

### Case Code C37

#### 37. IS SMALL BEAUTIFUL (H)?

Consequent to increasing the number of seats in two classrooms from 60 to 79 and in another two from 36 to 59, the Institute decided to construct a hostel for training programme. However, instead of constructing single occupancy rooms, it was decided to have double occupancy rooms, a move that perplexed every one. Explaining the reasons, the Director said-

“It was all very confusing. Calicut being away from the mainland of the country, the cost to sponsoring company used to be double than registration fee, because of high travel expenses. Besides, due to poor air connectivity, one had to spend one full day extra for each way to attend a short-duration training programme. Train journeys entailed even more time (average twenty four hours). I was, therefore, not very sure whether it will be possible to have high capacity utilization to cover even out of pocket expenses and reach break-even point. If we go for creating full-fledged 50 room training infrastructure as envisaged originally, that would have aggravated our already precarious financial condition, as we were banking heavily on MHRD grants for running the show and construction, which were not regular and predictable. Luckily, our faculty development programmes had clicked, due to judicious pricing strategy. But the fee was to be kept very low, almost one-fourth of MDP conducted by other Institutes. Still filling the capacity was difficult. Then, an idea crossed our mind, to have double occupancy rooms which will be used for 12 months (9 months by PGP students, and in 3 months of summers, the same can be used for faculty development programmes and other low cost programmes/activities like research conferences, industry seminars etc.)”

The cost for such hostel was 33% more than single occupancy rooms for PGP students. But the hostel could then be used for 3 months more. The rate fetched by FDP was 18 times more. (Rs. 300 per day per person on double occupancy basis compared to Rs. 1000 p.m for PGP). With occupancy of 20% on 80 days and 300 participants in a year, it could thus add up to Rs. 20.16 lakhs (80 days\*600 p.d\*42) in 3 months. Thus, while the cost of hostel construction went up from Rs. 120 lakhs to Rs. 160 lakh (25% increase), the additional cost could be recovered in two years' time. Further, if for part of the period, it was used for MDPs, the rate could be 3-4 times more than FDP. The additional cost (including furnishing) was estimated at Rs. 120 lakhs. If the 42 room hostel was used 2 months for FDP and 1 month for MDP, it could additional net of approx. Rs. 40 lakhs per year, which would recover the additional cost of Rs. 120 lakhs in a maximum of 4-5 years through FDP and 3-4 years if the accommodation was used for MDP also.

In a nutshell, the Institute was getting one hostel extra (with cost covered in 4-5 years time), whether one calls it extra PGP hostel or extra FDP/MDP hostel. Besides it would allow the Institute to start training activity in economically viable way, encouraging faculty members to try and succeed.

---

Copyright (C) 2013 Ruchi Srivastava, PGDM, Interior Designer, Bangalore, under the guidance of Dr. Krishna Kumar, former Professor and Dean (AA) of Indian Institute of Management, Lucknow

This case material is prepared as a basis for class discussion. It is not aimed at illustrating correct or incorrect handling of managerial problems and challenges.

Explaining the reasons for furnishing the hostel (called Hostel H) in executive style, the Director said-

“There have been several considerations. Firstly and most importantly, I have always believed in multiutility buildings. That helps in optimal utilization of assets, reducing costs and making them useful for a variety of activities, which are important but not of long duration and not amenable to a charge on actual cost basis. I can recover cost with MDPs fastest, FDP over a longer period and PGP hostels over very long period. Secondly, I can’t afford to create 500 capacity boarding/lodging arrangements for big conferences that will be extremely important, but can’t give enough occupancy during the whole year to make it viable. But, if decently furnished PGP hostels are designed to meet the requirements of delegates of conferences, the same facility can be used for 10-20 days in a year and very high capacity gets created for large conference at a little extra cost, thus covering full expenses of large conferences despite low registration fees.

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

Finally, if while doing so, the PGP students too get better facilities at no extra cost, what is the harm? They may not (be allowed) to use air conditioning, refrigerator etc. and not pay for it. But if they live in well designed, double occupancy rooms, by choice, I see no reason why we should not let them relish facilities at no extra cost.”

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

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

Thus while cost to both PGP students and MDP/FDP participants, conference delegates is low, former could enjoy better facilities and amenities, the fee for MDP/FDP/conference could be substantially reduced (without reduction in quality) to make it within reach of the participants. Furthermore, these multiutility buildings will give capacities that are not possible otherwise. Thus when our regular 200 bed MDP infrastructure comes up (which I envisage over 100 rooms 200+ bed than 50 single occupancy rooms envisaged earlier), the Institute could host fully residential conferences of over 500 delegates at a rate as low as Rs. 3000/- for 3-days conferences, covering all out of pocket expenses without seeking any sponsorships. When we go for further expansion of PGP intake by another 80 odd students, the capacity then may be over 500 bed executive accommodation, something that looks impossible today as no sister institution has it today. The Institute can think of 5 parallel conferences of 100 delegates each during 3 months of summer.

The move came as a good tool for keeping pace with the growth of other institutions, despite facing serious constraint of land and hilly terrain that doubled the construction time. Indeed the Institute could grow faster than others and create large capacities that others could not think of, for a variety of low cost

but important activities like faculty development programmes, conferences and seminars, post-doctoral research etc.

