



INCAE

INSTITUTO CENTROAMERICANO DE ADMINISTRACION DE EMPRESAS

INCAE: Background, Strategy, Programs & Activities

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INCAE: BACKGROUND, STRATEGY, PROGRAMS & ACTIVITIES

I. STRATEGIC CONSIDERATIONS

INCAE --i.e. the Central American Institute of Management-- is a private, non-profit, multinational institution of higher education, dedicated to the study of management in Latin America. It was established in 1964 through the initiative of the Central American business community with the support of the U. S. Agency for International Development and the assistance of the Harvard University Graduate School of Business Administration.

From inception, INCAE has been conceived as a vehicle for the promotion of economic and social development in the region that it is intended to serve. Operationally, it has aimed its teaching, research and advisory efforts toward the development of a stratum of highly competent and socially responsive professional managers in key leverage organizations.

Initially, the institution focused its attention almost exclusively on training private sector managers. It rapidly became obvious, however, that the private-public sector interface in Central America was such that, as a development institution, INCAE would also have to be involved in training public sector managers.

Today, INCAE's programs are directed at both the public and private sectors with special emphasis on the interface between them. Using fundamental management techniques as the teaching core, INCAE is moving toward an integrated, multi-disciplinary emphasis aimed at basic administrative problems common to virtually all types of organizations. Concurrently, INCAE is in an evolutionary process in which increasing attention is being given to specific activities of critical importance to regional development, e.g. agribusiness, development banking, service delivery systems, urban and rural development, public management, national and regional planning.

A. OBJECTIVES

INCAE has given careful attention to defining its aims, as well as the policies which guide the institution's growth and development. Four major objectives have been established:

1. Contribute to the rapid development of a significant number of highly skilled, socially conscious managers to provide imaginative, effective and responsible leadership for private and public sector institutions in Central America and other parts of Latin

America which offer significant opportunities for rapid economic development and social change.

2. Develop an increased sense of common purpose between private and public sector leaders, and greater understanding of the mechanisms for managing the business-government interface so that economic and social welfare may be maximized within the context of free societies.

3. Make a high-impact contribution to upgrading management skills and capabilities in selected areas of particular importance in terms of the economic and social development of the region through special programs involving multiple interventions and various delivery vehicles.

4. Make a substantial contribution to improving the quality of management education in Latin America through cooperative efforts which may lead to the development of a strong, closely linked network of quality management schools throughout Latin America.

B. POLICIES

Five basic policies or principles have guided and will continue to guide INCAE's development as it seeks a position of internationally recognized leadership in the field of management education. These policies provide a fundamental institutional continuity and stability while allowing wide latitude for experimentation and adaptation as the institution responds to the rapidly changing needs of its environment.

1. Excellence. INCAE is committed to maintaining, in all of its programs, standards of excellence fully equivalent to those of the world's leading management schools. These standards of excellence underlie the Institute's efforts to develop its unique identity, objectives, and programs relevant to the needs of the local environment.

2. Development Contribution. INCAE exists to provide the communities that it seeks to serve with teaching, research consulting programs in management which may be reasonably expected to make a positive contribution to Latin American economic and social development. Every program undertaken by INCAE is designed and evaluated in light of its potential for making such contribution.

3. Multinationality. INCAE is and intends to remain multinational

in every respect --the composition of its board of trustees, faculty, administration and student body, and its sources of financial support. INCAE recognizes a special obligation toward the Central American region; this will not, however, be allowed to restrict its vision or concern for contributing to the development of other regions in Latin America.

4. Institutional Advantage. INCAE will focus its efforts in those areas of activity in which it has a comparative institutional advantage, i.e. providing high-quality, high-impact education, research and advisory services to top level managers in both private and public organizations who make key decisions affecting the allocation and utilization of resources involved in the production and/or distribution of goods and services.

5. Behavioral Impact. INCAE designs its programs for and judges their success by the behavior stimulated in participants. We believe that the most important result of any educational experience is not the analytical idea grasped by the student or the data fed into his memory but the change in his behavior as a result of the schooling. Consciously or unconsciously, every educational program has behavioral impact. INCAE believes it is crucially important to identify what behavioral change it is looking for in its students and carefully design the form and content of its curriculum, faculty-student relations, student-student relations, and physical environment to enhance the probability that the desired behavioral objectives are met. It is for this reason that most of our teaching programs make use of the case method.

C. PRESENT STRATEGY

At the beginning of the present decade, INCAE was faced with the task of developing a long-term strategy which, in addition to satisfying the principles outlined above, would solve two problems which threatened its existence. One of these was the problem of financial viability or equilibrium. In its first years, INCAE's operational deficit was equivalent to over half of its operating budget. This deficit had to be paid for by grants from AID, resulting in a disproportionate dependence on AID monies. These monies could not and should not continue indefinitely into the future. The second problem faced by INCAE was overdependence on Harvard. In the early years, the school's curriculum was largely shaped by Harvard professors, its teaching materials were developed by Harvard staff, its faculty was mainly recruited at Harvard, and so on. For INCAE to achieve its original objectives it had to attract and hold a strong core faculty of its own, committed

to and capable of designing and implementing its regionally-oriented programs.

The following sections reflect some of the major decisions taken by the Rector, Faculty and Trustees in the process of plotting the course for INCAE's development during the 70's.

