

Ravi Matthai and IIMA: A Story of Institution-building¹

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I understand that you are celebrating your Foundation Day. Today, we remember the father of the nation, one of the great institution builders of the last century. The moment is apt. It is appropriate that we recall today the services of Ravi Matthai. You are still a young institution, an institution in its teens and, therefore, a work in progress. Wherever an institution is being built, particularly an academic institution, it is appropriate to think of Matthai. For what he accomplished at IIMA was truly remarkable.

There is an iron law of higher education that operates in this country. Institutions are set up with great fanfare, then over two or three decades, they degenerate and sometimes even go to ruin. IIMA is a luminous exception. You may say that this is true of IITs and IIMs in general. It is, but I would submit that IIMA is a little different. You cannot say that IIT Bombay is unambiguously superior to the other IITs or that is true of IIT Bombay or any of the other IITs.

IIMA is that rare institution that has stayed at the very top for most of the past 50 years. The only time it lagged behind was in the initial year when IIMC was perceived to be ahead. Once Matthai came on board, this changed forever. I happen to be among those who believe that the success that IIMA has enjoyed is very substantially on account of what Matthai did during his tenure as director.

I never had the privilege of getting acquainted with Matthai or even of seeing him. He passed away in 1984. I joined IIMA in late 1998. I have only felt Matthai during my association with IIMA. I kept hearing about him off and on and I was intrigued. Why are people talking about a director of 40 years ago?

One day, I stumbled upon a collection of his writings, Occasional writings and speeches of Ravi Matthai. I was struck by the quality of these writings. Then, it struck me that the scheme of things at IIMA was not unpremeditated or accidental. Most of it had been carefully thought through. There was a clear plot and it unfolded act by act during Matthai's tenure. I decided to explore further. My book is the outcome. This was a story waiting to be told. I am happy I had the opportunity to tell it.

The speech has been divided into four parts. First part talks out about the plan for setting up the IIMs and the early years of IIMA. The subsequent parts talk about Matthai's background, the seven years of Matthai's directorship and, very briefly on his experiment in rural education. The speech concludes with some tentative lessons on institution-building.

Part 1

The story of the IIMs predates 1961 when the first two IIMs were set up. In 1956, the Ford Foundation got Harvard Business School (HBS) to nominate two of its professors, to investigate the potential for setting up a B-school in India. They suggested the setting up of one school in Bombay. Bombay University did not respond properly, so the proposal was shelved. In 1959, the idea was revived but UCLA replaced HBS as the potential collaborator. The Associate Dean of UCLA, George Robbins, came down and presented a detailed plan.

Several key ideas were mooted by Robbins: an autonomous institution, that is, an institution that was outside the university framework; scope of activities to include teaching, research and consulting; and mechanisms of faculty development. The Robbins report was accepted by the Planning Commission in 1959 and the ministry took several steps towards implementation in mid 1960.

¹ Speech delivered on October 02, 2011 at Indore, on the eve of the foundation day celebration of IIM Indore. This speech is based on his own book, *Brick by Red Brick: Ravi Matthai and the Making of IIM Ahmedabad* (Rupa Publications).

This report too recommended the creation of just one IIM, in Bombay. Two departures were made from the Robbins report: it was decided to set up two IIMs, not one; and the locations would be Ahmedabad and Calcutta, not Bombay and Calcutta. There is much speculation as to how the location was changed from Bombay to Ahmedabad. One story I have heard is that there was some resistance from Bombay University. When Vikram Sarabhai came to know of it, he pounced on the opportunity to move the proposed Institute to Ahmedabad, with strong support from local businessmen.

IIM Ahmedabad came into existence in December, 1961. Vikram Sarabhai was honorary director for the first three and a half years. We must credit Sarabhai with three significant accomplishments. The first was the creation of the autonomous structure which one has come to associate with the IIMs. The IIM is run by a board that is accountable to a Society and not directly to the government. The IIMA Board also decided not to get IIMA approved under an Act of Parliament (which was required if IIMA was to award degrees) as that would have brought IIMA under the supervision of Parliament. That is how the IIMs have ended up awarding a diploma and not a degree.