Elaborating the point the Director said, “We were planning for next increase in PGP intake to take it to 240. We needed two more hostels of sixty students each. We did not have land. Architects could manage one sixty rooms hostel (J) and one sixty four rooms hostel, located in difficult hilly terrain. We measured by inches not metres. By this time Hostel H was complete, fully furnished. The Board members were quite impressed by it and accepted the request to make the two new hostels double occupancy ones. On request the Architects tried hard and made them also double occupancy. We thus got three double occupancy hostels, furnished in executive style, with 166 rooms, which were necessary for increasing intake of little more than one section of 60 students (76 students). However, we also got in the process 332 bed capacity executive accommodation created at almost no extra cost for organizing conferences, training programmes, which could fetch (300\*90\*1000) Rs. 2.7 crore revenue at a meager fee of Rs. 1000 per day for participants. If one considered 24 rooms (48 beds) capacity created already in the three guest houses with 8 rooms each, the total accommodation for low cost activities went up to 190 rooms with 380 beds.”

With the proposed 116 rooms (having close to 200 beds) fully air-conditioned MDP complex coming up, the capacity available for organizing large conferences and training programmes during three months of summers, would go up to 306 rooms with 580 beds. This would overcome a serious handicap of the Institute, as Calicut did not have good hotels with more than 180 room capacity, that too not in one hotel, available for such conferences. In any case, the charge would not be less than Rs. 1000/- per bed along with the problem of managing logistics.”

Later as the talk of OBC quota started and the Hon’ble Supreme Court gave judgment on the same, we needed some more hostels. On being pressed, the Architects squeezed yet another 48 room hostel further down the hill for future a difficult challenge indeed. This hostel was also made double occupancy.

The foresightedness also helped institute cope up with an enormous challenge. The Central Government was pressing the Institute for increasing intake by 54% (97 seats) in 4 years’ time. While other institutions were struggling with timely construction, despite being best placed, this institute had the problem of land also, which was a contentious issue between the central and state governments, run by different parties, and both were unwilling to provide the same. The resolution of land issue was not in sight despite two years having passed. However, because of doubling occupancy accommodation, the Institute was in a position to accommodate 84 more students in hostels meant for 60 only. Indeed if we had more seats in the class rooms the students agreed, it could increase full quota of 54% (97 students) in first year itself.

“It was not easy. There was no model available to us for keeping students in double occupancy in IIMs in India. I had thought that students would not agree. But by chance hostel G was delayed which was under phase II of construction. In the meantime Hostel H was complete. We had to put the students in double occupancy. We discussed with students as to what accommodation Indian industrialists got in institutions abroad, how the experience of living with partner in different countries, with different food and other habits (which was narrated in the inflight magazine of perhaps Jet Airways), helped them in learning to bear others, to grow and become among the top 10 richest in the world. This made students think and they volunteered to try.

Next year Hostel G was complete and students were to occupy it. However, to my surprise the students’ council members came to meet me and requested that the Executive Hostel (H) be allotted to them. I said

now Hostel G was complete and they must occupy that single occupancy hostel. We had made hostel J and K single occupancy ones for PGP students (staying for 9 months) and modified them as double occupancy ones for training programme participants to reduce cost. We never imagined the students would like the double occupancy hostels so much. I still tried to dissuade, pleading that double occupancy stay may disturb their studies. They laughed and said that the topper was from double occupancy hostel.. To my further surprise they requested that the two new executive hostels coming up (J & K) may also be allowed for stay to PGP students as many of the first year students want to stay in the double occupancy hostel.

I reluctantly agreed but wondered why the IIMs have not thought of such double occupancy hostels which students would like to stay and at the same time it will facilitate taking up high end activities at low cost and revenue earner. By chance we had about 30000 sq. ft. area available in vacant semi-finished upper floors of library and computer centres. The Board approved the finishing of these areas. We started seeing a wonderful opportunity coming up to move up on intellectual pedestal. Interestingly right at that time we had to increase the PGP fees by Rs. 1 lakh for first and second years, to keep parity with other, sister institutions. Since we were determined to contain costs, the additional funds provided opportunity to look forward to funding postdoctoral research work and the institute resolved to create postdoctoral research centres. It was now an issue of how much of faculty resources the institute could mobilise and develop, not an easy task of course.

All this happened because we had made double occupancy accommodation very attractive, though low cost. It was not ordinary double occupancy accommodation. We made it an executive hostel with amenities that made it look like a three star hotel in a resort, available at the cost of a regular PGP accommodation in similar institutions. Still we did not want to compel” said the director.

- Q.1 what was the reason behind the decision to go for creating a double occupancy hostel?
- Q.2 Is the economics described real?
- Q.3 What were after effects of the creation of the double occupancy hostel? Is it likely to change the course of future growth of the institute? What advantages the modified infrastructure may have.
- Q.4 Was student’s acceptance of double occupancy hostel a chance occurrence.
- Q.5 In what other way it helps the institute?
- Q.6 What kind of challenge the infrastructure created poses? Was creation of such infrastructure advisable if you were the Director would have you gone for the same approach?
- Q.7 Could the concept of multi-utility buildings be applied anywhere else?