D. DEFINING INCAE's NICHE

In the coming years a growing number of Latin American schools will probably attempt to develop MBA programs of the type which INCAE presently offers. As this development takes place, INCAE will increasingly define its unique place in Latin American management education, not merely in terms of the basic structural design and quality of its programs, but also in terms of its research and teaching expertise in dealing with certain types of Latin American management problems. Several such problems have been identified for special attention by INCAE. The following three occupy a prominent position among INCAE's concerns:

1. Management of Change. Most processes of non-violent change are dependent on the effective leadership of individuals able to work through large scale organizations to manage systems and resources in such a way as to achieve change objectives. This requires skills and qualities of mind and character which are often neglected in the standard management curriculum. Many examples of large scale efforts to manage various types of change are available in Latin America. By in-depth study of these efforts and the preparation of teaching cases based on the experience which they provide, INCAE is developing a unique capability to train present and future high-level managers for leadership roles in the management of change in Latin America.

2. Management of the Business/Government Interface. Effective development requires close coordination of the activities of the public and private sectors. The particular ideologies and theories employed by government in developing the legal and political frameworks in which business leaders must manage their firms can have significant impact on the business decision-making processes and the general development of the private sector. INCAE is developing a special expertise in dealing with these relationships through the development of case materials which focus on the implications for the private sector manager of various governmental policy measures enacted through legislative, administrative, and judicial systems. INCAE is also becoming increasingly involved in the problems of managing public and para-public institutions,

such as development banks, which have a special significance for investment and development. It is further becoming involved, through its research and advisory activities, in the problems of formulating and implementing public policies within the context of economies where the public and private sector share allocative power in varying proportions.

3. Adaptation of Modern Management Practices to Central America. INCAE has a special interest in the problems of adapting modern management concepts and techniques for application within the Central American environment. The Institute's experience has indicated, as others have observed, that the transfer and adaptation of technology is almost as difficult as the process of originally developing the technology. The Institute believes that the technology transfer process requires top-quality managers and executives equipped with the necessary technical tools and capacity for ingenuity, leadership and dedication. INCAE is continuously engaged in studying these transfer problems and in exchanging ideas and experience with Central American leaders of both the private and public sector on the unique constraints, requirements, and opportunities faced in the application of modern management practices in the Central American environment.

INCAE seeks to play a central role in the development of an international community of scholars committed to teaching and research focused on the problems of management in Latin America. This is being accomplished through strengthening links of communication and exchange with the major management schools interested in Latin American management in both North and South America, and through training qualified young management scholars for careers focused on Latin America. At the request of the Latin American Council of Graduate Schools of Management (CLADEA), INCAE has established a case distribution center to facilitate the exchange of new Spanish language teaching materials among Latin America's major management schools. INCAE has offered a number of workshops and seminars aimed at training teachers and case writers, and several curriculum planning seminars have been held in cooperation with other Latin American institutions in certain specialized areas like development banking. Eventually, INCAE hopes to establish a Latin American oriented doctoral program in management.

II. PROGRAMS AND ACTIVITIES

A. CORE PROGRAMS

So far, INCAE has relied heavily on five basic types of programs or vehicles for achieving its stated objectives. These are described below.

1. MBA Program. INCAE's MBA Program bears a clear resemblance to that of the Harvard Business School, but it emphasizes strongly those areas which are of greatest relevance to the Latin American management community. Extensive use is made of the case method of instruction and significant effort has been devoted to the development of case materials from Latin America, which help to give the program its unique relevance to the Latin American environment. Consistent with its commitment to a high standard of excellence, only full time faculty members are used in the MBA Program. Likewise, all students are required to enroll on a full time basis and most students live on campus, including married students and their families, for whom special housing facilities have been recently completed. Considerable emphasis is placed on the use of study groups in preparing for discussion of cases in the classroom. The study groups have proven to be an effective device for developing teamwork and facilitating preparation for the classroom discussions. Special attention is given to helping students improve their group interaction skills through use of the most advanced experiential learning techniques.

During the first year of the program, all students follow a uniform program of study which emphasizes the development of analytical skills within each of the fundamental management disciplines. The program is organized into the following courses: Finance I & II: Financial Analysis, Financial Structure & Capital Budgeting; Marketing I & II: Advertising, Sales Management, Distribution, Marketing Strategy, Pricing & Product Policy; Production I & II: Production & Operations Management; Control I & II: Management Accounting & Control Systems; Laboratory of Interpersonal Relations; Organization I & II: Human Problems in Organizations & Design of Complex Organizational Systems; Environmental Analysis for Management I, II & III: Microeconomic, Macroeconomic, Political & Sociological Analysis; Quantitative Decisions I & II: Decision Making under Uncertainty, Risk Evaluation, Sequential Decisions; Written Analysis of Cases.

The second year is comprised almost entirely of elective courses. Only Business Policy is a required course. In addition to the normal course work, each student is expected to engage in at least one field research activity which gives him practical experience in defining a problem situation and in gathering the data necessary for problem analysis and solution. Time is set aside for the gathering of field research data and students are encouraged to undertake projects which will involve data gathering in the various countries of the Central American Isthmus. Frequently, new

teaching cases result from this research. Management laboratories provide students with opportunities to undertake projects which involve them in seeking and implementing solutions to operational problems of business enterprises and other organizations.

