IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668
PP 09-25
www.iosrjournals.org

KSA Engineering College: The Turnaround Story

Dr. A. K. Sen, ***Principal***,
St. Francis Institute of Technology, Mumbai

Abstract: *KSA engineering college was founded in mid1980 by doctor and financier DR. Deshpande through KSA Public Charitable Trust to impart training in the market demanded engineering courses conspicuously for the middle class. Accordingly, the KSA Institute was deliberately located within easy access to city rail and bus lines. It placed no restrictions on religion, race, gender or social class and provided grounding in practical engineering subjects geared to the needs of its target student community. It offered low tuition fee and free public lecture. KSA College's mission has not changed dramatically since its inception, and members of the Deshpande family have been on its Board of Trustees. This is a case study of the decline and subsequent turnaround of the engineering college. It is a study of the factors that led to KSA engineering college's decline, the challenges it faced during that period, and the strategies which enabled the institution to regain its fiscal health and vitality. It explores how the history of the college and changes in the higher education market contributed to its financial and enrollment difficulties, an examination of the plans and strategies that were implemented to achieve a successful turnaround to regain its fiscal health and market position. The study locates the ultimate source of the decline in the determination of the leadership, the dramatic internal changes and ultimately conflicts that ensued from that decision, and questions of identity that remain with DR. Deshpande's institute to this day as it continues its evolution from an institute for the middle class to a respected college with a particular orientation toward the applications of technology education. The factors that led to KSA Engineering college decline and the challenges faced by its management during the period of 1990 to early 2000, following steps were taken for its revival Board Governance, Faculty Governance and Culture, College Mission in Competitive Markets- a Source of Advantage, Balanced Scorecard approach, Increase in student enrollment with market demand affordable fees and Starting of new market driven courses.*
The following are the key themes/issues:

- *How does an organization continue to be relevant when the local and global market changes?*
- *What is the reason of the KSA's decline?*
- *With the passing away of time how the institution found its footing and recovered from a severe period of decline?*
- *What was the role of Principal (Leader) and the Trustees in the turnaround strategy?*

Keywords: *Strategy, Leadership, Social Responsibility, Branding*

Case: KSA Engineering College was founded in mid of 1980s by Honorable Dr. Deshpande, a doctor and financier, through KSA Public Charitable Trust. The prime intention was to impart training in the market demanded engineering courses for the middle class community. This case post-mortems the KSA Engineering College sharp decline during the late 1990's and early 2000's. It includes the combination of strategies and management actions that led to its recovery within a five years span. It considers how the history of the institute changes the higher education market and a failure to understand the impact of those changes contributed to KSA's financial decline, and the management strategies that reinforced to the Institute's revival.

KSA College Snapshot
Location: Navi Mumbai
Size of College: 10 Acres bounded by a suburban station to the east
Strength of college: 1600 Students from all over India
Courses offered: Undergraduate & Post Graduate in Engineering and Medical.

History

Dr. Deshpande directed the architecture of KSA building which comprises of the Trust office and the office of Principal. Dr. Deshpande, also a philanthropist, is one of the richest and leading doctors in Mumbai. He wanted to stem one institute that would serve needs which were not met by the mainstream colleges and universities.
College fee was considerable nominal and contributes a very small amount as revenue. The library and reading-room were open round the clock. The founder's wish is that there should be no discrimination over gender or religion.

Mission and Markets

IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668
PP 09-25
www.iosrjournals.org

From its inception, KSA College has been a market-sensitive institution. The mission of the KSA Institute as envisioned by Dr. Deshpande is not to develop a great curriculum that would enable and enlighten, but to provide knowledge and skills that would have immediate and practical value.
Within a decade of its founding, the Institute had migrated from its mission of offering near-free tuition to an institution dependent for its survival. The imperative adaptation was no longer simply a question of meeting student needs, but one of institutional survival.
In this regard, KSA College is ahead of its time. Its market-driven migration from its position as a near free institute dedicated to serving the needs of the middle class and first generation students to a research institution offering master programs mirrors the current migration of undergraduate college into comprehensive institutions as they pursue students, revenues and prestige.

Issues

The story of the fiscal crisis of the mid 1990's begins with the creation of Medical and Dental school as a part of KSA engineering college. The changes that were engendered the status of the college, and the last years of the long Principal ship of Dr. Kumar (at that time). By the end of the Dr. Kumar’s Principal ship, fundamental changes in the academic culture of the institution had begun to take place, though those changes were not yet reflected in the governance of the institution.

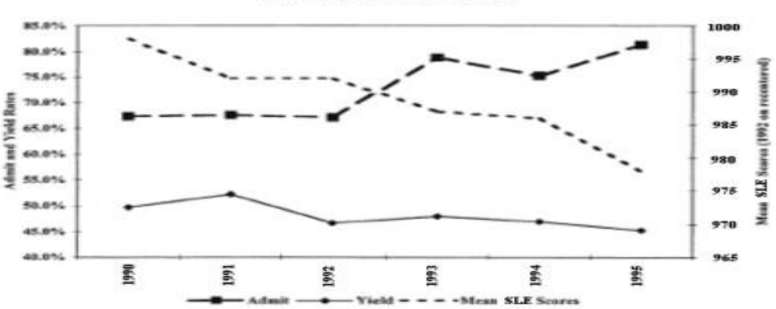
The Case Chronicles and KSA’s Turnaround

Dr. Kumar from the Atomic Research Institute was head of the Computer Division and director of the computer engineering research. Dr. Kumar continued to serve as the Principal of KSA engineering college for 5 years, from mid-1990 to first half of 1995.

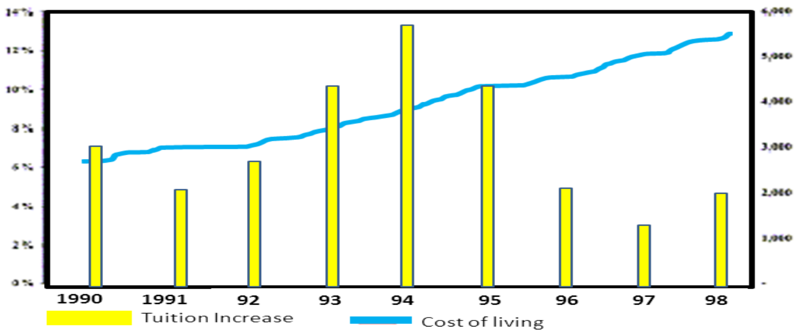
During his tenure, the Board of Directors was largely from social organization of KSA family members and local business leaders. It had few members who brought to the institution an understanding of higher education management. Dr. Kumar saw this change as necessary to build the prestige of the institution and to maintain its ability to compete in the markets for both students and faculty but could only arrange a small percentage of faculties with doctoral degrees. To move towards his vision of KSA College as a comprehensive technological college, he improved the academic quality of the faculty and supported the development of faculty within the institution.

For the Board of Trustees the progress of the college was cause of celebration. It also had deeper resonance for other constituencies within the organization. Faculty members brought with them their own view of the culture of the Academy and the rights of the faculty in the governance of the College. The emerging faculty values were neither embraced nor understood by the Board of Trustees, whose contact with the faculty was minimal at best.

Toward the later years of Dr. Kumar's tenure, the decline in the student market and the increasing competition with other private engineering colleges resulted in a steady decline in the student enrollment. Dr. Kumar, closely attuned to enrollment, pricing and the finances of the institution, pushed for the development of new facilities and developed a student life infrastructure to accommodate the growing student population. The Graph(Admission, Yields and SLA Score) below illustrates the trend emerging during the mid 1991s in admit rates and yields, illustrating that, notwithstanding the rising level of applications, the college was admitting a higher percentage of applicants to achieve its enrollment goals. This also shows the downward trend in average School Leaving Examination (SLE) scores that would be reasonably related to a rising admit rates and declining yie1ds.



