

GRADUATE MANAGEMENT PROGRAM  
FINAL REPORT  
August 31, 1989

This report provides an overview of the Graduate Management Program Project, a joint effort of the Agency for International Development, the University of Houston, and the Fundacion Privada Ecuatoriana. The project lasted approximately three years and graduated one class of 24 Ecuadorian students who received the degree of Master of Business Administration (MAE). Although this project was set up to run for five years a stop work order issued in June, 1988, terminated the project, allowing only the completion of the educational activities as of April, 1989, and the distribution of the assets to the Ecuadorian counterpart. The termination orders were received unexpectedly from AID with no official reasons for termination having been communicated to either the University of Houston or the Fundacion Privada Ecuatoriana: This report is undoubtedly flavored by the reasons for termination as perceived by the final Chief of Party and the final Project Director who have prepared this report.

Since the project was terminated at the direction of AID, for reasons known fully only to them, this report contains no recommendations for further work in the area of graduate management education in Ecuador nor does it contain a detailed description of the impact of the project on the economic development of Ecuador. This report is intended only to describe the work done by the University of Houston and our perceptions of the forces which led to the termination of the project. The University of Houston was prepared and willing to meet in full all the conditions and responsibilities of the original contract, had AID wished to continue the project.

#### INITIAL PROBLEMS AND ACCOMPLISHMENTS

The original proposal for this project was prepared by a consortium of universities that included the University of Indiana, Florida International University, and the University of Houston. Upon receipt of the contract the consortium felt that the operational phase would be best accomplished with a single university as the contractor, with the other two acting in a consultant capacity as needed. Therefore the University of Houston became the sole organization acting as contractor with AID.

During the first year of the operational phase of the contract a suitable temporary site for the graduate school was located and the building was refurbished. A large residential structure, which was then being used as an office facility, was restructured into academic and administrative offices with a single large

classroom suitable for approximately 35 students. A large number of individuals from Quito, Cuenca, Guayaquil and other cities in Ecuador were given admission tests, and individual conferences were held with the more promising applicants. A class of 30 students was admitted and enrolled, and preparatory sessions began in December, 1987. The formal curriculum began early in January, 1988.

At the same time that the facilities and student body were being readied a strong faculty was being recruited. A Ph.D. degree in a functional area of business administration and capability in the Spanish language were the primary requisites. A sound faculty was ready when classes formally began. Ecuadorian staff were also being hired and a program was established to train future Ecuadorian faculty at doctoral programs in the participating universities. Capability in the English language was desirable for Ecuadorian personnel and bilingual personnel were located for almost all key positions. A full slate of staff was on hand by the time classes began. Acquisition of library materials and computer equipment was given priority, and by the time classes began the library had sufficient volumes in Spanish to permit in-depth study by the student body. One of the objectives of the program was to train the students in the use of contemporary computer technology, and a complete computer facility with up-to-date micro hardware and software was installed and ready for use.

The accomplishment of the above events during the first fifteen months of the contract was noteworthy in our opinion. While not everything went as smoothly as could have been hoped, the accomplishment of all the preliminary steps within this short period of time should be considered one of the major successes of the University of Houston personnel assigned to the project.

There was insufficient time to accomplish all of these logistical tasks and to install a formal administrative control system. On-the-spot choices had to be made between slowing the project down to establish a budgetary and formal administrative system or moving ahead with the physical and academic aspects of the project. The activities needed to get the school constructed and the student body in place had to be accomplished quickly, and neither the time nor the personnel were available to construct, document, and debug a formal administrative control system. As a result the budgetary planning system for the graduate management school as a stand-alone organization in Ecuador was not established early in the project, nor was a formal Ecuadorian accounting system. Instead, the budgetary and administrative practices of the University of Houston were transferred unaltered to the Ecuadorian project site.

#### OPERATING PROBLEMS

From the beginning counterpart support from the Fundacion

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Privada Ecuatoriana was inadequate. The first chief of party was left pretty much to fend for himself in an unfamiliar environment during the first year of his tenure. Although he was able eventually to locate key Ecuadorian assistants through the help of local contacts he made himself, these people had no relationship to or support from the Ecuadorian counterpart. Later it emerged that Fundacion members were dissatisfied with the chief of party, but Houston was not informed of this except in a rather brusque way a year into the project's life. In addition, three of the essential elements in both the contract between the Fundacion and AID, as well as in the contract between AID and the University of Houston, called for (1) a fund raising activity by the Fundacion to build the endowment according to an established schedule, (2) an enlargement of the membership of the Fundacion to include individuals from throughout the entirety of Ecuador, and (3) securing a legal existence for IPAN, separate from the foundation itself, through the Ministry of Education. Progress was lacking on all three of these fronts and the quarterly and annual reports submitted by the University of Houston to AID repeatedly called attention to this critical weakness in the fabric of the project.