Courses are presently offered at the second year level in the following areas: Business, Government, and Society; Business Policy and General Management; Planning and Control; Advanced Finance; Agribusiness; Advanced Marketing; International Business; Production Management and Operations Research; Development Banking; and Public Management.

2. Advanced Management Program. INCAE's Advanced Management Program is aimed at persons who hold or are being prepared for positions of top level management responsibility in business or public organizations. The program focuses on the problems of general management and treats the organization as an entity functioning in a world setting. As in the MBA Program, extensive use is made of the case method. The faculty is normally comprised of highly experienced professors from INCAE, the Harvard Business School, and other leading educational institutions. Currently, three sessions of the AMP are offered: one in campus for the Central American region, another one in South America and a third one in the Caribbean. Content of the six-week program covers the following areas: Business Policy, Managerial Control, Financial Management, Marketing Management, Production Management, Organizational Behavior, Agribusiness Management, and Planning in the Business Environment. A two-week specialization in Development Banking or General Management has recently been introduced into the program. To be considered for admission to the Advanced Management Program, a candidate must be nominated and sponsored by his company or institution.

3. Seminars. INCAE offers an ongoing program of short seminars to meet the specialized needs of top level executives. Seminars are regularly offered in all the Central American countries, and occasionally outside of Central America, as requested by interested groups and institutions. These seminars are planned with the assistance of local leaders to ensure that they are addressed to clearly identified needs.

4. Consulting & Advisory Services. INCAE has developed a certain capability to accept institutional consulting contracts through which its professional faculty resources can be made available to public and private sector organizations to help them find

solutions to important management problems. The major emphasis is on consulting which helps the organization develop its own problem-solving capability.

In response to the needs created by the Managua earthquake of 1972 and a request from the Government of Nicaragua, INCAE formally established an Advisory Center (Centro de Asesoramiento) in March 1973. The Center's primary function has been research and consulting in areas of public policy, with emphasis on the planning and administration of social and economic development projects, but it is rapidly becoming INCAE's main conduit for consulting and technical assistance in a broad range of subjects. The Center has a professional staff of economists, systems analysts, planners, industrial engineers, management specialists, and resident advisors from the Harvard Institute for International Development. Its professional services are provided on a contractual basis to both government and private institutions. The Center's activities are financed through consulting contracts.

5. Research and Publications. In the development of its teaching programs and consulting work INCAE's faculty has produced a large body of educational materials. Quantitative estimates are difficult but it is probably accurate to say that nearly 85% of INCAE's faculty research time has been given to the development of cases, i.e. empirical, clinical observations of actual situations focused around some management problem. In addition, there have been a number of surveys and technical notes developed, plus a series of occasional papers and assorted articles published by various members of the Faculty.

In recognition of INCAE's special interest and extensive experience in the development of cases, the graduate schools affiliated to the Latin American Council of Management Schools (CLADEA) have asked INCAE to set up a clearing house for exchange and distribution of indigenous teaching materials. Formal links have been established between this Latin American facility --known under the acronym of CEDO-- and the Inter-Collegiate Clearing House (ICH) at Harvard.

Currently receiving increasing attention at INCAE is the establishment of a Publications Program aimed at the development of case books and packaged didactic materials for use by other management institutions, and dissemination of these materials within the region. It is hoped that with time this activity will grow in relative importance at INCAE.

B. SPECIAL DEVELOPMENTAL PROGRAMS

Even after INCAE reaches its targeted size and development as elaborated in the Long Range Development Plan it will still be, by U. S. standards, a relatively small school in terms of resources and faculty. Given the emphasis within the faculty on high impact projects and the limitations on institutional resources, it became clear in the long-range planning process that a selective strategy would be necessary. It was decided that INCAE should try to concentrate resources in a limited number of areas in order to gain sufficient critical mass to make significant impact, rather than dissipate its energies trying to advance frontiers in all the areas that come under modern management. This internal decision coincided with the willingness of a number of local and international agencies to fund programs directed at specific high priority areas. The result has been the development of a number of special programs which enrich the faculty and focus the Institute's influence on certain priority areas. Each special program has its own design but a clear pattern is emerging: A comprehensive analysis of the system to be emphasized leads to an identification of critical management bottlenecks. A program of MBA courses, seminars, and consulting activities, supported by a continuing research on the operational problems of the target system, is then designed and carried out to best apply INCAE's management expertise to improving the system's ability to deliver its goods and services.

1. Agribusiness Management. In recognition of the importance of agriculture and agriculturally based industries to the economic development of Tropical America, INCAE launched a special program in Agribusiness in 1970 with the assistance of the Banco Central de Nicaragua. The program is designed to develop a significant teaching and research capability in agribusiness at INCAE. To date, a series of cases and technical notes concerning various commodity systems have been written, agribusiness has been firmly established as an essential part of the MBA curriculum, short seminars have been given to regional businessmen involved in agribusiness activities, and several research projects have been concluded. The establishment of a formal concentration in Agribusiness Management within the framework of the MBA Program is contemplated for the near future. The Program is currently concerned with the possibilities of expanding and improving the linkages between rural subsistence economics and existing agricultural commodity systems so as to raise income levels among the rural poor.

2. Development Banking. The Development Banking Program

extends INCAE's management training expertise to the banking institutions of the region. Specifically, the program places special emphasis on the teaching of managerial skills relevant to the needs of the regional development banking institutions. The program includes: A second year MBA specialization, short seminars for regional bank administrators, intensive training courses for technical and administrative personnel, research and development of teaching materials. The Development Banking Program began in 1973 and is largely supported by the Inter-American Development Bank, the Central American Monetary Council, and the National Bank of Panama.

