Draft
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Is Small Beautiful (l)

The Board of Directors of Institute of Technology and Management (ITM) was wondering what course of action be taken to get the precarious situation it was facing on account of non-availability of land, which was holding it from moving further on academic activities.

Background of the Institute

The Institute was promoted in the year 2000 by the State Government as a non-profit making joint stock company with the purpose of grooming software professionals and spreading the use of IT in the government. This was in line with the general sentiments with several State Governments as well as Government of India promoting institutes of Information Technology. It has an eminent Board with Shri. Komal as the Chairman, two leading luminaries from IT Sector, Secretary (IT), Secretary (Finance) and Secretary (Higher Education) of the State Government were the other Members. Dr. Suresh Kanchan was appointed as Managing Director. He was an experienced academician from one of the leading technological institutes of the country. He had great dreams to make the Institute an Institution of higher learning with focus on research and advanced application of IT in various sectors and services especially, the neglected ones like agriculture, education, health etc. The Institute also had educational focus, starting with an 18-month Postgraduate diploma in IT in the year 2005.

The Criticality of Land Issue

The Institute started functioning from part of a rented building in Technopark, a major IT hub created by the state government. The Technopark was a very successful venture of the state government. The area of 10000 sq. fts., for which the Technopark charged Rs. 60,000/- a month, however, was too small to accommodate training/teaching activity or even for taking IT projects on a large scale. At the time of establishment, the Technopark had indicated that it will allot about 10 acres of land. Later the land was, however, given to a leading software company, ostensibly because it could fetch better price to the Technopark, although both the Technopark and the Instituted were promoted by the Information Technology (IT) department of the government and Secretary (IT) was on the Board of both the bodies. The Institute then proposed acquisition of a 30,000 sq. ft. building in the Technopark which was taken by a software company. The company went broke. The State Bank of India, which had given loans to the company, was willing to give it to Institute but the minimum auction price set was twice the valuation of the building done by different departments of the government over a period of two years. The Government, therefore, refused to give permission to acquire the same. The Institute thus had to look for an alternate piece of land.

The land issue had become a critical one now in view of the fact that the All India Council of Technical Education had declined to approve the Institute's 18-month long MS (IT) programme which the Instituted had started in 2005. In the minutes of the Board Meeting held on 25.4.07, it was noted,

"As regards the academic programmes, it was decided that in view of the non-availability of AICTE recognition to the MS (IT) Programme, it might be offered as PGDIT with same content and duration for the coming year. The applicants who responded to the advertisement for MS (IT) Programme might be informed that the Institute is offering the programme named PGDIT and that they may give their interest to take the PGDIT Programme. Institute of Technology and Management might consider refunding the money collected to those who were not interested in doing the PGDIT Programme."

As a part of follow up action, the Institute informed the Board on July 2, 2007 that 67 students who had applied for the 3rd batch of MS (IT) Programme were requested to indicate whether they were willing to pursue PGDIT Programme. 28 of them had indicated that they were willing to join. It has been decided to dispense with the entrance test and an interview has been scheduled on July 7. However, only 18 had confirmed so far that they would be appearing in the interview.

The Institute was worried at the development and its likely impact on the programme. The first batch of MS (IT) had done well. 37 of the 39 students had been placed through the Institute in about 15 companies with an average salary of Rs. 3.0 lakhs per year.

The Financial Crunch

The decline in number of students also had financial ramifications for the Institute. Despite reasonably high fees of Rs. 1.50 lakhs per year for the MS programme, the fee collected during 2006-07 was only Rs. 1.20 crores. One reason was the fact that Institute could not fill all the sixty seats (which could fetch Rs. 1.80 crores), as many students left after joining the programme, thanks to the booming software industry. With the problem of non-approval of MS (IT) by AICTE and change in the name to PGDIT, the fee collection could take a nose dive.

The financial problem worrying the Institute were not only caused by the decline expected in the number of student registration in the PGDIT. The other major source of income namely the research projects taken up by the Institute, which started with a big bang of Rs. 455 lacs Education-Grid grant, were also declining (see exhibit 1A), both in terms of numbers as also the amount. The sustenance of the projects was also becoming a cash drain, as government funds were not coming in time for the purpose (see exhibit 1B). The projects like Education-Grid although ready for use were not being subscribed by the beneficiary, user students or teachers. The Institute was not yet ready with the economic model to announce it to the public, although the physical infrastructure was ready for use. Another problem was its connectivity which had still not materialized. The Police portal and KISSAN portals were ready and being used extensively, but the running expenses were expected to be met by government grants, which was not forthcoming as expected. No subscription from public/farmers was envisaged. The financing of the portal itself was not yet received from any funding agency, but Institute's funds were used for the purpose.

Remedial Action Plans

Perturbed over the impending financial crunch, the Institute proposed a major change in its growth plan to face the challenge (see exhibit 2). To overcome the problem, the Institute put up the following note to the Board.