At a time when private colleges were raising tuition at rates considerably higher than the underlying rate of inflation, Dr. Kumar believed that affordability was critical to KSA's ability to sustain its enrollment base with its traditional students. As illustrated in the graph(Tuition Growth vs. Cost of Living) below, tuition was largely held constant in real terms during the early 1990's and into the late 1990's, though increases in tuition costs were just beginning to outstrip the local cost of living.



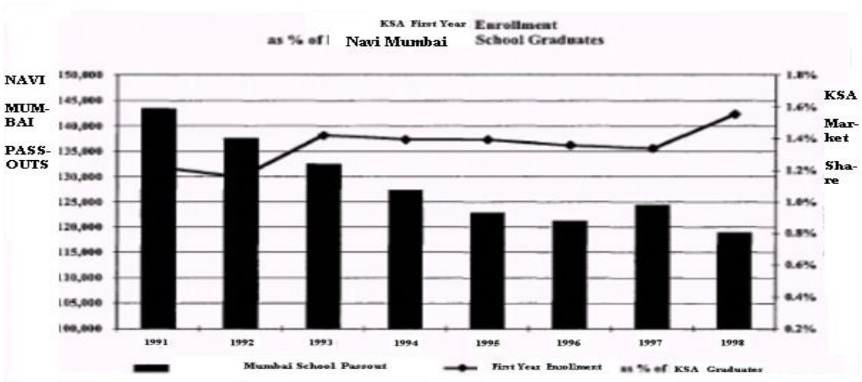
As the internal faculty culture and external market changes transpired, Dr. Kumar dominated the management of the institution. One-man rule and a passive board were evident at KSA. As Dr. Kumar made decisions to expand the faculty and to respond to changes in the marketplace, there was no evident Board deliberation around or particular understanding of the potential impacts of these changes on the institution over time.

When Dr. Kumar stepped down as Principal, changes in the underlying student market had become evident. While applications and enrollments were boosted briefly by the microcomputer initiative, (which began as a pedagogical initiative in engineering curriculum and became a public relations boost for the college, was one of the most important events in establishing the reputation of the KSA in the public mind as a technology savvy college.), commuter student demand was falling steadily and replaced by growing local student demand. This change affected the financial equilibrium of the institution, as the growing local population affected program structure and increased operating costs and the demand for capital investment in way of canteen and recreational facilities. At the end of the golden age of the Dr. Kumar’s administration, student quality was beginning to decline, costs were rising, and, due to a determination not to allow tuition to rise faster than inflation, deferred maintenance was rising and the quality of the campus infrastructure was deteriorating.

Upon the retirement of Dr. Kumar as Principal, three members of the Board, led by the chairman, engineered the selection of Dr. Sinha as Principal. While traditionally the faculty had acceded to Dr. Kumar's rule, the emerging faculty leadership viewed Dr. Sinha's selection as illegitimate. Dr. Sinha himself recognized that he had won his appointment by politically outmaneuvering his opponent and faculty favorite, but had no reason to see that victory as pyrrhic. He believed that, with Board support, he could effectively govern the institution.

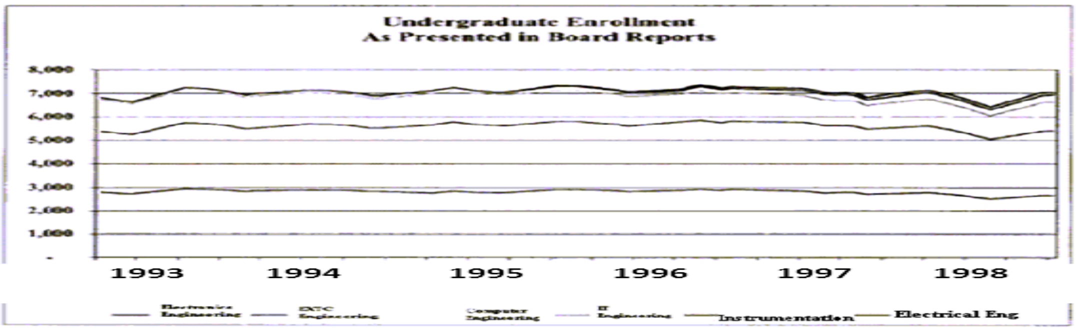
Dr. Sinha proved to have an autocratic and imperial style, and, in the eyes of the faculty, had little regard for academic process. He elaborated a vision of the institution as a modem technology research college in the model of Manipal Institute (where he worked previously)-a vision similar to, though perhaps a bit more pragmatic than, Dr. Kumar's BITS, Pilani, -on-the-BIT, Meshra albeit in the context of a planning process that was disavowed by the faculty. Dr. Sinha viewed the institution had suffered from Dr. Kumar's tight-fisted, old-school management practices and sought to modernize the management and systems infrastructure, and to build the research enterprise. He brought professionals into his administration that remained the core administrative leadership for years beyond his tenure. He implemented substantial tuition increases to address the growing imbalance between costs and revenues. While those increases were decried at the time, the increased tuition did not deter applications and first year enrollment, which reached near record levels by the late 1990's, suggesting that the institution enjoyed reasonable price elasticity and adequate market demand. By the end of Dr. Sinha's truncated Principal ship, the financial position of the institution was sound and enrollment was growing. Dr. Sinha suggested that with stronger board leadership, he could have survived the ordeal and continued to lead the institution. The enrollment struggles of the mid-1990s had been overcome, a solid plan was in place, and the KSA was on track to grow and prosper.

The KSA Education and the Student Market



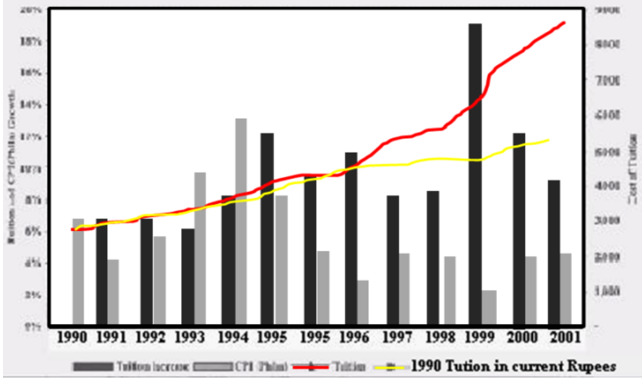
The situation that led to Dr. Sinha's departure as Principal was the outgrowth of his leadership style, the alienation of the academic community, and the demand for respect and recognition on the part of a faculty within an institution with no history of embracing the values of the Academy. The conflict that emerged as the faculty leadership sought to remove a man who, in their view, was an illegitimate Principal was virulent. The Board, awakening to a public relations nightmare, finally acquiesced to the demands of the faculty, even though most Board members had little understanding of the underlying issues involved.

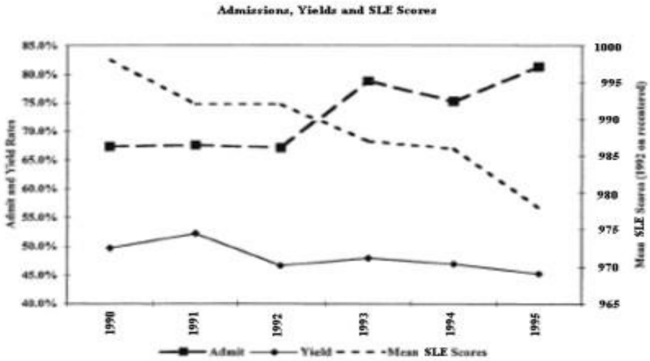
The Board's hiring of Dr. Gosavi as the next Principal was the singular decision that led to the subsequent decline of the institution. Board did not change the principal search committee to seek a principal who could effectively address those issues. Rather, the Board hired Dr. Gosavi to achieve one fundamental objective: to improve relations with the faculty. However, as the Board members observed the enrollment data, the dip in first year enrollment that was experienced in 1996 and 1997, and that led to significant financial pressures, was corrected in 1998, and overall enrollment appeared to be on track, as the graph below illustrates