3. Public Management. With the support of a Ford Foundation grant, INCAE began working in 1974 toward the development of a Public Management Program (P.M.P.) aimed at strengthening the management capabilities of public sector organizations throughout the Central American region. This Program is building upon the experience and resources of several past and present activities at the Institute, especially the Advisory Center, the Development Banking, the Agribusiness and the Family Planning Programs. The activities of the latter program are currently carried on under the umbrella of the P.M.P., but with a broader focus on health delivery systems. The rationale of the P.M.P. is that a multidisciplinary effort --drawing heavily on the basic management skills already developed at the Institute and utilizing the status of economists, public administrators and other social scientists-- can infuse public managers in the region with the same modernizing spirit that private managers are successfully adopting with the help of INCAE. When fully established the P.M.P. will include a major concentration in Public Management within the framework of the M.B.A. Program and a series of outreach activities --including intensive training seminars for public managers and technical advice and consulting for public sector organizations-- and a continuing program of research on management problems in the public sectors and development of teaching materials.

4. Future Programs. INCAE is continually searching for opportunities to develop special impact programs in areas where it can make a significant contribution by breaking critical bottlenecks in the process of economic and social development and where adequate funding to support such efforts can be made available from both regional and international sources.

III. FACULTY

The quality of its faculty has been the critical factor in INCAE's

rapid development and success to date. A relatively small institution committed to effective involvement with regional development needs can aspire to excellence only inasmuch as it is able to attract, retain and efficiently utilize a faculty qualitatively competitive with the best schools of management in the world. INCAE feels that its faculty has the strength to maintain the institution's reputation for academic excellence as Latin America's leading center of management training while expanding into new areas commonly associated with the public sector.

A. FACULTY COMPOSITION

As of the beginning of the academic year 1975-76, the INCAE faculty included 19 teaching faculty, 11 research faculty, 7 administrative faculty and three more under training in the U.S. doctoral programs to make a total of 40 different individuals. All of these devote their full time and attention to their academic duties at INCAE with the only exception of two half-time instructors.

Exhibit 1 presents the list of faculty members under each category with their educational background, academic fields of interest, years of professional experience in Latin America and years of association with INCAE. In terms of nationality, there are currently 22 Latin Americans serving in the faculty --or 55% of the total-- 16 U.S. --or 40% of the total-- one Indian and one Jamaican --which accounts for the remaining five per cent. About one fifth of the faculty is made up by men in their first year of service at INCAE, while over a third of the faculty is made up by men with four to eight years of service; the latter group represents a moderate size core of veterans, which provides continuity and stability while allowing for continuous infusion of new blood.

Exhibit 2 presents a view of the rapid expansion of the faculty. Since initially the Institute had to rely frequently on short-term visiting professors, the table gives faculty size in full time year-round man equivalents to ensure comparability between years.

B. FACULTY RECRUITING

INCAE has followed a number of policies in its faculty recruiting. One is to look for faculty with equivalent training to that required by the best schools of management in North America and Western Europe. For teaching in the MBA program this means a doctoral degree; for work in most research programs, at least a master's degree and preferably a doctorate. Although INCAE is

increasingly looking to schools in other parts of the world for its faculty, there is an undeniable bias in the current recruiting practices toward candidates who have done their graduate work in top quality schools in the United States.

This bias has its own precedents. The explicit orientation of INCAE's teaching programs to the case method meant that a very large percentage of INCAE's original faculty came from Harvard --the dominant school on the faculty even today. The very high standards set for faculty and the limited amount of recruiting resources have also meant that INCAE has had to recruit at schools with fairly large doctoral programs where the probability of finding exceptionally able and highly trained students was rather high. Hence, recruiting attention has tended to focus on schools like Harvard, MIT, Stanford and Berkeley. It is important to note that through personal contacts, friends and word-of-mouth, more than half of the potential prospects have been drawn from schools other than those just mentioned. Currently, about 50% of the teaching faculty comes from schools other than those mentioned above. Nevertheless, it is still true that INCAE has a strong bias toward top quality education in its selection of faculty and this has been defined largely in U.S. management schools terms. However, efforts are currently under way to expand contacts with top quality management schools in Canada and Western Europe as potential sources for new faculty.

C. FACULTY DEVELOPMENT

The history of faculty development at INCAE is a long one and perhaps worth summarizing briefly. Part of the initial start-up plan for INCAE included the training of 23 Latin Americans in the TTP and other teacher training programs at Harvard. Very few of the people trained in these programs were actually utilized by INCAE at any time for a variety of reasons and only two --who went from there to complete their doctorates-- have remained in the faculty. A second phase, reflecting a switch in approach to recruiting persons who had already completed their terminal degree, had to be initiated in the period 1968 through 1973. This is the philosophy which has been followed to date. Concurrent with this plan the most promising research faculty has been encouraged, after two or three years of work at INCAE, to go take a doctorate with financial support from INCAE and with a commitment to return to INCAE. Currently, three future faculty members are studying in the U.S. and an additional member among the research faculty has been identified as potential doctoral candidate.