"There is a gap of Rs 1.42 crore between receipts and expenditure and this gap is to be bridged. It is proposed that initiatives need be taken to generate internal resources to bridge the gap as shown in the table 1 below"

Table 1

S No	Particulars	Estimated Income
1.	20% of project expenditure as Institute Overheads. Project staff 40 and value addition @ Rs 10.0 lacs per engineer. Expenditure estimated at Rs 4,Q0,00,000/-	Rs 100,00,000
2.	Income from Offer of Finishing School /short term courses Assumptions: 4 class rooms would be available, courses for 200 man days would be offered. Each batch to have min 20 students i.e. 80 students x 200 days. Realisation Rs 1000/- per student per day, 50% of which to account for institute overheads	Rs 80, 00,000
3.	Institute share of Consultancy undertaken by faculty. Assumption Max. 58 , days by 8 faculty. Consultancy charges 10000/- per consultancy day + travel + local hospitality. Institute share 40% + expenses borne by Institute. Estimated max. 100 consultancy days	Rs 4,00,000
4.	Income from project students Assumption – charging min 4000 per student and take max. 50 students in a year. 80% of income to Institute ,	Rs 2,00,000

Incentive Scheme for Faculty, Staff & Employees

The Institute felt that the above would be possible if the Institute offers incentives for higher performance level. The following schemes were proposed for approval in principle, for which details were to be worked out later.

1. Professional Compensation Scheme – 30% Savings on a research project after provding for intellectual fee and institute overheads will be shared 20% with project team and 10% with all staff. 70% will be debited to Institute Corpus Fund.
2. Rs 2000/- per session is proposed to be realised for taking classes. 50% of 'the fee realised will be shared with faculty/ staff provided the faculty has taken 80 courses for the flagship programme. Out of 50% earmarked for distribution, 75% of the amount so allocated would be distributed among faculty/ staff directly engaged and remaining 25% distributed among all employees.
3. 40% of consultancy charges realised shall be shared with the faculty concerned provided consultancy charges agreed is not less than Rs 10,000/-per man day and no expenditure is charged to the Institute.

Staff Position

The Institute had three broad categories of staff namely, faculty, project staff and administrative staff. There were 8 faculty members, three project engineers and twelve administrative staff (see exhibit 3). Rest of the staff members were contract staff, who were recruited for different projects. The project staff could ordinarily be recruited for one year or project duration (envisaged in the project proposal). In no case, it could be extended beyond three years. The Institute was finding it difficult to get and retain the faculty and project staff, in view of the booming software industry that was sucking away anyone who was even had the minimum qualification and any experience in the IT field. Completing the project itself was becoming difficult as the project duration ranged from 1 to 3 years and after engaging in project, the engineers left midway seeking greener pastures. Director himself had to come to the forefront for many research projects (see exhibit 4). Even some faculty members were vulnerable to attraction in technical and management schools elsewhere.

Options available

As on date the Institute, perceived three option open to it and accordingly put up the same for consideration of the same.

1. Wait for the final decision of the government to allot 10 acres of land as required under AICTE provisions for starting a Masters Degree level Programme. The Secretary (IT) had informed that the department was in the process of acquiring another 100 acres of land in the vicinity of technopark. Technopark will allot the 10 acres of land to the Institute on lease for 25 years.

2. Apply for allotment of 150 acres of land to the government, which was acquiring about 700 acres of land, some 45 km away, a little in the interior. (Technopark was on National highway close to the main city centre). The Government of India was planning 20 Institutes of Information Technology and five of them were being proposed to commence from the year 2008 itself. The minimum land to be provided by the state government for the purpose was 165 acres. Director felt that the State government could swiftly move to capitalize this opportunity.

3. Approach State Agricultural University (SAU) at Merad, which had over 700 acres of land and is willing to provide 10 acres. The Institute had a major project KISSAN and e-agri, which fit in the charter of SAU to allow it give land to the Institute. It was, however, about 300 km away from the existing location. Merad was a midsize industrial city with rich cultural heritage, but was not known for IT, unlike the existing location, which had become an IT hub, and the Institute frequently drew the support of IT experts available in over 110 software companies in close vicinity, in Technopark. The Institute also could get project works done by the students in these companies.

Concerns of Board Members

All the three options proposed by the Director for consideration of the Board seemed to have some of advantage and some disadvantages from the short and the long term view and had varying opportunities and demands/management challenges that different activities of the Institute posed.

Another major factor that was occupying the minds of Board Members was requirement of various resources (other than the land) that future activities proposed by the Institute will need, especially the financial resources. The Government had neither given nor promised any funds for capital and revenue expenditure and the proposal of the Director did not seem to be very clear on these aspects.