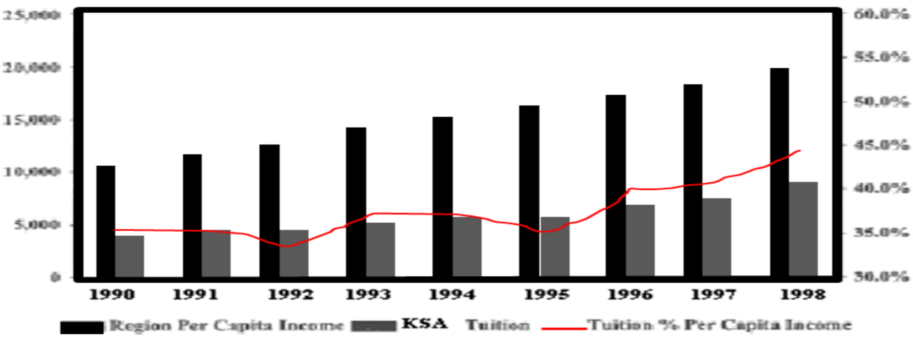
The tuition pricing policy followed by Dr.Kumar of increasing tuition in line with the growth in inflation had also shifted under Dr.Sinha. As the graph (Tuition Growth vs. Cost of Living) below illustrates, KSA College tuition had begun to grow in real terms and outstrip the growth in the cost of living. These data were periodically presented to the Board members during the period, but as of 1998 there was no Board committee that focused on the importance of the data or evidence that the emerging trends were a matter of discussion or concern. As illustrated in the graph(Admission, Yields and SLE Score) below, the admit rate rose sharply in 1993, even in the face of the rising numbers of applications resulting from the computer program publicity, as the KSA expanded in first year enrollment to meet funding needs. In the face of rising tuition needs and subsiding applications, admit rates continued to rise dramatically as the real cost of tuition was increasing, from the 67% rate in 1992 to over 89% in 1999, while yields remained in the 45-48% range, and average SLE scores declined slightly during the period

The market pressures were affecting KSA in a range of ways beyond the financial dimension. The most obvious pressure was the demand for creating a student life infrastructure. The more subtle change, though clearly the most significant, was driven by the combined competitive demands of the faculty and student and the unintended and underappreciated cultural and organizational consequences that ensued.

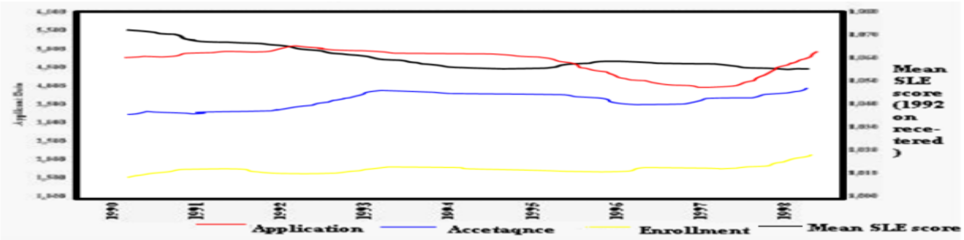




The pricing issue that first became a subject of public debate at the time of the 8% price increase reflected the tension between the historical mission of DR. Deshpande institute and the market realities of running a college. KSA, like other private colleges, was slow to realize the inherent conflict of being a private college with a quasi-public mission. Simply stated, the mission-market tension at KSA was manifested in its efforts to remain a college for the middle class while relying on tuition to fund its continued growth and development. The market requirements that it upgraded its facilities and retain a quality faculty created significant upward pressures. This tuition growth, at the same time, made KSA more vulnerable to competition from the growing public competitors. As this graph (KSA Undergraduate Tuition vs. Regional Income Per Capita) below illustrates tuition cost growth was outstripping the growth in per capita income within the City, increasing from below 35% of per capita income to 45% in just three years, and affecting affordability for the long-time core student market.



The financial crisis that had briefly emerged during Dr. Sinha's principal ship had subsided. In 1998, applications were up by 17%, auguring the second year of rising enrollments, rising SLE scores and a declining admit rate under the leadership of the new team running enrollment management. The changes instituted by the new team were not built on new strategic insights, but rather on a simple strategy- pushed the quality technology education being in Navi Mumbai. This following graph (Application, Acceptance and Enrollment} illustrates the dip and rebound in applications and acceptances.



Financial Condition and the Search for a New Principal

Through the 1990's the Board of Trustees did not have a finance committee charged with general oversight of the financial condition of the institution. Financial matters were brought to a separate committee that was consulted on matter of salaries and tuition. Dr. Sinha did incorporate a presentation of financial ratios within the annual presentation of the five-year plan to the Board of Trustees. These ratios demonstrated that the financial condition of the KSA was weak, based upon a comparison to an industry peer group

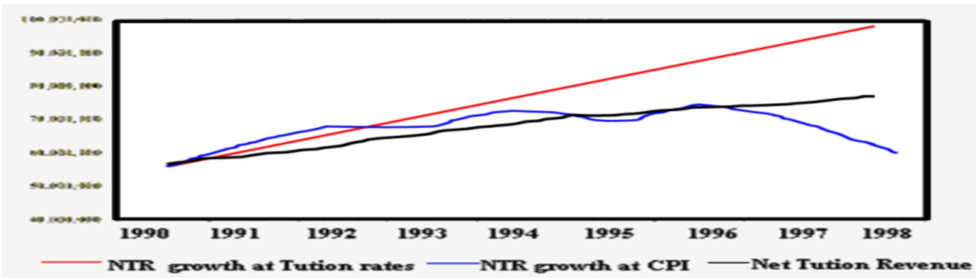
In June 1998, these ratios were updated from the previous year and presented again in a special Board meeting dedicated to the financial condition of the College. The ratios in Appendix 1 were at the core of that presentation. This presentation showed an institution that was undercapitalized, had a high level of debt and a weak balance sheet. The high debt burden and the weakness in the student market evidenced by the declining applications and rising admit rates; combined to suggest an institution whose operating leverage could result in rapid deterioration should the market weakness continue

In December 1997, as a first step in the new principal search, a consulting team comprises of members from the outside experts visited the KSA campus, prepared and presented a report to the Trustees. The report of the expert committee served the framework for the search that was about to begin, including the needs of the institution, the candidate profile, the search process and other Board recommendations. The confidential report focused on issues of governance, board development need, and relationships across and participation of constituencies in the institution.

The report to the Board, presenting the criteria for the selection of a new principal, failed to refer to the financial difficulties that had recently beset the institution, the financial condition as suggested in the ratio analysis provided in the five-year plan, or the enrollment downturn and market challenges that were facing the institution. In the range of desired qualifications for a candidate that is presented in the report, committee failed to suggest that a demonstrated understanding of these issues would be warranted. At the time of the initiation of the search for the next principal of KSA College, the issues of the financial condition of the institution and enrollment were simply not of material concern.

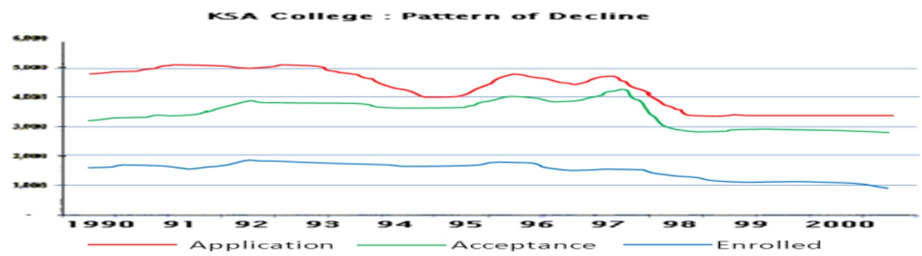
The determination of the Board to hire Dr. Gosavi to address the relationship with the faculty was also ill-conceived, and has had reverberations to this day. However, notwithstanding its action to approve the Charter, the Board neither embraced nor understood the significance of the underlying principles of governance that are embodied in that document. By approving a document at that time that did not then-and does not now-reflect a shared consensus of institutional values, the Board assured that disputes over faculty rights would continue rather than abate.

