

On the Question of IIMA's Autonomy

By Prof Sebastian Morris

Box: The IIM (Amendment) bill 2023 was passed in both the houses of Parliament in August 2023. It makes the President of India, the “Visitor,” in all the IIMs. It empowers the Visitor to nominate the chairperson of the board of governors, oversee appointment as well as removal of directors, and audit the functioning of the 20 IIMs in the country. While some lauded the move saying it will increase accountability, others worried whether it dilutes the autonomy of the premier management institutes in the country.

The necessity of autonomy for any complex organisation is obvious when tasks are complete, senior managers need autonomy for task performance and accountability. Indeed, autonomy and accountability are two sides of the same coin and accountability is hardly possible without the latter.

Students of organisations recognise this aspect as giving rise to the so-called ‘agency problem’ in the case of large and complex organisations. Now, irrespective of how it is structured—whether it is owned (typically productive organisations that operate in functioning markets), or not (stakeholder organisations operating in areas of deep market failure), or government organisations (that operate in both areas of market failure, and where regulation and force has to be exercised)—the need for autonomy exists. This autonomy has to be real, i.e. exist not merely in the form but in the substance of the relationship between the “owner,” government or stakeholders on the one hand and the senior management of the organisation on the other, and internally as well depending on the nature of the sub-tasks.

The bane of India has been the lack of autonomy especially in organisations where the government is the owner or the integrator of stakeholders. India’s public sector organisations, departments within government, parastatals and vital organisations like the police have been maimed by the lack of autonomy. Vikram Sarabhai in the early seventies noted the tendency of public enterprises to lose their autonomy to bureaucratic processes and overreach, and warned that they could never play the leading roles that were expected of them without it.

Today, we know this to be true. It is only the ones in the public sector that have had autonomy viz. Indian Space Research Organisation (ISRO), the National Dairy Development Board (NDDB), the National Thermal Power Corporation (NTPC), perhaps the Bharat Heavy Electricals Limited (BHEL) and a few others that perform at par with the global leaders. The early advancement of many of the PSUs has been lost, as their autonomy was whittled away. ISRO owes its autonomy to Vikram Sarabhai who was able to give it a peculiar structure where the person of the Space Commissioner, the Secretary of the Department of Space and the Chairman of ISRO is the same. However absurd this may seem it has kept the bureaucracy from overreach and erosion of autonomy. And ISRO is on firm ground since the autonomy was also institutionalised by Satish Dhawan who followed Sarabhai. That has enabled senior managers to hold on to autonomy against heavy odds as the stories of many of the ex-

chairman of ISRO would amply demonstrate. Similarly, the NTPC owes its autonomy to D V Kapur who nurtured the organisation, created the shared value of autonomy and commitment, and embedded it in the structure and processes. The NDDB is the case of near continuous battles with the bureaucracy that were won by V. Kurien to create humongous social value especially for the poor.

The IIMA was also created by Vikram Sarabhai but unfortunately its autonomy was not fully institutionalised in the processes and structures within. It is only in the last couple of decades that the IIMA can be said to have become large necessitating formal processes and controls. In the past a shared commitment to student value rode above everything else. While not everyone was committed, the commitment and sacrifices of many of the first and perhaps second generation of its faculty and staff is legendary. Its ethos and culture ensured task performance at high levels, but as it expanded the need to codify and formalise the processes and “culture” was ignored. The smugness of the small, of all its faculty knowing each other, was bewitching and prevented the emergence of formal rules, structures, appointment processes that are functional. With growth, as formalism could not be avoided, it was the bureaucratic approach that filled the “vacuum”.

It took but a mere a decade and half to make the IIMA about as bureaucratic as other organisations. That regression was no doubt helped by the dysfunctional board structures, an extreme focus by the board on campus construction to the neglect of internal structures and processes, and many incidents which directly threatened the autonomy of the board. The board could have ensured that its autonomy was suitably passed lower down i.e. beyond the Director, to the Deans and Chairs of Programmes and Area and to faculty, a measure which is necessary for the institutionalisation of autonomy. But that task was never done despite the recommendation of the last Committee on Future Directions (CFD).

With size, complexity and the need to engage at a global level, the bureaucratisation meant very high levels of centralisation with excessive power being with the Director. The Director’s ‘raw power’ is not constrained by appropriate authority structures. It is the Director who chooses the Deans, the senior administrators and Chairs of Programmes and Areas, and the members of the Faculty Development Committee. Most inappropriate choices can be pushed with barely a whimper. Of course, the feedback and suggestions from faculty are always taken, but since these are not formalised, even an overwhelming majority view in the faculty committee counts for little if the director thinks differently. Directors can create a team which will always go along with his priorities and decisions. So a ritualisation of faculty consultation and the mask of faculty governance has emerged.

Thus, Directors have initiated and shut programmes, centres and areas, changed performance metrics, sometimes against the best interest of the institute, or by rough riding faculty opinion. Since the information to the board is entirely through the Director, if the Chairperson and the Director are together on any matter, there is little that the board knows or can do. Faculty opinion can also be made to fall in line due to the control that the Director has had over the allocation of executive education opportunities; which has now weakened due to a surfeit of such opportunity. Equally importantly the so-called Faculty Representatives on the board are not selected through a process that involves the faculty, so that there is

really no representation of an important stakeholder on the board of IIMA—which is crucial for any leading higher educational institution. Many stalwarts of the second generation of faculty at IIMA resisted any selection processes that involved “voting” since that would amount to an abhorrent “trade unionism” and that did much to prevent any process of institutionalisation of autonomy.

Despite the dysfunctionalities in the internal process and structures, IIMA relative to so many public organisations in higher education has done well, since the others are far more dysfunctional in terms of board structures, or internal organisation, or they have had fewer resources than the IIMA, and are underscaled relative to it. The inertia of the past which still gives IIMA a set of faculty who are intrinsically motivated and willing to sacrifice their own academic achievements keeps it performing far above the average public higher education organisation. Moreover, higher management education is far more appropriable than more general education, which allows it to generate vast surpluses. IIMA, like other IIMs, has used the shortage of quality management schools to charge fees that are far too high for a country at its current level of development.

But then when we set the sight to leaders at the global level, the limitations of its internal process, the non-representative character of its board, the relatively small scale of its operations, the poor scope that it has (as do all stand alone management schools) are constraints. Lack of scope keeps faculties like law, economics, public affairs, governance, political science, humanities rudimentary or below par, despite the brilliance of some individuals in these areas. Scope and scale had been emphasised in the report of the last CFD. On scale IIMA has moved forward but not on scope, or on institutionalisation of autonomy, or on right structuring its board.

We now have a government that hopes to take India to the next level of performance and achievement. Surely the IIMA must be among the first to cross the threshold where it can stand along the likes of Harvard and London Business School. To do that its recent concern to get closer to the board is in the right direction since the board of IIMA had drifted much from recognising and addressing the real issues. Hopefully, with the proposed oversight of the government, the IIMA would be able to now go beyond “autonomy to the board” to autonomy to IIMA for heightened task performance and accountability. That along with a structure and portfolio that are in keeping with the logic of being a leader in the field of education and knowledge creation would have to be its way forward.



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