Q. 1 Which of the three alternative proposal(s) for acquisition of land should the Board approve?
Q. 2 Discuss the strategy followed by the Institute for academic growth of the Institute.
Q. 3 Critically evaluate the activity plan proposed by the Director, to overcome the financial crisis.
Q. 4. What additional managerial tasks and challenges are involved, beyond acquisition of land to fructify the activity targets proposed?

Exhibit 1 (A)

Grant Received from State Government for Operating Expenses

Year	Grant	Others	Total Receipt	Capital Expenses	Revenue - Expenses	Total Expenses	Balance	Closing Balance
2000-01	350	16	366	238	37	275	91	
2001-02	110	33	143	45	102	147	-4	87
2002-03	475	31	506	11	122	134	373	460
2003-04	50	49	99	14	137	151	-52	408
2004-05	0	63	63	13	153	166	-103	305
2005-06	300	79	379	8	143	151	227	532
2006-07	80	61	141	22	213	234	-93	439
Total	1365	332	1697	350	908	1258	439	

Separate accounts were maintained for each project where all expenditure related to a project including salary of project staff is booked. Board had decided that 20% of the project cost should be realized towards Institute Overheads but this had not been done.

Exhibit 1 (B)

REVISED ESTIMATES FOR 2007-08 AND BUDGET ESTIMATES 2008-09

EXPENDITURE

	Actual Expenses Apr.-Oct '07	**Estimated Expenses Nov.-Mar '07**	**Total Expenses 2007-08**	**Budget Estimates 2008-09**
A. SALARIES & ALLOWANCE	6890000	5938000	12828000	15600000
B. BUILDING RELATED CHARGE	3124500	2937500	6062000	6825000
C. ACADEMIC EXPENSES	1018500	750000	1768500	1700000
D. TRAVELLING & CONVEYANCE	533000	400000	933000	950000
E. POSTAGE & TELEPHONE	559000	485000	1044000	1050000
F. PRINTING & STATIONERY	93000	100000	193000	325000
G. LIBRARY	686500	108000	794500	850000
H. REPAIR & MAINTENANCE	125000	200000	325000	1000000
I. OTHERS EXPENSES	205500	622000	827500	1050000
1. TOTAL REVENUE EXPENSES	**13235000**	**11540500**	**24775500**	**29350000**
CAPITAL EXPENDITURE	2861334	900000	3761334	650000
CAPITAL WIP AT NILA	7300000	1500000	8800000	1000000
2. TOTAL CAPITAL EXPENDITURE	**10161334**	**2400000**	**12561334**	**1650000**
3. TOTAL EXPENDITURE	**23396334**	**13940500**	**37336834**	**31000000**

INCOME

A..PGDIT Course	440250	1687500	2127750	2050000
B. SHORT TERM COURSES	342875	834000	1176875	1500000
C. TRAINING FEES	126000	50000	176000	125000
D. OTHERS	89292	413750	503042	325000
TOTAL RECEIPTS	**998417**	**2985250**	**3983667**	**4000000**
GRANT FROM STATE GOVT.	**5100000**		**5100000**	
TOTAL INCOME	**6098417**	**2985250**	**9083667**	**4000000**
EXCESS OF EXPENDITURE OVER INCOME	**-17297917**	**-10955250**	**-28253167**	**-27000000**

Exhibit 1 (C)
Grant for Research Projects

		2002-03	2003-04	2004-05	2005-06	2006-07
Education Grid	Receipt	3,00,00,000	1,50,00,000	NIL	4,156	NIL
	c/f	NIL	2,73,70,328	76,08,343	32,42,377	5,31,845
	Expenses	26,29,672	3,47,61,985	43,65,966	27,14,688	11,37, 583
	Balance	2,73,70,328	76,08,343	32,42,377	5,31,845	(6,05,738)
Kissan	Receipt	10,000	30,28,675	61,61,735	17,19,919	55150.500
	c/f	NIL	5,51,684	19,10,860	9,48,812	32,15,531
	Expenses	5,61,684	43,87,851	51,99,687	39,86,638	20,69,034
	Balance	(5,51,684)	(19,10,860	(9,48,812)	(32,15,531)	2,65,935
Police Portal	Receipt	NIL	15,00,000	27,70,000	NIL	NIL
	c/f	NIL	NIL	1,66,826	16,36,513	1,62,779
	Expenses	NIL	13,33,174	13,00,313	17,99,292	4,08,719
	Balance	NIL	1,66,826	16,36,513	1,62,779	5,71,498
Tcmc	Receipt	4,19,000	6,40,000	4,60,000	1,07,839,	NIL
			9,937	1,61,698	1,92,614	2,39,678
	Expenses	4,28,937	4,68,365	4,29,084	60,775	14,806
	Balance	9,937	1,61,698	1,92,614	2,39,678	2,24,872
Telehealth	Receipt	4,800	15,00,000	16,100	NIL.	NIL
	c/f	NIL	54,820	13,54,919	12,22,330	11,91,402
	Expenses	59,620	90,261	1,48,689	30,928,	NIL
	Balance	54,820	13,54,919	12,22,330	11,91,402	NIL
ADA	Receipt	3,00,000	NIL	1,00,000	NIL	
	c/f	NIL	1,92,456	1,21,832	2,21,832	
	Expenses	1,07,544	70,624	NIL	NIL	
	Balance	1,92,456	1,21,832	2,21,832	2,21,832	
Telemedicine	Receipt				10,00,000	NIL
	c/f				NIL	4,55,549
	Expenses				5,44,451	2,31,934
	Balance				4,55,549	2,23,615
Information Security	Receipt				3,22,000	13,900
	c/f					2,93,850
	Expenses				28,151	1,08,698
	Balance				2,93,850	1,99,051
Vuat Project	Receipt				40,00,000	35,00,000
	c/f					5,797
	Expenses				39,94,203	34,97,305
	Balance				5,797	8,492
Chemistry Portal	Receipt				NIL	70,997
	c/f					9,86,420
	Ex enses				9,86,420	21,69,350
	Balance				9,86,420	30,84,773
	Receipt					2,58,500