Given the difficulties in finding Latin American faculty who meet

the academic qualifications of INCAE and the desire to maintain a balanced nationality mix among the faculty, the need to set up a more ambitious, formalized faculty development program became patently clear. The basic features of this program are as follows: 1) a phase of work and training at INCAE in which the potential faculty member acquires a sense for the educational philosophy and methods of INCAE and perhaps comes to share the Institute's philosophy and objectives; 2) a period of doctoral studies of about two years abroad in some clearly identified area of need for INCAE; 3) a follow-up period where he returns to INCAE to teach and complete his doctoral thesis; and 4) a phase where he joins the INCAE faculty on a full fledged member.

In the past, funding for faculty development at INCAE came from the original AID grant and subsequently in piecemeal fashion from different foundations and institutions. It has become necessary, now when a regular faculty development plan is under way, to secure programmed external financing.

In the past INCAE has encouraged only the very top students in its MBA program and those with marked academic inclination to join the research faculty and go into academic programs. It should be kept in mind that the MBA Program at INCAE is basically a professional program aimed at developing future practitioners of management, rather than academics. For this reason INCAE does not consider its own MBA training as the sole source for long-term potential faculty members, and is consequently trying to draw them from other disciplines such as psychology, economics, mathematics, political science, etc.

D. FACULTY PROMOTIONS & ORGANIZATION

The scale of faculty positions at INCAE is very similar to that of U.S. schools, basically consisting of four types of professors: assistant, adjoint, associate and full. A similar scale exists for research faculty with slightly different nomenclature.

IV. STUDENT BODY

A. SIZE & COMPOSITION

From 1969 to 1975, seven classes totaling 298 students have received their MBA degrees from INCAE. In the recent past, graduating classes tended to average about 50 students, the entering classes around 70. Lately, however, entering classes

have reached the 90 student mark. Of the graduating students in the last four or five years, approximately 80% have been from Central America and Panama; while the remaining 20% have been from South America, with a few from the U.S.A. and Europe.

Between 1964 and 1975, twenty Advanced Management Programs have been attended by nearly a thousand private and public sector managers. Of these, approximately 80% have been from Central America and Panama, and the remainder from South American countries.

Presently, over a thousand private and public sector executives participate annually in INCAE sponsored seminars.

For 1979-80, it is projected that the MBA student body will number 180. There will be three AMP sessions per year with a total enrollment of approximately 180, and about 30 short seminars per year will have a total of 1500 participants.

B. ADMISSIONS POLICY

INCAE's Admission Committee judges candidates on the basis of academic achievement and depth of professional experience. Virtually all students are university graduates (a very few exceptions are made for persons of unusually significant previous professional experience, considerable maturity, and unquestionable potential). Candidates are required to take admissions tests designed and administered by INCAE and have a personal interview plus references from former professors and/or employers.

In selecting an entering class, INCAE attempts to balance geographic representation and professions (i.e. lawyers, engineers, economists, social scientists, business administrators, etc.).

Approximately three applications are received for every student admitted to the first-year MBA Program.

V. RELATIONSHIP WITH OTHER INSTITUTIONS

One of INCAE's long range objectives has been to contribute toward the improvement of management education in Latin America. It is one of the founding members of CLADEA, the Latin American Council of Schools of Management. The Rector, Dr. Cruz, served as the first president of CLADEA and continues to play a very active role in the organization. The CLADEA sponsored case clearing house is located at INCAE.

Some of the Special Programs, like Development Banking, are trying to encourage faculty interchange with other Latin American schools. Several brief exchanges have occurred over the past year with the Instituto de Pesquisas Economicas de Sao Paulo and several more are contemplated for this year with the same institution and with ESAN in Lima, Peru.

En view of the rather weak academic infrastructure throughout most of Latin America and the fact that most of the people teaching in universities and even graduate schools of business must do so on a part-time basis, INCAE has come to the conclusion that it is not sufficient to merely distribute cases. If such materials are to be inserted effectively into the curriculum of other schools, they must be packaged in casebooks and teaching notes must be prepared for teacher use. Therefore, several of the special programs have now included development of casebooks and packaged materials as a specific objective. At the same time, INCAE has in the past and will continue in the future to put on seminars and symposia demonstrating the use of the case method in teaching and research.

With regard to the local universities of the Central American region, INCAE has followed two policies. On the one hand, in legal, operational and financial terms, INCAE follows a line of total and absolute independence. From the very beginning, INCAE has not been in any official way a part of the university system of Nicaragua or of any other university in Central America, and its faculty policies, tuition policies, student selection and principal programs are quite different from the prevailing patterns in the Central American region. On the other hand, INCAE, as a graduate school, has felt very strongly that its contribution to higher management capacity within the region will be limited if education at the lower levels is not improved. To date, although INCAE has not been able to develop any major strategy for aiding local universities, it has encouraged several activities that contribute in a limited fashion to the improvement of management education at the undergraduate level: 1) Many of its graduates teach in local universities, so many that most university departments of business administration in Central America are virtually dominated by INCAE graduates; 2) It has made its materials available to these universities and in a few instances has participated with consultant aid in curriculum development and institution building; 3) It has identified this as a high, long-term priority area and possible one for a major project.

With regard to INCAE's relationship to other management schools outside of the region, it is obvious that INCAE is a tropical relative of Harvard. Our program reflects many of the experiences and philosophies developed at the Harvard Business School. Members of Harvard's

faculty have made invaluable contributions in virtually all areas of INCAE's development. Nevertheless, in 1973 previously existing contractual ties with Harvard came to an end. Since that time very close personal ties have remained with many of the professors and administrators at Harvard. Three Harvard professors serve on an advisory board to INCAE and visit the school at least once every year.

