a sense by creating radically different multi-utility hostels, the Institute had separated costs into two parts.

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| 1. Basic cost of hostel + cost of basic furniture given to PGP students | Borne by PGP students (for 9 Months instead of 12) |
| 2. Additional cost of building (attached Toilets, changing room + additional cost of superior furnishing) | Borne by MDP/FDP/conference participants (for use over a period of 3 months) |

Thus while cost to both PGP students and MDP/FDP participants, conference delegates is low, former could enjoy better facilities and amenities, the fee for MDP/FDP/conference could be substantially reduced (without reduction in quality) to make them within reach of the participants. Furthermore, these multiutility buildings will give capacities that are not possible otherwise. Thus when regular 200 bed MDP comes up, the Institute could host fully residential conferences of over 500 delegates at a rate as low as Rs. 3000/- for 3-days conferences covering full expenses without seeking any sponsorships. The Institute could then think of 5 parallel conferences of 100 delegates each during 3 months of summer.

The move came as a good tool for keeping pace with the growth of other institutions, despite facing serious constraint of land and hilly terrain that doubled the construction time. Indeed the Institute could grow faster than others and create large capacities that others could not think of, for a variety of low cost but important activities like faculty development programmes, conferences and seminars, post-doctoral research etc.

Elaborating the point the Director said, "We were planning for next increase in PGP intake to take it to 240. We needed two more hostels of sixty students each. We did not have land. Architects could manage only one sixty seater and a sixty four seater hostel. On request they made it double occupancy (to increase MDP/MTP/ Conference accommodation). By 2007, the pressure for increasing intake by 54% under OBC quota was increasing, which required even more hostel facilities. On being pressed further, Architects squeezed yet another 47 seater hostel, (which was also made double occupancy later). We thus got three hostels, two of them being double occupancy hostels, furnished in executive style, with 171 rooms, which were necessary for increasing intake of more than one section of 60 students (76 students). However, we also got in the process 300+ bed capacity executive accommodation created at almost no extra cost for organizing conferences, training programmes, which could fetch (300*90*1000) Rs. 2.7 crore revenue at a meager fee of Rs. 1000 per day for participants. If one considered 24 rooms

(48 beds) capacity created already in guest houses, the total accommodation for low cost activities could go up to 350+ beds.”

With the proposed 200 bed fully air-conditioned MDP complex coming up, the capacity available for organizing large conferences and training programmes during three months of summers, would go over 550 beds. This would overcome a serious handicap of the Institute, as the city did not have good hotels with more than 180 capacity, that too not in one hotel, available for such conferences. In any case, the charge would not be less than Rs. 1000/- per bed along with the problem of managing logistics.”

“Side by side we were planning to increase library/ reading room capacity by completing finishing work of top floor of computer centre, which would to have about 30000 sq ft additional area for starting six specialized research centres under Postdoctoral Research Centre (see exhibit 1- not shown)..

With prudent policies we had been able to create a decent corpus fund whose interest could support research expenses of about Rs. 50 mn per year. The amount was good enough to support travel, boarding etc of about 500 people for 3 months and also award 200-3 fellowships of Rs. 100,000 each every year. If 500 postdoctoral scholars could be mobilised in serious research work, year after year, some really useful outputs will start coming out for teaching training and consulting to help management education make an impact on outward globalization of India, (which the country wished while opening the economy in 1991), we dreamt”, concluded the director.

The foresightedness also helped institute cope up with an enormous challenge. The Central Government was pressing the Institute for increasing intake by 54% (97 seats). In 4 years’ time, while other institutions were struggling with timely construction, despite being best placed, this institute had the problem of land also, which was a contentious issue between the central and state governments, run by different parties, and both were unwilling to provide the same. The resolution of land issue was not in sight despite two years having passed. However, because of double occupancy accommodation, the Institute was in a position to accommodate sixty more students in hostels meant for 60 only. Indeed if the students agreed, it could increase full quota of 54% (97 students) in first year itself.

“It was not easy. This was no model available to us in India. I had thought that students would not agree. But we made double occupancy accommodation very attractive. It was not ordinary double occupancy accommodation. We made it an executive hostel with amenities that made it look like a three star hotel in a resort, available at the cost of a regular PGP accommodation in similar institutions. Still we did not want to compel. We discussed with students as to what accommodation Indian industrialists got in institutions abroad, how the experience of living with partner in different countries, with different food and other habits, helped them in learning to bear others, to grow and become among the top 10 richest in the world, made students think and they volunteered to give a try for those who wanted”.

Before demitting office at the expiry of his 5 year term, the Director invited the entire faculty council to attend his last Board meeting in which a faculty member made presentation on PDRC. After few clarifications and suggestion Board approved the same in principle.

When the experiment was cited in a Research Conference, the delegates were not convinced with the economics of the decision nor with the idea that by making such changes, the Institute will emerge as a research hub? Lot more is required some felt. “What if the experiment fails”, some others felt. “The Institute stands at strategic cross road” another quipped

P.S.

The Institute was able to increase PGP intake from 180 to 268 in 2008 (to meet 85% of OBC quota in the first year itself), to 300 in 2009 and 390 by 2016, despite the construction of next phase being delayed because of land constraints. It also allowed Institute to expand MDP/ FDP activities. The revenue went up from Rs. 21cr in year ending March 2008 to over Rs.65 crs. on 31.3.2016. The corpus fund too went up from Rs. 84 crs to over Rs. 180 crs. during the period. The entire infrastructure was used for conducting sponsored training programmes for by and large junior and middle level managers, which helped in rapid increase in revenues and corpus fund. PDRC remained a dream. Most faculty and Board members were happy and highly appreciative of the development. Only PDRC was not created.

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