The second accomplishment was the choice of collaborator. Sarabhai was not in favour of UCLA, he thought IIMA should seek the help of the best known business school, HBS. Ford Foundation was unhappy about his preference; Sarabhai eventually had his way as UCLA itself lost interest in the project somewhere along the line. It was decided to send the first few batches of recruits to HBS for training under the ITP, which was a nine-month programme. This benefited IIMA in several ways:

- It got the first batches of faculty used to teaching and writing cases helped IIMA introduce into the Indian system a totally new pedagogical tool, the case method, which was an analytical way of approaching problems in the classroom.
- It familiarized several IIMA faculties with the culture and governance systems of a top western university.
- It fostered a sense of camaraderie among the faculty

and a common approach towards building the new institution.

- It involved HBS faculty in the design of the curriculum of the programmes of IIMA. It also involved HBS faculty in the executive programmes although their involvement in PGP teaching was rather limited.

The third accomplishment in Sarabhai's time was the decision to get Louis Kahn, one of the foremost architects of the last century, to design the buildings for the campus. I don't know how many of you have seen the IIMA campus. The one word to describe the architecture is 'uplifting'- the high ceilings, the numerous arches and oval openings, the long corridors are all intended to open the mind and send the spirit soaring. Long before the Institute became known for its architecture, long before it made a name for itself in the academic realm. It is truly an architecture designed for a great institution. Getting Kahn involved was a masterstroke.

So, the foundations were in place when the board started looking around for a full-time director. This brings the second segment of the speech, the selection of the first full-time director and Matthai's background.

Part 2

To Sarabhai, it was clear who should be the first full-time director. It was his close associate, Kamla Chowdhry, who had been involved with IIMA right from the planning stages and who had served as Sarabhai's second-in-command at IIMA. However, the choice simply did not find acceptance with the board; the faculty was divided on the issue. In particular, HBS felt that while Chowdhry was a good academic, she did not have the skills to run the Institute. So Sarabhai was forced to look outside.

The board considered a number of outsiders for nearly two years, including some who had distinguished themselves in the civil services. Sarabhai was driven to frustration at his lack of success. Then, one day, from out of the blue as it were, Sarabhai and Prakash Tandon, the HLL chairman who happened to be on IIMA's board, zeroed in on Ravi Matthai. Matthai was 38 years old at that time and was not an academic by training. He had done BA (Hons) from Oxford. He had been a

corporate executive for 12 years and had just joined IIMC about a year earlier as a faculty member. If I were to propose a person with these credentials for the directorship of IIMA today, I would probably not keep my job!

Matthai happened to be teaching in a workshop for executives held in Srinagar. Sarabhai and Tandon flew into Srinagar for a meeting. They seemed to have decided on the spot that they had finally found their man - something about the young man was totally arresting, his strong sense of values, clarity of thinking and complete self-confidence.

Matthai was then asked to meet with the representatives of HBS at IIMA and with the Ford Foundation chief. Both immediately approved the choice. IIMA quickly decided to make an offer. But Matthai was reluctant to accept because he had just joined IIMC and been sent to MIT for training. It took a year for the IIMA board to persuade Matthai. Matthai joined in August, 1965.

Let me tell you a little bit more about Matthai's background. He came of an aristocratic background. He was the son of John Matthai, member of the Viceroy's Executive Council in the pre-independence days and finance minister in Nehru's cabinet. He was later director of Tata Sons, vice chancellor of Bombay University, and chairman of SBI, to mention only a few of the positions he held. Matthai's mother was extremely wealthy and with a strong social orientation. I have heard that she gave away hundreds of acres of family land to the church in Kerala and to Calicut University.

Matthai was educated at boarding schools for the most part, including Doon School. One incident during his school years is worth recalling because it tells us something about how his character was being formed. He was once punished for an offence he said he had not committed. He was asked to run around the playground a couple of times. Matthai kept running and would not stop until the school authorities accepted that the punishment had been wrongly imposed.

From Doon School, Matthai went on to Allahabad university and then to Oxford. He had a good time at Oxford and became president of one of the student associations there. Matthai was recruited at Oxford by

a managing agency in Calcutta, McNeil and Barry, which had interests in plantations and other industries. He rose to become chief executive of one of their firms and led a very comfortable life, complete with paid holiday in the UK with family.