Since 1973, INCAE has increasingly been developing contacts with other schools in the United States. In December of that year the Academic Director of INCAE made extended visits to MIT, Columbia, Berkeley, Stanford and UCLA, and other faculty members have visited the University of Wisconsin, Northwestern University and Indiana University. In the future INCAE will continue to extend the network of its contacts for faculty recruiting purposes for both the MBA and AMP programs. Additionally, it is assumed the expanded institutional contacts will stimulate more joint research projects.

Through some of its special programs, INCAE has developed very close relationship with certain other schools. For example, the Development Banking Program has a fraternal relationship with ESAN in Peru and IPE in Brasil, which have similar programs in the same field. The Harvard Institute for International Development (formally known as the Harvard Development Advisory Service) is providing a group of resident advisors plus occasional visiting experts for INCAE's Advisory Center. Since 1974/75, Richard D. Mallon, the Director of this advisory group, has been the Center's resident advisor. Additionally, Dr. Mallon has participated actively in the development of INCAE's Public Management Program.

VI. CULTURAL VALUES

Any observer of INCAE will be quickly aware that a large fraction of INCAE's faculty, some of its student body, much of its curriculum and teaching materials come from outside of Latin America. The observer will also note that INCAE's curriculum stresses analytical rigor, hard work, discipline of time, economic and material progress and a number of other cultural values which might be regarded as external to the Latin American cultures.

Since at this time the issue of cultural imperialism is a very live one, it is probably useful to try to articulate INCAE's rationale or philosophy in this respect. Although in the annual faculty meetings held at the beginning of every academic year there is an attempt to review the underlying philosophy guiding our actions and what precisely it is we are trying to change in student behavior, INCAE today basically

reflects several convictions: 1) An essential prerequisite for any real sustained improvement in the quality of life for all members of the Latin American societies is increased efficiency in the allocation of resources and greater use of suitable technology to expand both the material and service products of the society; 2) In their relationship with the rest of the world, countries which are economically weak, as well as disorganized politically and socially, will always be at a disadvantage; therefore, progress in the sense of greater individual and societal capacity is a necessary requirement for effective resistance to subtle imperialism at an international level; 3) These characteristics of hard work, discipline, and academic excellence are deeply compatible with the valuable Latin cultural heritage. It has been our experience that students and faculty adapt very rapidly to a rigorous schedule and consider INCAE's insistence on efficiency and excellence to be one of its most attractive qualities.

VII. FINANCES

One of INCAE's most critical problems has been to develop a strategy which will lead to long-term financial equilibrium. INCAE starts with a number of very serious disadvantages in this area which can hardly be imagined in an educational institution in the United States: 1) It does not have an endowment fund that would give it a minimum assured income; one could say in a sense it has a negative endowment, since the construction of physical facilities had to be financed through loans; 2) It works in a region where higher education is normally a free good; although INCAE tuition charges are still below U.S. levels, they are considered to be among the highest in Latin America and close to the maximum which the local market will bear; 3) While in the U.S. there is a well established tradition of private sector support for universities --as well as the financial resources to effect this support-- there is no such tradition within the private sector in Central America. Nonetheless, INCAE has had remarkable success to date in beginning to develop one.

The financial strategy of INCAE is four-fold: 1) Increase earned income from tuition to the maximum paying careful attention to possible economies of scale; even so, the MBA program will still show a deficit; 2) Develop funded special programs which will increase the size, quality and impact of INCAE's teaching program while covering 100% of their costs; 3) Develop a network of friends and alumni who will make yearly contributions to help cover the operating deficit. 4) Use soft loans for capital expenditures and other development costs in the early years.

This strategy has had remarkable success to date. While total operating

expenses have been rising on the average 25% per year (largely due to inflation), earned income has risen from 40% in 1967-68 to 80% in 1974-75. This increase in earned income is due to the expansion of executive development programs, to the creation of new funded programs and new remunerative services and to a stepped-up fund-raising campaign. It, therefore, highlights the critically important role which these programs and activities play in INCAE's financial picture.

AID's role in subsidizing INCAE's operations has been steadily diminishing at the same time the part of the budget which must be raised from outright gifts has remained more or less constant in absolute terms, although it has declined significantly as a percentage of total revenues.

One of the critical implications of this financial strategy is the importance of a determined sense of stewardship and frugality on INCAE's part. This does not mean cutting down on the quality of either programs or faculty, but it does mean using monies as wisely as possible. A second implication that must be emphasized is that INCAE has no money of its own to contribute as a counterpart to any project. It is asking the regional private sector for contributions to cover deficits in the MBA and other operating programs.

Consequently, any special program which INCAE undertakes, no matter how critical to development, can only be undertaken if sponsors within and without the region can be found who are willing to underwrite 100% of the actual cost of the program. This must include not just the direct incremental additions to the faculty but also that part of the campus space, the buildings, the support facilities, secretarial help, supplies, and of administrative attention which these programs require. This is a hard and bitter truth. But it is one which INCAE must emphasize to everyone working with it.