As the graph (Net Tuition Revenue Growth) below illustrates, by 1998, the institution was realizing an absolute decline in net tuition revenue, and net tuition revenue was falling below the growth in the consumer price index (CPI) at a time when college costs were widely recognized as growing at a substantially higher rate, and annual tuition increases were failing to generate meaningful revenue growth.



As Principal, Dr. Gosavi did exactly what he was hired by the Board to do. The great irony of the Dr. Gosavi’s Principal ship was the decline of the leadership of the Board, financial condition and enrollments of the institution that continued until his departure.

The physical condition of the institution plummeted, and it was in the wake of the event that Dr. Gosavi's remaining credibility and support as the leader of the institution was lost. Even though the financial and physical condition of the institution was bad, the Board remained passive as Dr. Gosavi remained in his position for another two years. By the end of the Dr. Gosavi’s principal ship, first year enrollment had declined by 50% and overall enrollment had declined by 38% since Dr. Kumar's retirement and 34% since Dr. Sinha's departure facing a classical decline in market position, its admit rate rose, its yields declined, and by the end it was experiencing net price deflation.

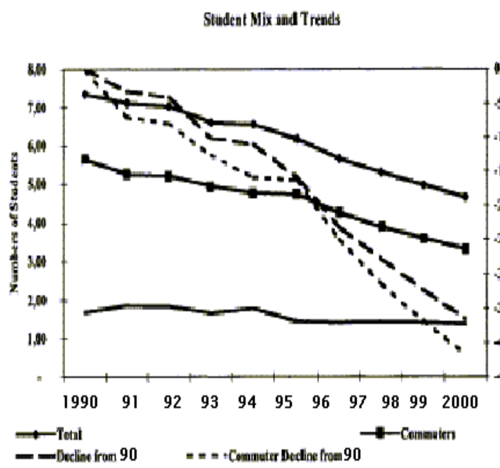


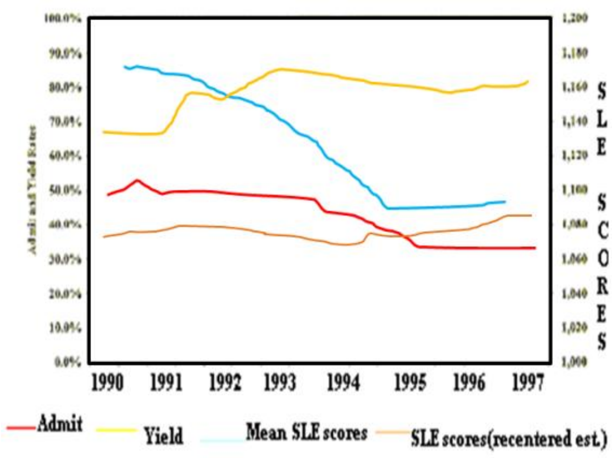
Enrollment

During 2000, the questions surrounding enrollment management and the market for KSA began to focus on the most basic aspects of the College, specifically the traditional technology programs. Dr. Gosavi and others advocated adopting programs that would make KSA more similar to the other institutions that predominated in the competitive marketplace.

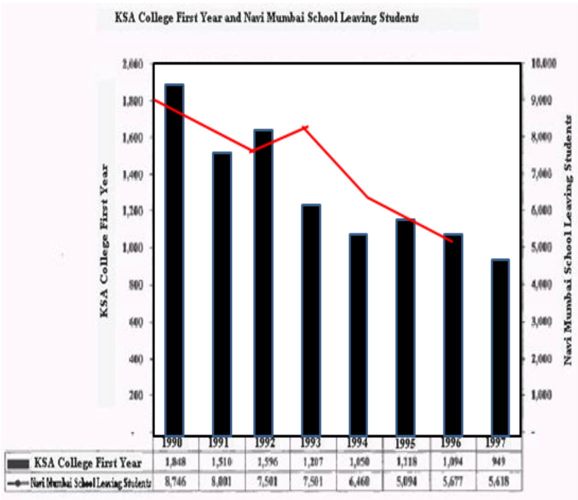
As illustrated in the graph below, admission rates remained near 90% of those applying, up from historical levels near 70%, as the institution fought to sustain enrollment in the face of a reduced pool of applicants. The principle demographic argument that was made to justify the continuing decline in applications and enrollment was that the aggregate number of local school leaving students had dropped during the 2000's The graph below illustrates the declining trend in school leaving students and the decline in the incoming first year class in the same year at KSA.

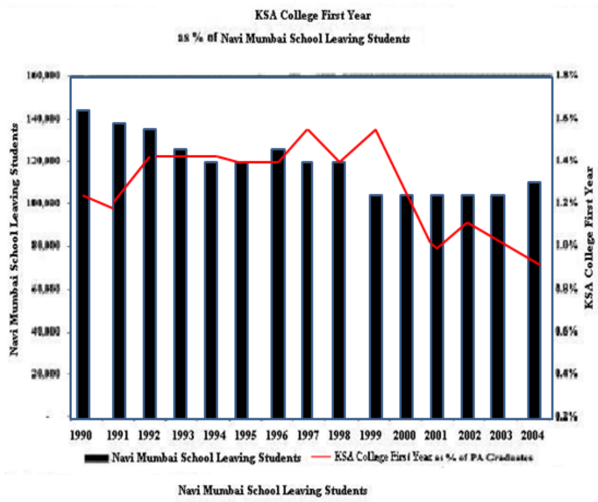
The aggregate data for Navi Mumbai, however, suggests that the demographic explanation alone is not sufficient. The graph below presents the number of school leaving students in the Navi Mumbai region and KSA College's "market share," calculated as the size of the first year class year as a percent of total graduates in the Mumbai. This graph illustrates both a rise in the "effectiveness" of enrollment relative to the market during the late 1990s, and a decline in market share beginning with the first year class of 2001.



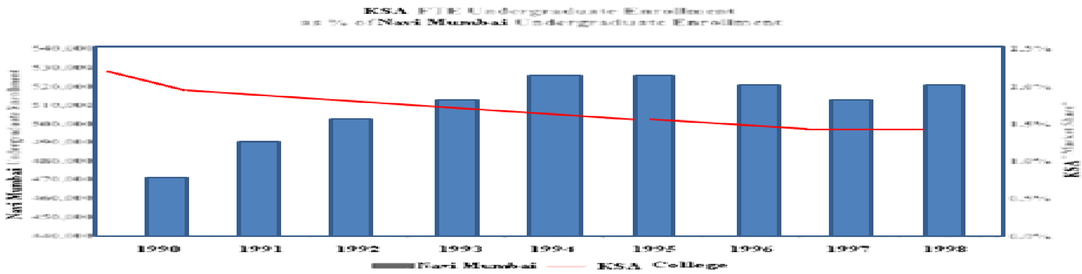


IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668
PP 09-25
www.iosrjournals.org



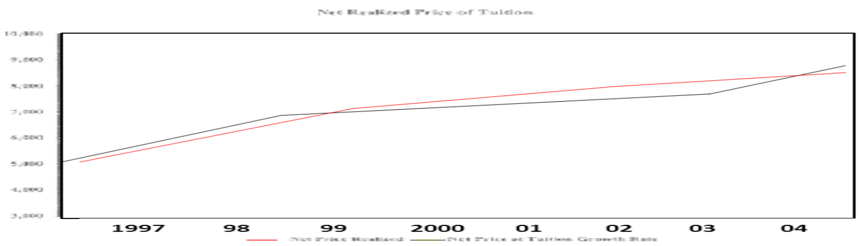


The graph(KSA Undergraduate Enrollment in comparison to other Enrollment)Navi Mumbai Colleges below, finally, presents the KSA's "market share" as a percentage of total undergraduate enrollments in Mumbai. This graph shows in rising participation rates that offset the decline in the number of school leaving students, and suggests a continuing decline in market share during the period of KSA's financial difficulties.



KSA, a school founded with a mission that fit the profile of a private institution, was facing competition from the emerging, lower cost private school choices available to undergraduate students. Faced with a competitive landscape that pitted KSA increasingly against these private school competitors, Dr. Gosavi argued for increases in the financial aid budget. Historically, financial aid was budgeted as an expenditure of funds not linked directly to tuition revenue, and not viewed as a tool for discounting tuition to enhance enrollment. Dr. Gosavi introduced the notion of "net tuition revenue" into the dialog at KSA as a key tool for achieving enrollment goals.