Unspent balance on projects- Total as on 31st march 2007 is 26, 83, 781

Exhibit 2
Coordinators of Different Projects
(All Amounts Rs. in Lakhs)

Sl. No.	Research Project	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**Coordinate**
1.	Edu. Grid	455					Director
2.	Kissan	165					Director
3.	Police	43					Dr. Venzen
4.	TCMC	16					T.D. Saroja
5.	Telehealth	15					Director
6.	ADA	4					Director
7.	Telemedia				10		Director
8.	Inf Secured				3		Dr. Venze
9.	V Mart				75		KAU/Amitabh Kumar
10.	Chemistry Portal				1		Dr. John M.S.
11.	Climatic Data				2.6		R. Jayant
12	SPB Antarikh				14	14	
13.	e-Krishi				10	10	IT Mission/MBT
14.	SGSY					3	M Dash
15.	GIS Relating Training						Dr. Radha Jayant
16.	Vertual Camps Network						Director
17.	AICTE-NPTEL					10	Director
18.	Integ. Emergency Medicare						To be decided
19.	e-Vanaen						To be decided
20.	Alliance						To be decided
21.	Tata ELXI						To be decided
22.	Centre for Earth Sci. Studies						To be decided

Exhibit 3
Proposed Programme of Activities

Sl.No.	Course	Duration	Remarks
1.	Post Graduate Diploma in Information Technology (PGDIT)	2 Years	Flagship programme of the institute. 4 batches already graduated.
2.	MS (IT)	2 years	2 batches undergoing. Programme kept on hold in the absence of AICTE approval and University affiliation
3.	M Tech. and Ph.D. Programs	2 Years	Proposed. M Tech in lieu of PGDIT
4.	M.Tech. Program in Agri-Informatics and Agri-Enterprises Management	3 Years	Proposed jointly with the Kerala Agricultural University for Graduates of M.Sc. (Agricultural Sciences).
5.	a) MS program in Computational Sciences b) Ph D in Computation Sciences	3 Years	Proposed to be conducted jointly with Kerala University. Bachelors in Science & Engineering. Special Academic Committee for framing the scheme, syllabus and regulations constituted by Kerala University.

Certificate / Diploma Programmes			
6.	Certificate Courses and Finishing School Programs, Industry Induction Programmes	3-6 month	Proposed. Delay due to lack of space.
7.	IGNOU Sponsored Certificate + PG Diploma Courses in Theoretical and Computational Chemistry	6 months to 1 year	Approved by Board of Sciences of IGNOU. The course will be offered over the IGNOU network to teachers and postgraduate scholars in Chemist
8.	IGNOU supported Teachers Proficiency Certificate Courses	3-6 month	Proposed under National Programme on Technology Enhanced Learning (NPTEL) programme.
9.	Certificate Courses in Embedded Systems and VLSI	1-3 month	The lab for this is getting ready in the new Nila area. Discussions with Nest and Tata Elxi under way for tie up.
10.	IIITM-K – IIRS joint logo certification program in GIS	3-6 month	The Indian Institute of Remote Sensing (Dehradun) is closely working with the institute to commence this certificate course. The Dept. of Space is likely to provide the sponsorship. We expect the course offering to start this summer
11.	Certificate course in GIS	3-6 month	Being offered by IIITMK to Govt. officials, professionals, researchers, academicians working in GIS related areas. A dedicated GIS Lab is being set up after which course will be announced.
12	Certificate courses in Agriculture (Agr - Informatics area)	3-6 month	Proposed under Virtual University for Agricultural Trade (VUAT) Programme