A PERSPECTIVE ON THE ITES TRAINING INDUSTRY

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Scope

The training industry is one part of the industry value chain, which commences at the hiring/ assessment stage, moves into basic training and advanced training, and continues into operations. The scope of this paper is limited to basic training.

Segmentation

The training industry can be segmented as under:

- Internal vs. External (all ITES players have internal training departments, since this segment was not catered to by any players)
- Geographically – around existing major ITES clusters – Delhi NCR, Mumbai/Pune, Hyderabad and Bangalore.
- Retail vs. Corporate – the business model followed – at the moment there are no pure-plays in either segment, but combinations being followed opportunistically
- Delivery scope – city-specific players predominate, versus a few regional players and a very few national brands
- Ownership - Corporate (e.g. NIIT, Aptech etc) vs. freelance networkers

Size

Nasscom's reports on the expected size of the industry indicate expected employment to grow by 145% annually between 2003 and 2008 to touch 1.55 million persons in the sector by 2008. This is expected to be split amongst international and domestic operators (both captive and non-captive) as below.

SEGMENT	EMPLOYMENT (NO.)
Customer Interaction	482,552
Accounting/HR/TP	511,798
All others	558,591
Total	1,552,941

While this figure indicates an impressive prospects for the training industry, the actual size of the training industry (measured by throughput of persons) is many times this figure, due to the high levels of attrition at all levels, and the very low employment conversion level (ratio of hires to applicants).

A rough calculation, (*based on my experience of industry norms of attrition*) , indicates a need to <u>place</u> approximately 1.02 million persons in 2008 to meet an expansion and backfill requirement of 1.55 million people in the industry.

When you factor in the fact that the ITES operators hire only a small fraction of those applying to them – the average conversion rate is 12%-18% (international operators' conversion rate is around 4%, while domestic would be around 20%) - it means that the 1.2 million persons placed referred to in the paragraph above would be drawn from a trained pool of 3.18 million persons developed by the training industry. This is the actual target market figure for the training industry in 2008.

Value

The need of the hour, across the board, is basic communication training, which comprises voice, accent, pronunciation and grammar (further training in soft-skills and process skills would be client-driven). An analysis I have done, of regional variations against entry level screening mechanisms, indicates that the weightage of each of the above 4 aspects changes significantly by location. An industry standard emerging seems to indicate a 60hr to 120 hr course covering these aspects, that meets most employers entry requirements.

A training value of this basic communication course is difficult to put to estimate since costs vary widely amongst the segments above (*my experience in managing training partners across the country gives me figures of Rs. 4000 to Rs. 25000 for a standard 60 hour entry-level module*). However going by the costs incurred by 2-3 international ITES operators I would say we can estimate a cost of Rs. 12,000 per trainee, if they were to be trained internally. Using this as an indicator of market pricing, we can estimate a market universe value of Rs 38,144 million in 2008 (US$ 795 million) at constant 2003 levels. This of course would be modified by market conditions as applicable.

This discussion is summarized below as:

		2003	2004	2005	2006	2007	2008
Adds required	No.	116,336	178,243	273,830	420,593	645,885	1,022,512
Trained output required	No.	460,553	662,938	964,581	1,409,764	2,068,529	3,178,660
Training value	Rs Mlln	5,527	7,955	11,575	16,917	24,822	38,144
	USD Mlln	115	166	241	352	517	795

Channels

The sheer scale of the training requirements required cannot be met by any single ITES player or training organization. Currently, no single national scale player has emerged with the right mix of capability and reach, and the industry is struggling with twin issue of finding employees of the right caliber at the right cost. Companies are spreading further and further away from the earlier metro-centric hiring model. However this means that on the average they increasingly tap persons lower and lower down the skill curve, who require more intensive training. The industry is thus caught in a no-win situation and will soon change its hiring and training model.

In these conditions, State Governments will play an increasingly important part in providing the platforms for the growth of the training function. Unlike the software industry which developed its training almost completely in the private sector, the ITES industry would need the involvement of the Government for:

- Increasing the size of the hiring pool through
    - tapping new segments and new geographies (non-metro reach)
    - attracting and enrolling large volumes
- Critical aspects such as assessment, certification of students and teachers, standards, etc
- Credibility amongst the target audience

State Governments can, and will, (for a variety of reasons), provide the infrastructure for a vocational training initiative in this sector. However, while the industry would like to segregate the hiring and training models, the State sees it as an inseparable aspect of its involvement. Managing expectations from both sides will be a critical area for the future and where alliances between Governments, training organizations, and ITES players would be required to make this work.

My personal experience is that the Government is approaching this on two thrusts – the first is a more 'literacy' oriented thrust to develop grass-roots level computer literacy and acceptance. The other is a very more discreet, but as powerful, move to woo ITES players by :

- Laying down ITES-specific policies (AP, TN, Karnataka, Rajasthan, WB all have very friendly investment policies and support systems)
- Building mechanisms to attract, assess, enroll, train and place students (*Karnataka and AP have dedicated institutions to address ITES training where I have interacted intensively*). These are generally 'blended' models with a mix of online and classroom instruction.

Key Issues

All the stakeholders in these initiatives agree and understand two key issues, viz.

- The mass output required for a successful model requires attracting, enrolling and training a large number of people, with the right mix of communication, pricing and with the course customized to each person's communication profile. The only way to ensure this is to develop e-delivery mechanisms and e-learning systems supported by the Government.
- The benefit of this e-enabled system to the stakeholders accrues only if there is a simultaneous assessment, training and placement mechanisms in place. Thus the system must be able to reach upstream into the assessment phase, and downstream to the employment opportunities.

Role of private sector partners

While the private sector recognizes that it cant develop the reach and delivery systems on its own, Governments recognize that they shouldn't be in the business of developing and delivering content.

While the Government thus acts as an enabler, the role of private parties would be to:

- Develop content and provide courseware
- Assist in establishing architecture and infrastructure for e-learning
- Deliver content through multiple (blended) channels
- Establish upstream and downstream capabilities
- Support Government's by pilot-based validation and improvement
- Quality audits
- Certification of trainers and students, and marketing of the concept to stakeholders and implementing agencies.

Currently ITES players such as GECIS, Amex, Spectramind, Daksh etc are carrying out all these functions internally, mainly due to the absence of a credible partner.

In Conclusion

The entry of a such a partner, carrying a reputed 'brand' name, a training network, e-learning capabilities, and domain knowledge would immediately be of major interest to the industry, and this is what we should be targeting to offer.

About the Author

Atul Vaid has extensive experience in new strategic initiatives, industry assessment and market-entry consulting. With over 15 years of consulting and corporate experience, he has handled a large number of cross-border assignments involving marquee clients in India and the Middle East. He has also set up and run the offshore marketing function from scratch for a US-based management consulting and technology services firm.

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