The KSA administration was focused on enrollment, but not on the net price it was receiving from the student. This had the impact of masking the true financial impact of the enrollment decline, as budget projections failed to reflect the net price impact on revenues. In effect, the College was attracting new students by cutting its price, but without adjusting its revenue expectations accordingly. The net price, approximated here as undergraduate tuition revenue is presented in the graph below and compared to the net price growth implied by taking the net price in 1997 and escalating it at the rate of annual tuition increases. As illustrated in the following graph (Net Realized Price of Tuition) here, by 2003 the net price growth was flat and actually declined slightly in 2004.

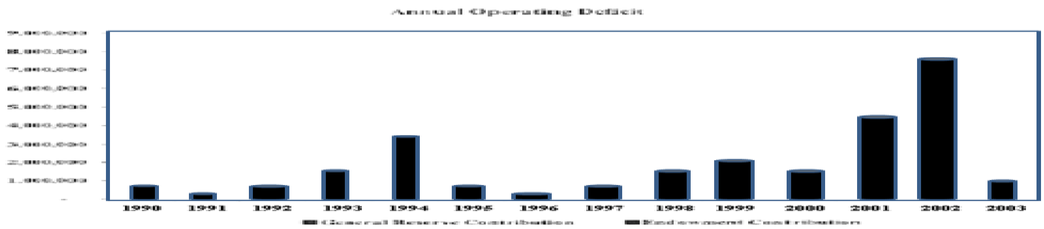


Financial Performance

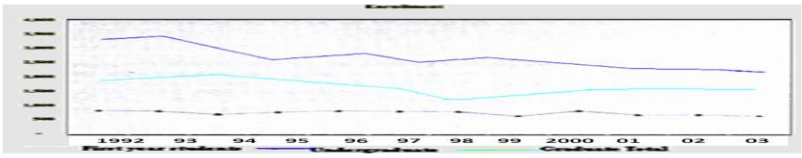
Dr. Gosavi and others in the administration felt that the bottom had been reached and that the new enrollment management team was producing results, while others looked at the continuing downward spiral in enrollment and saw no bottom in sight. The differing interpretations of the data may have been due in part to the natural desire of the Principal to present a positive picture in order to rally the troops and sustain morale; by the end of 2001 the fundamental factor was the Board's loss of confidence in the ability of the administration to produce results in line with expectations.

As Dr. Gosavi and the administration sought to find the light at the end of the tunnel, they viewed the problem as one of demographics and a mission that was outdated, and therefore looked to downsize the institution and broaden their marketing to target. In the case of downsizing, Dr. Gosavi found that it was difficult to restructure a high fixed-cost institution quickly enough to bring costs into line with revenues, while in the case of entering a new student market the in –charge of enrollment management would quickly learn that KSA simply lacked a competitive advantage to compete effectively in a broader market. In his letter of September 15th, 2001, Dr. Gosavi also extolled the stabilization of the KSA's financial condition.

What was not noted in the letter was that the audit for the year ended June 30, 2001; the operating deficit for the college would exceed Rs0.4 crore, as illustrated in the graph (Annual Operating Deficit) below. The fact that an audit is "whistle clean," as Dr. Gosavi indicated in his letter, does not speak about the quality of the outcome, only the quality of the data. The whistle clean audit showed the highest deficit in recent institutional history.



Notwithstanding the enrollment decline hit its low point in the year of 2003, a year after Dr. Gosavi's departure from the institution, as illustrated below.



The Board's failure to act to remove Dr. Gosavi earlier in the face of continuing enrollment and financial decline exacerbated their culpability for the original hiring decision. Dr. Mishra brought to KSA College the core skill set of a turnaround manager, as well as a strong understanding of technical education. In contrast to Dr. Gosavi's reliance on industry experts, Dr. Mishra relied largely on his own instincts and was a hands-on manager. Ironically, one of his most important actions was reinstituting the enrollment management team that Dr. Gosavi had removed, preferring their proven internal track record and understanding of the market for KSA's brand of education to Dr. Gosavi's team that brought substantial industry experience, but had less understanding of the unique attributes of KSA's educational niche.

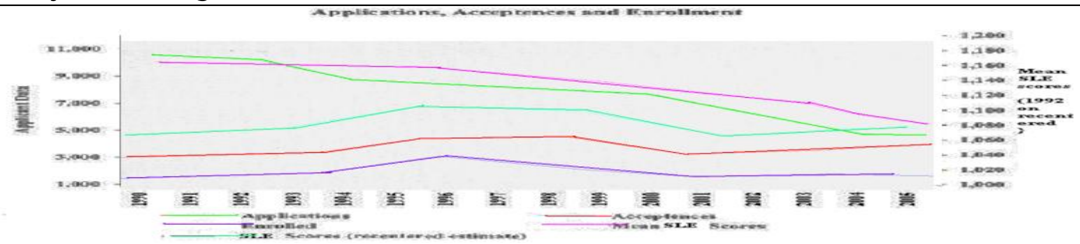
Dr. Mishra's principle of "pressurizing the system" reflects a financial turnaround strategy of holding costs flat while letting the revenues grow to restore operating balance.

Pricing the Product

While enrollment management was implementing a prospect management system that was successful in identifying likely prospects, strengthening enrollment and engendering new program development tied to areas of student demand, Dr. Mishra was also looking to increase tuition fee without considering the average family income of KSA students. He did not believe that low tuition was necessarily an advantage, but that many students saw lower tuition as evidence of an inferior product.

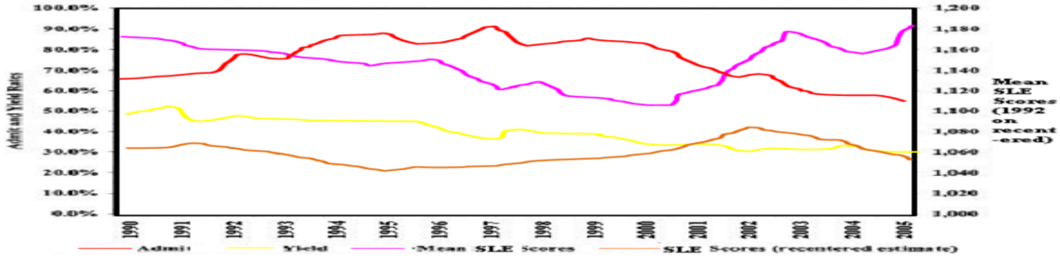
The graph below presents the historic data on first year applications, acceptance and enrollments, as well as SLE scores, and illustrates the impact of the turnaround in enrollment management.

IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668
PP 09-25
www.iosrjournals.org



The graph below presents admit rate and yield data from the same enrollment management data. The graph shows the continued downward trend in yields as KSA College extended its reach beyond the regional market.

Members of the Board were uncomfortable with the tuition increases, and the impact of affordability for the traditional KSA students, but they did not push back or suggest that Dr. Mishra curtail his pricing strategy. Dr. Mishra enjoyed Board support for both the personnel cuts and the pricing changes. The salary increase was an important palliative that accompanied the other changes that were implemented.



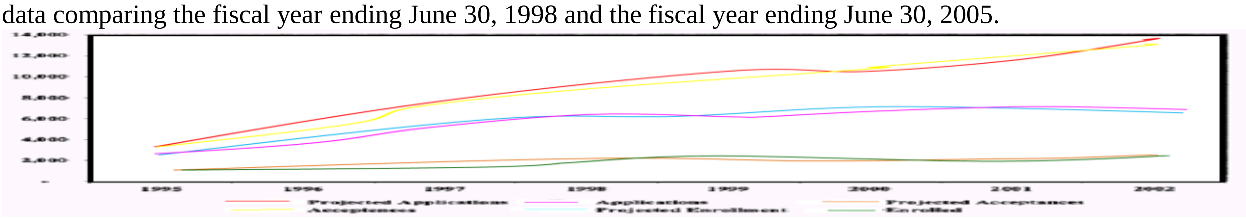
Turnaround Results

The results of the turnaround effort, begun through the stabilizing influence of Dr. Sudevan and the leadership of Dr. Mishra were swift and dramatic. The key to turnaround at KSA was stabilizing enrollment, and fresh enrollment was the key revenue driver at the institution as it affected revenues for the subsequent 4-5 years. The most direct measure of the success of turnaround effort at KSA, and the related financial stabilization, was fresh enrollment over the years following Dr. Mishra arrival.

