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NIIT takes a second shot at greatness

The Strategist



NIIT



P Rajendran (left), COO, Rajendra S Pawar, chairman and co-founder, and Vijay K Thadani (right), co-founder and CEO

GLOBAL GAINS NIIT'S REVENUE BREAK-UP

Overall revenue: Rs 574.90 crore

2004



Overall revenue: Rs 1,401.60 crore

2008



THE SIGNIFICANT INCREASE IN INTERNATIONAL REVENUE CAN BE ATTRIBUTED TO INORGANIC GROWTH — ACQUISITIONS IN THE US, FOR INSTANCE, OF COGNITIVE ARTS AND ELEMENT K

what he knew NIIT should have done years earlier but could not because of the frenetic 30-40 per cent growth of the 1980s and 1990s.

He inferred that the company had two core competencies. The first was to create learning material ("we do it better than most people in the world"), and the second education process management. These had been built over the first 20 years of NIIT's existence and had helped the company ride the first steep part of the 'S' curve, which, Pawar insists, is the course of all corporations that last 100 years or more.

Around that time, Pawar was involved in a study involving the demographic dividend (a concept that considers India's large population an asset). The study projected a shortage of 40 million skilled professionals in the developed world and a surplus of 47 million in India in the working age group of 15-59.

"We wanted to prepare this 47 million for the opportunity. We also realised that India had become a story of multi-sector growth. But, earlier, when industry leaders told us they needed an NIIT in their sector, we used to say we were too busy. During the time of global discontinuity in IT, we decided to build models for other sectors," says Pawar.

With that, the mission of NIIT, which was to build IT talent in developing countries during the first 20 years, changed to global talent development. As the company entered new areas, its net revenue more than doubled from Rs 450.7 crore in 2005-06 to Rs 1006.8 crore in 2007-08. In the same period, its profit after tax rose from Rs 40.1 crore to Rs 75.6 crore. The stock market has taken note. NIIT's market capitalisation is a long way off the dizzy heights it had once scaled — it is doubtful that any technology company will ever regain the levels of 1999-2000. However, the combined market capitalisation of NIIT and its software arm, NIIT Technologies, which was spun off as a separate company in August 2004, has clawed its way back to Rs 2,126.35 crore as of a week ago.

"The key focus for NIIT is pedagogy. Instead of building expertise in content, it is building expertise in learning systems and methodologies. Instead of saying, 'we will train people to programme', it is going a step down and saying, 'how can people learn what they want to learn'. This is the right path," says the IT sector analyst with a Mumbai-based research house who does not want to be named because he is not formally tracking NIIT.

Moving up

Senthil Pandi Chinnasamy passed out of Erode Sengunthar Engineering College, Erode, last year, only to realise that there were no jobs for him in spite of his four-year degree in electronics communication. In the summer of last year, he enrolled into a six-month course of NIIT, during which he worked on two projects. "After finishing, I had five-six job offers," says Chinnasamy, currently working with 3i Infotech in Chennai.

NIIT Edgeineers, the course that altered the course of Chinnasamy's career, has also changed the perception of NIIT. Launched in April 2006, it is targeted at engineering graduates. Some, like Chinnasamy, join right after graduating; some others join for mid-career re-skilling. The company says as many as 100,000 engineers join in a year.

That is starkly different from how NIIT was perceived earlier: a place for those who could not hope to get into top-flight

the second COMING

NIIT is no longer only about IT education. In the last two years, it has entered uncharted territories to take a second shot at greatness, just as it has given millions a second chance to build a career

Suveen K Sinha

Vijay K Thadani did not know it then; it's only in retrospect that he sees January 4, 2000, as a great day. That was when the stock price of NIIT, the education company he started with his hostel mate from IIT Delhi, Rajendra S Pawar, touched Rs 3,844 a share, translating into a market capitalisation of Rs 14,837.84 crore.

Those were the heady days of the technology boom, when untold millions chased the latest college-dropout-turned-

garage-entrepreneur in the hope of funding the next Hewlett-Packard. As would happen with a boom funded by such money — Pawar, the NIIT chairman, calls it "dumb money" — it soon gave way to the mother of all meltdowns. Nearly 40 per cent of the crowded IT education market vanished. As the sector continued to flounder, NIIT's market capitalisation plummeted to Rs 332 crore on September 21, 2001.

Pawar, who insists on a clean desk before he starts work, took the team to the drawing board and drew up a plan to do

engineering colleges. Two IT services companies, one top-rung and the other middle-rung, told *the strategist* that they did not hire from NIIT.

Thadani disagrees, and points out that as many as 490 NIIT students found jobs with the top five IT companies in the country between April and August this year. He also points out another facet. "A good 25 per cent of IT professionals in the country have studied at NIIT at some point or the other. They may not join a top IT company immediately, but maybe on their second or third jobs."