When IIMC was set up, he received an offer from K T Chandy, the first director. He accepted it promptly. He had to give up his spacious company accommodation for a small apartment and accept a change in his lifestyle in other ways as well. He didn't seem to mind at all.

Part 3

When Matthai joined, the PGP had yet to settle down. There was a lot of discontent amongst students about various aspects of the programme, including the quality of teaching in some courses, the evaluation system etc.

His first priority was to streamline the flagship, the PGP. He dealt with student disturbances by having long chats with students without any faculty accompanying him. He was a man of enormous persuasive powers and great sincerity. The student disturbances quickly died down. One reason was the codification of various PGP processes, which ultimately found expression in the PGP manual.

The next challenge for Matthai was getting acceptance for the PGP product in industry. Today, we have a couple of thousand b-schools in the country and we take placement for granted at least in the leading institutions. It was Matthai and his colleagues at IIMA as well as IIMC who did the hard work of selling the PGP to industry.

Matthai took a couple of key decisions within the first couple of years of his tenure. He decided to end the collaboration with HBS. The reasons have not been spelt out and the decision remains controversial. My sense is that he felt that the collaboration was not contributing much.

HBS was not doing enough by way of sending faculty. The three persons sent initially were all doctoral candidates. Senior faculty used to come only for short spells in the executive programmes. There was no collaboration in research and IIMA faculty could not teach at HBS. In Ahmedabad, IIMA was becoming known

as a branch of HBS. Matthai felt that either the collaboration should be upgraded or it should end. The latter happened.

Matthai also discontinued IIMA participation in ITP. He said faculty training would be need-based: some faculty could go for a PhD, some for an MBA, and all the faculty need not go to HBS; IIMA must diversify its options. There are people who believe that these were wrong decisions and that if only IIMA had continued its collaboration with HBS, it would have become a world-class institution. One wishes life were that simple. I believe Matthai was right in concluding that the collaboration had served its purpose in getting IIMA off the ground and that it was up to the Institute now to build itself.

One of Matthai's greatest strengths was in HR- his judgement of people and his skill in managing them. He devoted a great deal of effort to recruiting faculty. He mostly recruited from abroad because he felt that recruiting from India did not enhance the faculty pool and was not much of a contribution. The faculty strength grew from around 25 to 55 in his time with a large complement coming from abroad. Every year, he travelled to the US and interviewed candidates. On one visit, he interviewed some 65 candidates. He was very good at selling IIMA to Indian academics in the US and persuading them to return. This was one of his biggest contributions.

Not all who joined were acquainted with the case study method. Many believed that the basic disciplines need to be imparted through more conventional lecturing. Matthai tended to indulge them. He once declared that he did not want IIMA to 'become the Roman Catholic Church of the case study method'. Some fault him for undermining IIMA's USP, which was the case method. This criticism is not valid because IIMA continued to produce a large number of cases in Matthai's time.

Matthai completely transformed IIMA's financial situation. The Institute was running out of cash when he joined. The government had imposed a strict ceiling on its contribution; the costs of campus development had escalated steeply and were way above the commitments made by industry. Matthai managed to

persuade the central government to loosen its strings. Funding ceased to be an issue. Thanks again to his persuasive powers. He was able to get government to contribute in a big way without compromising in the slightest on the Institute's autonomy. The point is worth making today when autonomy is somehow construed as meaning not taking funds from government.

Under Matthai, IIMA developed its sectoral focus by setting up centres for agriculture and education. Sarabhai and Matthai believed that IIMA should not cater to business alone. It must develop expertise in a number of under-managed sectors- agriculture, education, banking, government systems, trade unions. The centre for agriculture came up in Matthai's time and, in due course, the two year programme in agriculture. This sectoral approach has served IIMA well and, over the years, the Institute has developed centres for healthcare, infrastructure, retailing, and telecom, to name a few.

During Matthai's tenure, IIMA commenced its fellowship programme as its doctoral programme is known. It also took upon itself the task of mentoring other management institutions, including one each in Punjab and Kerala.