The graph below illustrates the pattern of fresh applications, acceptances and enrollment from 1998 onward, as compared with the projected levels presented to the Board in the fall of 1999. Beginning of 1998, the success in meeting multi-year projections stood in stark contrast to the continuing inability to meet enrollment projections that had plagued the institution during much of the prior eight years.

The rebound in 1st year enrollments was dramatic. Within 2 years, first year enrollment almost doubled from the fall 1998 enrollment of 500 to 1,010 a level not seen since 1998 during the enrollment upswing at the end of the Dr. Sinha's principal ship. The growth in first year enrollment supported a growth in overall enrollment during the period.

Over a 5 year period, applications rose three-fold and the admit rate dropped from 82% to 60%, and continued to trend downward. While the tuition discount rate would rise for several years before beginning to fall again in the year 2000, net tuition revenue grew substantially and doubled by 2005. The table in Appendix 2 presents key data comparing the fiscal year ending June 30, 1998 and the fiscal year ending June 30, 2005.



The above presentation was a powerful presentation of an institution that had experienced a severe decline and rapidly reversed its fortunes.

Implications

The decline and turnaround of KSA College has broader implications for college management and further research. These implications are discussed below.

I) Board Governance

The story of the decline of KSA College is first and foremost story of the failure of corporate governance, albeit in the non-profit sector.

The Board of Trustees at KSA existed in a state of somnolence under Dr. Kumar, as the long-tenured principal was the unquestioned leader of the institution Dr. Kumar encouraged that condition as a means of assuring his control of the institution The Board began to awaken during the Dr. Sinha's crisis, as it found itself faced with an organizational and public relations disaster of frightening proportions. The KSA Board finally found its own voice under the leadership of Dr. Gosavi, who understood and believed in the importance of board leadership at academic institutions, and who understood board development as a key area of responsibility of the principal.

The decline of KSA College raises the question as to whether the nature of non-profit organizations, and the lack of shareholders with a financial interest in corporate performance, mitigates against effective board governance within that sector.

The issue of the failure of the model of corporate governance had been engaged at many levels of public debate, intended to strengthen the quality and integrity of financial disclosure, and the Company Law Board is pursuing the issue of director accountability to shareholders.

These public actions to strengthen corporate governance grow out of abuses in the for-profit sector, and address issues of fiduciary accountability to shareholders. In the college sector, the KSA experience suggests that different accountability measures are warranted. While KSA College improved financial disclosure would not have solved the problem of board passivity and the lack of appreciation of issues of organizational culture that were at the root of the KSA crisis.

KSA College suffered greatly from not having individuals on its Board who brought a combined understanding of the college culture and competitive markets, and who could open up the discussion, challenge the principal when necessary and enable the broader board community to consider the impact of decisions that were theirs to make.

The KSA case study suggests that further research is necessary on the theory and structure of board governance in higher education, in order to explore the question of how boards gather and assess information on their organization and the competitive markets, their dependency on management, risks entailed in the traditional model of corporate governance, and how the current demands for board reform and accountability should be translated into the higher education universe.

II) Faculty Governance and Culture

The KSA, as it existed upon the arrival of Dr. Kumar, was not an academic community, but rather a technical institute with a teaching staff that largely did not have doctoral degrees. By the end of his Principal ship, the faculty largely held doctoral or terminal degrees, and the arrival of the new non-core engineering faculty had transformed the expectations of the faculty for participation in the governance of the institution. By the time of Dr. Kumar's departure, the College faculty believed itself to be entitled to full rights and respect in accordance with the traditions of the Academy. From their view, in accordance with those traditions, and as stated in its 2002 Statement on Shared Governance, "the College is its faculty."

The Board of Trustees, for their part, never embraced the traditional values of the Academy with respect to the role and rights of the faculty, nor do they to this day appreciate the depth of the faculty views on this subject. While the Board knew that the faculty "is very important," the Board view of faculty participation in shared governance certainly falls short of reflecting the faculty's view of the College" as a democratic community of scholars" in which "shared governance is the fundamental ingredient of a healthy academic institution".

The fundamental tension between the values of the Board and those of the faculty remains a central challenge for KSA College to this day and that tension has resulted in an attitude of resignation and alienation among the faculty. This tension has real consequences for the College as it moves forward on a strategic plan that is predicated on building a combined academic and research enterprise that integrates the upcoming medical schools with the traditional schools and faculties. That integration demands commitment and engagement on the part of the faculty, qualities that have been undermined by the tensions over shared governance.

The challenge for KSA College and academic institutions that are in increasingly competitive markets is to develop governance structures that align the interests of the constituencies within the organization. Shared governance, as that term has come to have meaning within the Academy, implies a segregation of areas of responsibility between the faculty and the administration. The faculty retains the responsibility for issues of curriculum, program development and termination, academic policy, and the like while the administration is given the authority over the non-academic and business functions necessary to the livelihood of the institution.

The problem with this model of shared governance is that the areas of responsibility are no longer clearly demarcated. Curriculum structure and budget are increasingly inseparable, yet a faculty committee might control one side and a Principal the other. In competitive markets, organizational speed and agility are increasingly important, and a governance structure that gives parties veto power rather than creating inducements to an alignment of interests will serve as a competitive disadvantage over time.

This case study highlights the ineffectiveness of shared governance structures in advancing the interest of the organization when faced with external challenges. The three-party relationship--among the board, the principal and the faculty-lacked structures for real participation, notwithstanding an array of committees created to oversee the budget reductions during the Dr. Gosavi years.

The KSA case study suggests the importance of new research and new models of college governance that reaffirm and build upon the central role of the faculty in the development of program and curricula, and fully align the interests and engagement of the faculty as the institution builds its competitive position in the markets in which it competes.

III) College Mission in Competitive Markets

The defining difference between a for-profit and a non-profit organization is the driving motivation. The KSA story suggests that a fundamental tension exists in this dichotomy as non-profit colleges find themselves in increasingly competitive markets. Like their for-profit brethren, colleges must compete effectively if they are to survive to serve their mission.

The challenge is to chart a path that articulates a mission that galvanizes the support of the wide range of constituencies across the community and that is achievable within the realities of the markets that have an impact on the life of the institution.

The challenge of effectively balancing institutional mission and market realities involves the issues of board and faculty governance as suggested in the above discussions. Accordingly, the research agenda that grows out of this case study involves developing a comprehensive view of the organizational structure and market sensitivity of higher educational institutions. Issues of strategic planning, organizational structure and alignment of incentives devolve to questions of budget structures and the prioritization of the application of scarce resources.

IV) Mission as a Source of Competitive Advantage

While the early mission of KSA was forced to evolve in the face of market changes, a central failing of the Dr. Gosavi administration was its inability to recognize that its surviving mission of technical education had created a niche market that proved to be resilient in the face of other market changes during the 1990's and 2000's. The enrollment decline during the Dr. Gosavi years derived not simply from pure demographic changes, but rather from the abandonment-intentionally or not-of the historical market niche that the institution had enjoyed and the preference to focus on the more traditional college student market, a market that was experiencing demographic decline and in which the College lacked a competitive advantage. This suggests that a well-crafted mission can communicate value to the marketplace in ways that create a market segment for the institution and provide some degree of protection and competitive advantage.

V) Decline and Turnarounds in Higher Education

Failure in higher educational institutions takes time. They cannot fail in the same way and with the same trajectory as for-profit companies. Shareholders cannot exit; stakeholders are bound to a longer-term vision, and the community of alumni and other civic participants who are invested in the survival of the institution work to forestall dissolution. The assets of the institution are difficult to move, employees, faculty and alumni feel a sense of themselves and their identity bound to the continued existence, and even success, of the institution, and the local community is highly invested in its permanence.