VIII. GOVERNANCE

INCAE is governed by a Board of Trustees, made up by eight trustees --one for each country in the Central American Isthmus plus a Chairman at large and the Rector ex officio. The Rector and Faculty handle all academic matters. The current Chairman of the Board is Francisco de Sola, an Oxford and Harvard educated Salvadoran businessman, well known for his dedication to the advancement of education in Central America and to many socially valuable undertakings.

In addition to the Trustees, there is an Advisory Board made up of outstanding educators, businessmen, statesmen and public servants from various parts of the world who have distinguished themselves

for their dedication to international development and cooperation.

IX. LEGAL & TAX STATUS

Despite being a creature of private initiative, INCAE has been formally recognized under the laws of the Republic of Nicaragua as an international organization. Also, as a non-profit educational institution it has been declared tax exempt in the six countries of the Central American Isthmus. It has been further recognized as a tax exempt organization in the United States of America, under Section 501(c)3 of the Internal Revenue Code.

EXHIBIT 1

INCAE FACULTY, 1975/76

<u>Degree</u>	<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
<u>TEACHING FACULTY</u>				
<u>Full Professors:</u>				
1. Ernesto CRUZ, Rector Harvard University, Ph.D. Political Economy and Government Harvard University, M.A. Economics and Government Universidad Nacional de Ni- caragua, J.D.	Nicaragua	Public Finance in Dev. Countries International Taxation Economic Integration Econ. & Polit. Development Public Management	14	7
2. Edward L. FELTON, Jr. Harvard University, D.B.A. Harvard University, M.B.A. Unlv. of Richmond, B.A.	U. S. A.	Agribusiness Marketing Director, Agribusiness Program	-	Joined Faculty in Fall
3. Richard D. MALLON Harvard University, Ph.D. Economics U. of Cal., Berkeley, M.A. Princeton University, B.A.	U. S. A.	Economic Planning Management Public Enterprises H.I.I.D. Advisor to Advisory Center Visiting Professor	20	1
4. Robert W. MULLINS Harvard University, D.B.A. Harvard University, M.B.A. University of Idaho, A.B.	U. S. A.	Production Management Business Policy Manufacturing Policy Director, MBA Program	7	7
5. Israel UTERMAN Harvard University, D.B.A. American College, C.L.U. City College, N.Y., B.B.A.	U. S. A.	Business Policy New Ventures Insurance Strategy for Fin. Institutions	1	1

<u>Associate Professors:</u>				
<u>Degree</u>	<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
6. Enrique ALVARADO BARRIOS Harvard Business School, I.T.P. San Carlos University, Guatemala, Licenciado Business Administration	Guatemala	Accounting & Control Mgmt. Info. Systems Director, Executive Education	20	7
7. Pedro BELLI U. of Cal., Berkeley, Ph.D. Economics U. of Cal., Berkeley, M.A. Economics Amherst College, A.B. Psychology	Nicaragua	Economic Planning Benefit/Cost Analysis International Trade Director, Advisory Center	10	5
8. Werner KETELHOHN Louisiana State Univ., Ph.D. Quantitative Methods North Carolina State Univ., M.S. Math. Education Universidad Nacional de Nicaragua, B.S. Civil Engineering	Nicaragua	Operations Research Quantitative Analysis Managerial Economics	10	4
9. José Nicolás MARIN Harvard University, D.B.A. Tulane University, M.B.A. Universidad Iberoamericana, Mexico Licenciado, Industrial Relations	Nicaragua	Corporate Finance Business Policy International Business	10	7

	<u>Degree</u>	<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
10.	Rodolfo E. PAIZ Harvard University, D.B.A. Harvard University, M.B.A. Universidad de San Carlos, Guatemala, B.S. Civil Engineering	Guatemala	Marketing Academic Director	10	7
11.	Harry W. STRACHAN Harvard Business School, D.B.A. Harvard Law School, J.D. Wheaton College, A.B. English Literature	U. S. A.	Financial Institutions International Business Director, Development Banking & Finance Program	5	5
<u>Adjoint Professors</u>					
12.	Vihang R. ERRUNZA U. of Cal., Berkeley, D.B.A. International Finance U. of Cal., Berkeley, M.S. Chemical Engineering University of Bombay, B.S. Colored Materials Technology University of Bombay, B.S. Chemistry-Physics	India	Finance & Capital Markets International Business	1	1
13.	Marc LINDENBERG Univ. Southern Cal., Ph.D. Public Administration Univ. Southern Cal., M.P.A. Oberlin College, B.A.	U. S. A.	Public Management Urban/Rural Development Director, Public Management Program	2	Joined Faculty in Fall

<u>Degree</u>		<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
<u>Assistant Professors:</u>					
14.	Michael H. BERNHART M.I.T., Ph.D. (cand.) Organizational Behavior M.I.T., M.S. Industrial Management Brown University, B.A. Political Science	U. S. A.	Organizational Development Social Services Delivery Systems	5	2
15.	John C. ICKIS Harvard Univ., D.B.A. (cand.) Business Policy Harvard University, M.B.A. International Business Thunderbird School of International Management, B.F.T. International Marketing Miami University, B.A. International Studies	U. S. A.	Non-Profit Organizations Family Planning Business Policy Public Management	5	3
16.	William E. RENFORTH Indiana University, D.B.A. Indiana University, M.S. Education Crummer School of Finance and Business Administration, M.B.A. Rollins College, A.B. Economics	U. S. A.	International Business Organization Marketing	1	1