As the director, Matthai was responsible for expansion and consolidation at IIMA. But this has happened at so many B-schools. There is no dearth of management institutions that have grown in financial terms. IIMA accomplished something else in Matthai's time. It developed an enviable reputation for excellence, a reputation that it has preserved since. The important theme of my book is that this particular achievement of IIMA can be ascribed to the culture that was created during the years of Sarabhai and Matthai. I also believe that it is this culture that clearly differentiates IIMA from other institutions in the management fraternity. Let me now turn to this aspect.

IIMA rests on three pillars- autonomy, faculty freedom, and faculty governance. Autonomy is freedom from outside interference. Faculty freedom is freedom of expression and also operational freedom- freedom to design courses, freedom to pursue one's research interests, freedom in matters of evaluation, etc. All these elements were carefully fostered by Sarabhai and Matthai.

Let me give one example. Two faculty members co-authored an article on the pharmaceutical industry. In the article, they questioned the pricing practices in the industry. The industry was upset and complained to Matthai. Matthai told them he could do nothing about the article. If the industry people felt that the article lacked substance, they should tear it up. Matthai completely insulated the faculty from any kind of outside interference in those crucial formative years, in admissions, recruitment of faculty, research, etc. He took all the heat.

Then, there is the distinguishing feature of IIMA, faculty governance. This is that all important decisions, and certainly all academic decisions, are taken by faculty. This is the decentralised governance model of the western university that has conduced to excellence there. Sarabhai conceived it, Matthai gave it the practical shape and all faculty in those days contributed to this culture taking firm root at IIMA.

All matters at the Institute level as well as at the area level are decided by committees of faculty. The director tends to go by the recommendations of these committees. Faculty meetings and committee meetings were well attended. They went on for hours and often for days. The meetings were meticulously minuted. There was a complete absence of hierarchy- junior faculty could speak as freely as senior faculty. This gave faculty an enormous sense of ownership and pride in the institution and brought out the best in them.

Alongside faculty governance, a strong peer culture developed. Faculty discussed each other's cases. They attended each other's classes. They gave comments on each other's research. There was considerable mentoring of new faculty. Certain egalitarianism was part of the culture. All the faculty members were addressed as professor and everybody, including the director, by first name. Matthai was 'Ravi' to his colleagues. There was very little differentiation in faculty housing and housing was allocated not according to rank but according to arrival on the campus. All this was reinforced by a certain austerity, with Matthai leading by example.

One should be careful here not to jump to conclusions.

Faculty governance did not mean that the director was a glorified head clerk who allowed himself to be nosed by faculty. Not at all. Matthai always was in command of the situation. After he stepped down as director, he described himself as a 'benevolent despot'. Faculty governance meant giving people a sense of participation in decision-making. It did not mean leaving all decision making to them.

Certain administrative or financial decisions were taken by the director in consultation with the board. In academic matters, faculty reigned supreme but Matthai did not hesitate to impose his will when the situation demanded. The FPM programme was launched in the face of opposition from faculty for several years. In the case of the agriculture programme, Matthai overruled faculty and decided to go ahead. One must not interpret faculty governance to mean that the director is a cipher. It was not so in Matthai's time and I doubt that it has been so under any director.

There were a few other elements to the culture. One was an aversion to rules for many matters and a preference for norms evolved by faculty. As a result, for a whole range of matters, IIMA still does not have an official book of rules. One must understand that this leaves open wide room for discretion. The other element was the absence of administrative authority for activity heads and area heads. The area chairman cannot dictate anything to his colleagues, he has to persuade them. So also the PGP chairman, the admissions chairman and the placement chairman. I have dwelt on the rationale for these in my book. Matthai perceived all these elements as crucial to the liberating sense of freedom that alone can get the best out of academics.

Lastly, what I regard as one of Matthai's greatest contributions to IIMA and the IIM system in general, the principle of a single term for the director. After seven years at the helm, Matthai chose to step aside as director- he was reluctant to use the expression, 'step down' because that would imply that the director was above faculty. He was only 45 and at the peak of his performance, so people were shocked. They were not aware that even at the time of accepting the job, he had told Sarabhai and Tandon that he would stay in the job

only for 5-7 years. He gave reasons for his decision. As an organisation evolves, it needs different styles of leadership, different structures. He could test the robustness of his model only by stepping aside.