One of the most critical operating elements in development projects such as this is a cooperative spirit between the contractor and the local counterparts. The personnel of the University of Houston had difficulty interfacing with the personnel of the Fundacion Privada Ecuatoriana from the beginning of the feasibility study, and this difficulty continued into the implementation phase and throughout the project. An enormous time and effort was expended during both the feasibility study and the implementation stage of the project in an attempt to reach agreement and prepare a convenio concerning how the two organizations should work together in the day-to-day operations of the graduate management school. This agreement was never consummated and the convenio was never signed, and efforts to reach agreement continued until the stop-work order was received from AID.

One of the primary points which created difficulty was the conditions in the contract between AID and the Fundacion Privada Ecuatoriana which stated that the funds to be provided by AID for the project were granted to the Fundacion. This wording led the Fundacion to feel that they should be controlling in detail what the funds were spent for, the nature and qualifications of both administrative and academic personnel that were hired for the project both in Ecuador and the U.S., and the salary levels which should be paid. This led, in effect, to a micromanagement of the project by the administrative junta of the Fundacion. Since the University of Houston was charged with the responsibility of establishing a university with standards and educational programs equal to those in the U.S., we felt that these decisions must be left to personnel from the University of Houston. For this reason operational conflicts between the personnel of the University of Houston and the Fundacion were inevitable.

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The conflicts between the two groups are illustrated by the unilateral action by the Fundacion in March, 1988. The Chief of Party, the administrative director, the programs director, and the maintenance director were "fired" by the Fundacion in one afternoon. One of the members of the Fundacion was then immediately placed in the position of Administrative Director. From that point forward the already strained relations between the University of Houston and the Fundacion were cool and an element of distrust existed. The Fundacion maintained that the University of Houston was wasteful in spending "their" monies, and the University of Houston was fearful of another wholesale and unscheduled removal of personnel.

#### MANAGEMENT EDUCATION ACTIVITIES

The graduation of the class of master's students was the primary activity and received the majority of the resources and attention of the project. However, the management training programs which were held during the life of the project contributed to the process of management education in Ecuador. Courses were held for middle and upper management in Quito, Guayaquil, and Cuenca, and included subjects such as financial control systems, managerial finance, and health care management. Other training projects were scheduled but were cancelled because of the stop-work order.

Ecuador needed and continues to need this type of management training. The assets of the project were transferred to an organization, INCAE, and that group is planning to use these assets for this type of management training.

#### PROJECT OUTPUTS

Twenty-four of the original thirty students were graduated on March 31, 1989. They received a graduate management training equal to an MBA from those universities in the U.S. which are accredited by the American Association of Collegiate Schools of Business, the most prestigious accrediting agency of business schools in the U.S. The students were well received in the business community and were recruited and hired by the best Ecuadorian business firms. In terms of student outputs the program was successful and accomplished the original goals of the program as outlined in both the prefeasibility and the feasibility studies.

The temporary physical facilities which were prepared for the school were adequate for the initial class and could have served subsequent classes well. These facilities were transferred to INCAE, a graduate management school located in Costa Rica, for their use in management development activities in Ecuador. The gathering together of the library materials, the computer

instructional facilities, and the translation facilities constitute a sizeable contribution to the process of management education in Ecuador. The temporary building itself, with academic offices and a classroom with simultaneous translation capabilities, will continue in use as an educational facility.

#### SUMMARY

As indicated at the beginning of this report the reasons for discontinuance of the project have not been communicated formally to the University of Houston. This places the university in a position which precludes our recommending other educational activities in the area of management education in Ecuador. The need for additional educational activities continue to exist in Ecuador and have not diminished since the feasibility study was prepared for this project. Management education continues to be a strong element in the economic development of third world countries, but the status of this project precludes us from making specific recommendations concerning that type of education in Ecuador at this time.

However, the operational problems which existed between the university and the Fundacion indicate the need for a more clearly defined operational agreement between the parties involved, including AID. On projects such as this one the pressures to get a project underway would have to be resisted and operational matters would have to be deferred until clear operating agreements have been reached, and legal bases established. The counterpart must also be enthusiastic and able to provide social, diplomatic, and legal support from the outset (even if they fall short on funds).