	<u>Degree</u>	<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
<u>Lecturers:</u>					
17.	Francisco J. MAYORGA Yale University, Ph.D. (cand.) Economics Universidad Nacional de Nicaragua, Lic. Economics	Nicaragua	Macro-economics Economic Development (half-time)	5	2
<u>Instructors:</u>					
18.	Fernando GOMEZ INCAE, M.B.A. Universidad del Valle, B.S. Electrical Engineering	Colombia	Written Analysis of Cases Business Administration	2	Joined Faculty in Fall
19.	Glen KERCH U. of Cal., Davis, M.A. Linguistics West. Illinois Univ., B.A.	U. S. A.	English Speed Reading and Study Habits (half-time)	7	3
<u>RESEARCH FACULTY</u>					
<u>Senior Researchers:</u>					
20.	Roberto SALOMON Cornell University, Ph.D. Public Administration Cornell University, M.S. Economics Universidad Nacional de Buenos Aires, C.P.M. Accounting	Argentina	Public Management International Development H.I.I.D. Advisor to Advisory Center	10	1

	<u>Degree</u>	<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
<u>Researchers:</u>					
21.	Jorge INCER BARQUERO Purdue University Industrial Engineering, M.S. Industrial Administration, M.S. Purdue University, B.S. Industrial Engineering	Nicaragua	Industrial Development Project Evaluation	10	2
22.	Alejandro E. MARTINEZ Vanderbilt University, Ph.D. (cand.) Economics Univ. of South Carolina, M.A. Economics McGill University, B.A. Economics	Nicaragua	Economic Development Agricultural Economics Project Evaluation	4	2
23.	Manuel G. OLAVE U. of Cal., Sta. Barbara Ph.D. U. of Cal., Sta. Barbara, M.A. Economics U. of Cal., Los Angeles, M.S. U. of Cal., Los Angeles, B.S.	Bolivia	-	-	Joined Faculty in Fall
<u>Associate Researchers:</u>					
24.	Michael BLOOM Harvard University, M.P.A. Dartmouth College, B.A. Sociology	U. S. A.	Public Management Rural Development	8	1

	<u>Degree</u>	<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
25.	John J. HASTINGS Univ. of Pennsylvania, M.B.A. Marketing Management Univ. of Pennsylvania, B.A. English	U. S. A.	Development Banking Small Industry Development	4	2
26.	Kenneth L. HOADLEY Harvard University, M.B.A. Colby College, B.A. Government	U. S. A.	Agribusiness Rural Development	5	2
27.	Eduardo PEÑA SOLANO U. of Kansas, M.A. Agricultural Economics U. of Florida, B.S. Agriculture	El Salvador	Agricultural Economics Agribusiness	5	Joining Faculty in Winter
28.	Noel J. SACASA Tubingen, West Germany Diplom-Volkswirt Economics	Nicaragua	Economic Planning International Development Rural Development	2	1
<u>Assistant Researchers:</u>					
29.	Lorna C. ORR Tufts University, M.A. International Relations Tufts University, M.A. International Law and Diplomacy Wellesley College, B.A. History	Jamaica	Public Management Law & Development	-	Joined Faculty in Fall

<u>Degree</u>	<u>Nationality</u>	<u>Areas of Special Interest</u>	<u>Years of Prof. Experience in Latin America</u>	<u>Years at INCAE</u>
30. David J. PROTAS Univ. of Chicago, M.B.A. Vassar College, B.A.	U. S. A.	Business Administration	-	Joined Faculty in Fall
<u>ADMINISTRATIVE FACULTY</u>				
31. Thomas A. BLOCH U. of Chicago, M.A. East. N. Mexico Univ., B.A.	U. S. A.	Library Science Librarian	6	4
32. Helmuth CARL INCAE, M.B.A. U. of Chile, B.B.A.	Chile	Business Administration Controller General	4	Joined Staff in Summer
33. Pablo A. DURAN INCAE, M.B.A. U. El Salvador, Lic. Psychology	El Salvador	Business Administration Associate Director, External Affairs	6	3
34. Harvey P. LEACH INCAE, M.B.A. U. of Seattle, B.A.	U. S. A.	Business Administration Administrative Director	8	3
35. Luis E. OBREGON INCAE, M. B. A. U. Nac. Colombia, Agron.	Colombia	Business Administration Associate Director, Executive Education	8	1
36. José OROMI MULET INCAE, M.B.A. U. de Iapla, Lic. Phil.	Spain	Business Administration Director of Admissions, MBA Program		
37. Roger QUANT PALLAVICINI U de Madrid, J. D.	Nicaragua	Law & Public Relations Director of External Affairs	20	2

EXHIBIT 2
FACULTY GROWTH^{a/}

Academic Year	TYPES OF FACULTY ^{b/}				TOTAL
	Teaching	Research	Admin.	Training ^{c/}	
1967-68	6	-	2	-	8
1968-69	9	-	2	1	12
1969-70	9	-	2	1	12
1970-71	13	2	3	1	19
1971-72	14	6	5	-	25
1972-73	14	6	5	-	25
1973-74	15	10	6	1	32
1974-75	18	10	6	2	36
1975-76	18	11	7	3	39

a/ In full time man equivalents.

b/ Reflects type of appointment, but not necessarily actual allocation of time.

c/ Pursuing doctoral studies abroad with the commitment to return to INCAE upon completion of their formal training.