Matthai clarified that he was 'stepping aside', not 'stepping out', meaning if the faculty and the board agreed, he would like to continue as a faculty member. This too was an act of greatness, considering that he was inundated with offers from both the government and the private sector. He explained this part of his decision as well. Institutions of higher education suffer because their heads used their positions as stepping stones to other positions; in his book, this was just not done.

We can sum up the key elements of what we might today call Matthai's 'sustainable business model': a clear sense of mission; a focus on faculty freedom as the key to unleashing creativity; faculty governance and an emphasis on peer culture; a single term for the director. These elements explain IIMA's unusual success in the Indian educational system.

I must add quickly that what Sarabhai and Matthai cannot be ascribed merely to some abstract principles. The managerial abilities of the two individuals are an important factor. Sarabhai was an able leader, Matthai was a supremely gifted manager. It was the combination of principles and individual traits that must explain why the particular culture and processes that they put in place endured for a long time.

Matthai stayed on as professor for 12 years after he stepped aside as director. He devoted himself to a unique experiment in rural education in the Jawaja block of Ajmer district in Rajasthan, trying to help the poor people of that block. There is much debate about the merits of his experiment. Many people at IIMA are dismissive about it; they think Matthai was simply chasing a delusion and that his experiment produced no results. Others see it as a forerunner to several initiatives in the social sector. I devote a chapter to it in my book. I will not go into it here. Let me just say institutions must experiment all the time; whether the experiment succeeds or fails is secondary; better, sometimes, to fail magnificently than to succeed trivially.

Was there a downside to all this? Certainly. Matthai's faculty-centered approach meant a certain neglect of all other sections of employees. One former faculty member has said they were reduced to 'second class' citizens in a community in which faculty were the prima donnas. Matthai refused to deal with the staff union, and this may have led to labour problems erupting after he stepped down.

Faculty members were more prosperous thanks to consulting opportunities and they were very conscious of their importance in a faculty governed Institute. This led to what might be called an 'institutional ego' and a sense of isolation from the rest of the world. One reviewer of my book has commented acidly that if at all the term 'ivory tower' was applicable anywhere it was to faculty at IIMA.

Part 4

Friends, I draw to the close of this talk. What lessons do we draw from the great experiment of Matthai and his colleagues? It is for each one of you to draw his or her own conclusions. I would imagine that the most important lesson is that an organisation's culture can become a differentiator and a source of competitive advantage. What precisely this culture would involve can be debated. To some extent, the answer would depend on the context.

I suppose certain things in the Matthai culture are non-negotiable: autonomy and freedom of expression. What about faculty governance? In entirely academic matters and at the area level, yes. At the Institute level? Matthai himself was not dogmatic on this question. He said once that, in certain situations, a high amount of centralisation may be needed before decentralization can happen.

Similarly, it would be unwise to generalise from the Matthai era about the absence of rules and the lack of administrative authority down the line. The great American universities do not have these features- there are clear rules and the area chairman is a seat of power- and these are among the greatest institutions in the world. These were features that suited Matthai's personality and they were appropriate to the Institute in his time. A different institution or the same institution

at a different time may require very different structures and processes. It is possible to have a totally rule-bound and transparent system and make a success of it. One should be careful not to rush to sweeping judgments in these matters.

We can take home certain other things from the Matthai era. You can have very basic infrastructure, very ordinary people and yet, given clear direction and a shared sense of purpose, you can create an extraordinary institution out of these. When people are united by a higher purpose, when they give themselves over to a larger objective, the greatest of feats are within grasp. Again, it is possible to have a humanitarian approach towards people, to be fair in your dealings, and to scale great heights. Performance is not incompatible with values.

Indeed, at this distance in time and in the environment in which one finds oneself, one is struck not just by the enormity of Matthai's achievement but by the value system that made it possible. If there is one thing about Matthai that stands out, it is his unswerving commitment to institutional norms; never using the institution for selfish ends, always putting the institution before oneself.

When an institution is young, it is a little easier to create the necessary value system. Youth is freshness, it is energy, it is the ability to dare. IIM Indore is, as I said at the outset, still a young institution. What can you not achieve if you choose to dare?

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