Along with these attributes that mitigate against failure, the nature of consumer choice further insulates higher educational institutions from rapid decline. Students enter an institution based on its reputation in the marketplace, among other factors, and intend to continue for four years until graduation. This cycle of consumer choice and expenditure has several implications. First, the decision to attend an institution results from the reputation and perception of value that has been built up over a period of years, and while the amount of information available to the student-consumer has increased dramatically with the growth of the Internet, reputation and prestige remain long-lived assets that change slowly. Second, a given first year class will cycle through an institution over a four year period. As such, aggregate enrollment decline takes time to fully impact a given institution.

While these factors mitigate against rapid decline in higher educational institutions, their operating structure is highly leveraged. This means that their cost structure is largely fixed and inflexible. Permanent and Adhoc faculty, senior administration, facilities, utilities, debt service and insurance comprise approximately 80% of a typical institution's cost structure. This high fixed cost structure makes the financial performance of a higher educational institution highly sensitive to year-to-year changes in revenues. Accordingly, institutions that are tuition-dependent and lack the insulation from enrollment shifts are exceedingly vulnerable to the impact of changes in enrollment. These institutions, therefore, are vulnerable to significant financial pressure and decline in the event of the inability to effectively respond to changes in enrollment and net tuition revenue.

KSA College under Dr. Gosavi was a typical institution, with high fixed operating costs, as described above. Accordingly, as Dr. Mishra observed, even as management adopted a downsizing strategy in response to enrollment declines, the cost per student rose due to the high fixed cost structure. As enrollment declined, downsizing efforts notwithstanding, the costs of facilities remained, the faculty-student ratio rose, and debt ratio rose. All of these were measures of productivity that were going in the wrong direction.

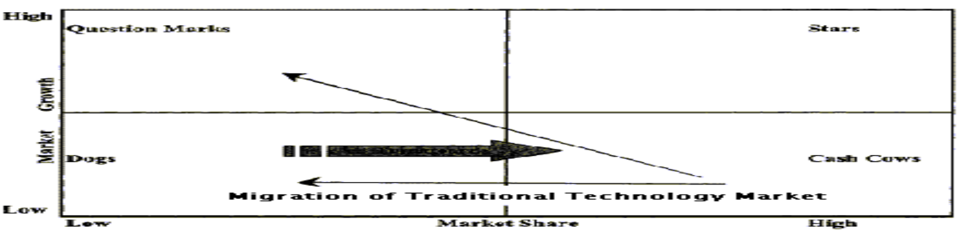
As one of the Board members suggested, KSA proved unable to compete as another technical college for students from suburban Junior Colleges. It lacked both reputation and facilities. Hence, witnessed its price flatten and fall as evidence of its lack of competitive advantage. The loss of KSA's sense of identity in the market reflected the Principal's own disregard for the value of traditional technical education as a central feature of the KSA education, and ultimately the lack of understanding of the brand value that KSA had in a niche market that it had created over the years.

Dr. Mishra’s immediate conclusion that the turnaround solution must be revenue driven was a significant one for the institution and for others experiencing declining enrollment. He did not believe that the demographics were the problem, but rather that they had become the excuse for management failure. Similarly, he saw that downsizing could not be effective due to the high fixed cost structure of the institution.

In the case of KSA, the speed of the enrollment turnaround reflected the fact that the institution was not selling something new in the marketplace, but rather was building on, rather than trying to walk away from, the traditional technology program and urban location that were central to its identity in the marketplace. This is illustrated below in the traditional growth-share matrix reflecting business unit market share and brand value, which generally also reflects price resilience and margin potential.

The rapid return to positive enrollment results, including both applications and enrollment, reflected the return to KSA's traditional market niche where it enjoyed high market share and enrollment yields.

KSA Market Position within Growth-Share Matrix



The KSA experience suggests that an essential first step in the planning of a turnaround in higher education is the quality of the diagnosis of the problem. In the KSA case, two conclusions are evident with the benefit of hindsight. The first is that cutting costs for the sake of cutting costs was not going to solve the problem, even if it was essential in a given budget year. Dr. Mishra understood this as he saw that the fixed cost base of the institution make further cost cutting impractical. The second is that enrollment declines need to be addressed by clarifying the value proposition of the institution with an understanding of the markets within which the institution is competing. Dr. Mishra raised this question when he arrived at KSA, as he challenged the faculty to tell him why a parent should spend the money to send a child there. Dr. Mishra did not look externally, as Dr. Gosavi had, for the answer to that question, but rather sought out the individuals who ran enrollment management when it had last experienced growth. That former team had understood the answer to that question in the past. Dr. Mishra brought them back, and, as it turned out, they still understood the answer. It is instructive that after the range of external consultants failed to solve the enrollment management challenge; those with fewer credentials but greater experience readily found and implemented a solution.

IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668
PP 09-25
www.iosrjournals.org

VI) The Industry of Higher Education

The impact of markets on higher education is not that they turn academic institutions into business, but rather they challenge the primacy of the institutional mission in the face of a competitive universe. As an industry, the essence of higher education remains its unique role in the preservation and continuation of a common culture, the accumulation and transmission of knowledge, the engagement and preparation of the citizenry to participate in democratic society, and the success and vibrancy of a nation's economy. For any individual institution, understanding the unique attributes of its own place in that industry, and finding and sustaining its niche in the competitive marketplace are central to its long-term survival.

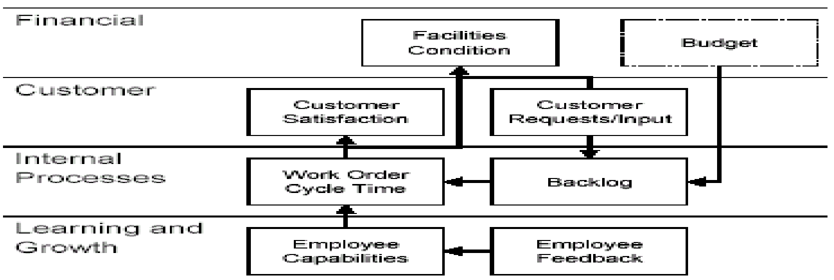
Over the course of the past half-century, the higher education industry has seen the professionalization of management. With the professionalization of management and the encroachment of business and the language of markets, the root tension between the faculty and the administration has increased. The greatest threat to higher educational institutions, ironically, is their failure to evolve into learning organizations where market feedback becomes an opportunity for growth and evolution in ways that enable the institution and all of the participants therein- beginning with the faculty-to recommit them to the vision and ideals that are the heart of the institution. Only by embracing the opportunity for continued transformation and growth can each institution hope to fulfill its mission and at the same time succeed in the new market realities.

Key to this willingness to grow is not better management, but broader engagement. Each faculty member is part of a community with roots in the past and engaged in the creation of the future. The future of their institution demands their participation in creation of institutional structures that are more flexible, more interactive and more responsive. The lesson of KSA College, like those of others, is that thoughtful, adaptive leadership can take an institution in crisis and return it to health. The strategies engaged in these turnarounds were reflective of the corporate model, articulated in its simplest essence as "increase revenue, reduce costs," but the corporate model offers insights rather than a roadmap for higher educational institutions.

Balanced Scorecard

For the Board and the trustees it is really a challenge to find out a unified strategy for finding out the survival of KSA College. Basically, to survive in today's environment, organizations must be flexible, service-oriented, and cost-effective. Public institutions, specifically higher education institutions in this instance, are not exempt from this reality as is the case of the KSA. The cost of higher education, as well as other public institutions, has been under scrutiny by the public, lawmakers, and the press. It is clear that institutions of higher education must not only account to the public for the funding they use, but use the funding and learning environment to better themselves and to improve continuously. So Balanced Scorecard implementation is a successful and systemic approach to enrich the performance of an organization. Balanced Scorecard can help an organization review and improve its financial, customer service, internal processes, and human capital aspects in order to better optimize end results (e.g., financial stewardship, customer satisfaction, effective and efficient processes and employee engagement). Balanced Scorecard is a tool that organizations can use to increase their capacity for change and become a learning organization.