Smarajit Dey, who left BITS Pilani's faculty to join NIIT in 1990, is more philosophical. He patiently provides the social context. "Education must benefit in such a way that the students, whatever they were before, become more capable and perhaps get the economic benefit of that. Some people will get 90 per cent in class, and some 50. To believe that I will have one programme to accommodate all is simplification. Those who can get into a premier engineering college, will. For some, their capabilities are at a point that NIIT becomes the best option."

In the 1970s, you were either in the top half a per cent of the population, which joined the top engineering colleges, or you were cast away and told to get into general education without the promise of employment. "NIIT gave a second chance at a technology career to those people who the conventional education system, restricted in terms of numbers, had declared unfit. If you see NIIT in this context, you will realise its social context," says Dey.

Dey, as president in charge of new initiatives, widened the context on the lines of the plan drawn up during the days of the trough. "If you look at the organisation, it has shown the tenacity to handle a situation which many organisations gave up as lost. We regrouped and fought back," says Thadani.

Uncharted territories

This tenacity, among other things, impressed ICICI Bank enough to become NIIT's partner in setting up the Institute of Finance, Banking and Insurance, or IFBI. When K Ramkumar, the group human resources head of the bank, called

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NIIT Ltd



Pawar one afternoon in November 2006, they had met just once, fleetingly, at a cricket match. The bank was facing a problem of manpower supply and NIIT was looking to diversify. In February 2007, they met, and the IFBI brand was launched two months later. "How many people would have moved like that? It was a wonderful experience, trusting, not contractual," says Ramkumar.

ICICI Bank, which holds about 19 per cent equity in the venture, prepared the curriculum and promised to absorb everyone who passed out of the institute in the first year. That is down to 60 per cent as other banks like HDFC Bank, Kotak Mahindra, Vijaya, and so on, have come forward to recruit.

"A fresher takes 9-12 months to become functionally independent. In that period, the customer experience suffers. These kids coming out of IFBI are not productive on the first day, but certainly after the first month," says Ramkumar.

In the year and a half since inception, IFBI has placed 7,500 people in the financial services industry. "The same person is walking through our door, but does not have the aptitude to be an IT professional. Instead of saying, 'sorry, we can't do anything', we asked ourselves, 'how do we skill ourselves to impart new skills'. Walk into any ICICI Bank and it will have an NIIT-trained personnel," says Thadani.

On the same lines, Genpact, a leader in business process outsourcing, joined hands with NIIT to announce the Institute of Process Excellence to address the increasing demand for skilled workers in the sector. The new company, announced in June this year, will initially offer training programmes in areas such as business processes, language skills and business communication, and intends to add additional offerings in other areas including finance and accounting, banking, insurance and supply chain.

A third initiative, NIIT Imperia, has taken the company

into the relatively rarefied group of institutes imparting executive management education, which is meant for those already working. Launched in September 2006 in association with the Indian Institutes of Management at Ahmedabad, Kolkata and Indore, Imperia has gone on to forge partnerships with IIM Lucknow, Indian Institute of Foreign Trade and IMT Ghaziabad.

Generally, executives are wary of such programmes because they require them to leave their jobs, forgo the salary for the duration of the course, relocate, and renounce family commitments. Imperia demands none of these. It uses synchronous learning technology, which sets up remote classrooms connected to a central studio, typically located inside one of the partner institutes. Classes are conducted by faculty members teaching from the studio connected to students distributed over several centres. Each student can interact with every other.

Just like the brick and mortar model, this classroom is faculty-led and faculty-controlled. A student can raise his hand by clicking on an icon to seek the teacher's permission to speak. To replicate the action of a teacher calling a student to the blackboard to illustrate something, the Imperia teacher can hand over the control to a student. "The challenge is to replicate everything done in a class and yet do away with the geographical limitations. The fundamental difference is in the ability to use the best of faculty and institutes irrespective of your location and at timings convenient to you," says Dey.

However, new teaching content is one part of the new mission of global talent development. To address the other part — global — NIIT has spread out. Having recently gone into Africa, the company for the first time disclosed the revenue from the continent last quarter, which turned out to be a sizeable 7 per cent of the total. Two acquisitions, one of Cognitive Arts and the other of Element K, met its need for a footprint in the US.

"Element K has the second-largest training library in the world... The margin is set to improve as NIIT turns around the operations of Element K, and as it leverages on Element K's content library to beyond US. We expect margins to double in the next three years from 6 per cent to 12 per cent," said a recent Macquarie Research report.

The new NIIT, believes Pawar, is ready to start its climb on the second steep part of the 'S' curve. "I have to keep repeating 'global talent development' for a few years before everybody gets it," says Pawar. And then perhaps the chaps who influence market capitalisation also will. 📌