An organization cannot manage what it does not know -therefore, in order to improve, the organization must formulate and measure objectives. Employees of an organization often take an effort to improve what they know is being measured, dependent upon how it is presented to them by leadership. Last, but not least, a change framework such as the Balanced Scorecard needs to be a part of an organization's culture in order to truly be effective. Moreover, the KSA prepared cause-and-effect relationship map for before implementing Balanced Score Card.



In order to thrive, organizations must constantly adapt to their environment. KSA should strive to become a more adaptable and effective enterprise. By establishing goals and objectives in each of the four perspectives of the Balanced Scorecard, and related measures, KSA had an idea where it stands in comparison to where it wants to be. It is by using the Balanced Scorecard that KSA's services will be able to communicate a clearer stakeholder focus, especially in the areas of the customer, the employee, and the organization as a whole. Improvements in each measure do not happen by mere coincidence. The sort of improvement happens by leadership and the communication of goals as well as the results of the organization's efforts. Balanced Scorecard can help set the pace of change in an organization.

Change is introduced as discoveries are made about the organization's present state and future trends. But these discoveries are best unearthed when the organization actually digs for them, actually measures, collects data, and tries to find out about itself. Balanced Scorecard is an instrument of change because it prepares the organization to sustain excellence over time.

Epilogue

On December 18, 2004, the special committee met in the conference room of the KSA College. This special committee had been created to bring together senior administration officials for the purpose of estimating net tuition revenues. The enrollment headcount for the College was down for that academic year, but there appeared to be only a slight impact on net tuition revenue.

This question was number one on the agenda for the meeting and the group engaged the issue with it normal mixture of zeal and mayhem. The arguments flowed around the table as charts were exchanged and explanations offered. Finally, a picture began to emerge of several factors that contributed to an explanation of the phenomenon.

First, enrollments were growing for the newer, recently introduced, market savvy technology courses (four-year baccalaureate programs) as a percentage of the entering undergraduate student body relative to the existing programs, traditionally the mainstay of the College. In only two years, the percentage of the student body enrolled in modern four-year programs had risen from just over 25% of the student body to 34%. The modern four-year program tuition was considerably more expensive than the existing program tuition, and therefore a decline in overall head count accompanied by a rise in the proportion of four-year students in recently introduced program resulted in an increase in the average net tuition revenue received from each undergraduate student.

As in many of these meetings, discussions that originally focused on issues of net tuition revenue evolved to problems around retention and graduation rates. The Chairman of the Enrollment Management committee provided specific data to illuminate the issue. As per his view the retention rates and graduation rates at the College were highest among students in the traditional program-generally 10-15% higher than for the newly introduced programs. The lowest retention rates were for students in the new programs.

The chairman's point was a simple one. The traditional programs were the bread and butter of the institution. KSA was designed for these programs and students, and delivered a good product. KSA's deep brand identity was in that market. Admission yield rates for the traditional program were almost 40%, as compared to 20% for the new programs, where KSA faced a far more robust competitive environment. He also suggested that the higher attrition rates among the students of the new courses reflected the greater difficulty that the institution had meeting the academic needs of these students for advanced courses in their junior and senior years.

The turnaround of the late 1990s built upon returning KSA to its traditional market niche to regain its financial footing. Now, however, the benefits of that strategy are abating and evolving market demand is moving the institution into increasingly competitive waters. As the chairman of enrollment management committee data suggests, as Dr. Gosavi sensed, KSA's future will increasingly be as a four-year baccalaureate institution, without a mandatory traditional program. This paints a picture that the institution is at great risk. As a four-year institution, KSA must build the quality of the academic program to compete in a far-broader competitive universe. As a four-year institution, KSA loses its historical market niche, as evidenced by the lower admissions yields, and must work to develop new areas of competitive advantage.

The creation of the "new" KSA through the acquisition/building up of some other institute offers the opportunity to develop these new areas of expertise. On December 17, 2004, the Board of Trustees of KSA

College adopted a new strategic plan: "Plan for a Time of Transforming Opportunity. The KSA's Strategic Plan through 2010."

The plan sets forth the areas of competitive advantage of the College in alignment with "the drivers of 21st century industry and society," specifically management, biology, nanotechnology and entertainment. Without the merger/acquisition, KSA would be hard-pressed to compete in half of these areas. With the merger, the KSA will continue to face the unrelenting demands of continuing changes in the student marketplace, and the continuing difficulty of evolving as an institution to meet these changes and thrive in a competitive universe. Dr. Sudevan mirrored DR. Deshpande's own admonition that change would be a constant for his Institute and that the goal must be to continue to provide value in the marketplace, when he offered his thoughts on the merger and the unlimited opportunity that the creation of the new combined college offers to the College community.

With the turnaround story behind it, the challenges of building the finest engineering college remain for KSA. These challenges, of forging a new institution, engaging the energies of the combined faculty, and creating the capacity to create new fields of knowledge, can take the College far beyond the vision of its Founder.

Conclusion

Summing up, the case demonstrates how the approach based on the following steps helped the KSA College management for its revival Board Governance, Faculty Governance and Culture, College Mission in Competitive Markets- a Source of Advantage, Balanced Scorecard approach, Increase in student enrollment with market demand affordable fees and Starting of new market driven courses.

Question for Discussion

1. Do you agree that the strategies adopted by the college management for its revival were appropriate, if not why?
2. Do you think that emphasis on Brand Equity can be sustained for a long period of time?
3. If you were appointed as a Principal of KSA Engineering College, would you like to go for a different kind of plans for its quick revival? Comment
4. Do you feel that the College Faculty plays a constructive role in turning around the College branding? Comment.
5. Do you think that College Mission can influence the competitive education market

References

[1]. Hamlin, A., & Hungerford, C. (1988). How Private Colleges Survive a Financial Crisis: Tools for Effective Planning and Management. Planning for Higher Education, 17(2), 29-37.
[2]. Chakraborty, S., & Dixit, S. (1992). Developing a Turnaround Strategy: A Case Study Approach. OMEGA International Journal of Management Science, 20(3), 345-352.
[3]. Sen, A,K. (2006). Restructuring of an Educational Institute, Thesis submitted in NMIMS, Mumbai as a part of P.G.D.Ed.M Course.

APPENDIX 1
June 1998 Ratio Analysis

			KSA College			
Ratio	**Media**	**1993**	**1994**	**1995**	**1996**	**1997**
Balance Sheet						
Equity to Debt	3.8:1	2.1:1	1.6:1	1.2:1	1.4:1	1.1: 1
Expendable Fund Balances to Tota	.60:1	.27:1	.45:1	.67:1	.47:1	.65:1
Expenditures and Mandatory Transfers						
Expendable Fund Balances to Debt	2.0:1	.60:1	.80:1	.98:1	.82:1	.86:1
Credit Worthiness						
Available Assets vs. General Liabilities	4.5:1	2.7:1	2.4:1	2.1:1	2.2:1	2.0:1
Net Debt Service to Current Unrestricted	1.60%	3.6%	5.5%	3.3%	4.5%	5.9%
Revenues						

APPENDIX 2

Key College Data FY1998 and FY 2005

	FY1998	**FY2005**
First year Applications	513	1,536
First year Admit Rate	80 %	59 %
Admissions Yield	34 %	30 %
First year Enrollment	349	812
Average SLE	617	718
First year Retention	78 %	84 %
Graduation Rate	90 %	90 %
Undergraduate Students	595	917
Total Student Enrollment Net	650	1250
Tuition Revenue (00)	Rs. 82,000	Rs.169, 000
Operating Revenues (00)	Rs. 134,000	Rs. 280,000
Faculty	100	175
Total Employees	250	300
Consultancy/Project/ Research Expenditures (00)	Rs.15, 000	Rs.75, 000
Donation (00)	Rs. 90,000	Rs.330, 000