

Innovation cannot grow in a clinic

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“How far is NIIT from your house?” went the punchline of the IT and education training company's television advertisement nearly a decade ago. With a presence in over 30 countries, NIIT Ltd. has been able to reach and teach hundreds of thousands of students globally.

Surviving through the IT bubble and the proliferation of engineering colleges, NIIT may almost have managed to achieve its goal of putting a training centre not too far from every household in India. In 2008, its software development business was spun off to a separate entity—NIIT Technologies.

Vijay Thadani, who co-founded NIIT in 1981 and is currently the company's CEO, sits on the board of NIIT Technologies. In an interview to **The Hindu**, Mr. Thadani talks on the current uncertain business environment, the IT industry's hiring problems and the way forward for NIIT. Edited excerpts:

How is the general macro-economic environment shaping up for the IT industry and NIIT Technologies? Is the industry well-equipped to deal with the headwinds ahead?

It's becoming definitely much better than 2012. This year will be better than 2012. And 2014 should be much better than 2012.

For NIIT Technologies, our ge-

ographic revenue distribution works well in our favour sometimes, and other times not so much. However, the overall macro-economic environment is not one where everybody is jumping with joy. The general ambience is one of caution. And, the real problem for the industry is that innovation cannot grow in such an environment. Innovation cannot grow in a clinic!

We're trying out various things to weather the storm — outcomes-based solution, for instance. Non-linear growth is working in the industry's favour. We have successfully moved in the past from application maintenance development to infrastructure. And now the industry has moved from infrastructure into new area applications and so on.

As IT becomes more and more oriented towards business and becomes more strategic, the question becomes how do we deal with this and lives with the current environment? Moving to an 'outcomes-based revenue model' is merely an outcome of trying to adapt with the current environment.

We're all learning a lesson. The industry never saw what it meant to be a cyclical business and most of the IT guys never studied economics, so we don't realise that the fundamental of economics is that business is cyclical. You just have to discover what kind of a cycle it is, is it a 30-year cycle or a 3-year cycle. The IT industry is beginning to figure this out. Once one understands that IT is cyclical, you can organise yourself. And then it is no longer the euphoria of past growth that drives us.

Are the new buzz areas for the IT industry such as 'social media, mobile, analytics and big data' resulting in viable business deals?

Here it is. When we talk of social media for an IT company, it's not about setting up a social media company. If I am an American Express, the question is what is my consumer thinking about me? Whatever two people spoke amongst each other was generally not known. There were surveys, all

kinds of TRP ratings, and other nonsense to figure out consumer attitudes and to figure out clustering.

Therefore, it's about discerning the real noise from the chatter. When we say social media, we're really talking about the huge analytics play that is present. Every IT company is worried about this. There are huge business deals out there...online reputation management has become a science by itself. NIIT University will soon offer a course in this as well.

With the slowdown hitting the IT industry, campus hiring is coming down. How is this affecting NIIT? Can it be seen as a disadvantage and an advantage?

If you see, the net hiring in the industry reduced last year, and it will reduce this year also. So what are the contributors to this? It's not actually less business — it is the tightness of business. And this is important, the difference is important. I hate to use the word 'bench', but there is too much extra capacity. In good times, this extra capacity could have been used for research and skill upgradation, but, in bad times, it is just extra capacity.

People feared that if business slowed down, then there would also be no margins to support that extra capacity. So, what does the industry do? They start taking graduates only when they need the graduates. But here's the silver lining. While the IT industry hiring reduced by 22 per cent, NIIT's placements have dropped only by 4 per cent!

And we are not a small placement player. We place 40,000 students every year. Now, why have our placements dropped less?

The just-in-time hiring trend has worked in our favour. Companies don't want to absorb all the graduates in June-July. All formal colleges end in April-May, which is why you have clogging in the month of June-July.

If IT companies need graduates in September or October — our business model suits that, because in NIIT, our graduates come out every month.

Second, and this is more important, we tapped into the re-training period. Before the graduates can become productive in the IT company, the company has to retain them. This process usually takes

2-6 months. We told the IT companies that we would give our graduates the necessary extra courses during the mandatory bench period that fresh hires had to serve. Whatever extra skill the IT companies need to onboard our graduates quicker, we supply that.

As you can imagine, this is a better proposition for companies, when compared to what normal colleges offer.

The third and final reason why NIIT has better placements is that when you say the bench's net hiring has dropped, you need to understand what IT industry you are referring to. All the numbers that NASSCOM gives are only those which are for IT exports. We haven't realised that our domestic IT industry is becoming a larger force.

Earlier, youngsters always looked at opportunities as being equal to IT exports and equal to H-IB visas. Now there's an opportunity called domestic IT. There are many companies which are creating small domestic solutions — nearly 3,000 of them at last count. We encourage these companies to come for recruitment at NIIT.

The barometer used for hiring is still IT exports, a larger perspective is needed here.

Will IT hiring and hiring in general start looking up soon? Do you see any positive signals in today's market?

I have a feeling that this trend will turn in the coming year — it has to. We are still growing — all companies have had good first quarter results. Somebody during the recession (employees) needs support during great results right? I have a feeling hiring will pick up next year. All these government reforms that are slowly seeing the light of the day, with many new sectors opening up to FDI, will actually create huge opportunities for young professionals to get into.

India has always been very proud of its small-scale entrepreneurs. What the small scale entrepreneur did in the manufacturing sector (think about the guy who bought himself two lathes and did turning work for Hindustan Motors), which is how the ancillary industries came into the industry. Now manufacturing has many offshoots.

The small-scale entrepreneur

will now move from the manufacturing domain to the digital domain. Leave IT services — think about it. If you're a third class kid can create an app, and it can become the next big thing. As usual, of course, millions will come and only ten thousands will succeed. But that can't be seen as a deterrent, less of thousands are still better than zero after all. The emergence of a small entrepreneur in the digital age is an interesting opportunity.

NIIT Ltd. has been changing its business mix of late and is offering a variety of courses now. Is it as a career choice no longer the golden option?

There are two reasons for our diversification. It's not just because demand for IT courses is going a little down, therefore, the others need to go up. We are sitting on a large part of a much bigger cake. We need that we are also nibbling on our piece, but after a point, increasing market share would be very difficult.

The second is that we must increase the size of the cake. Moving from training in IT to training through IT is to increase the size of the cake. Also notice that NIIT has come out with courses in the areas that are largely IT-dependent or adjacent. So, we're come out with more banking and financial services. We are now the largest company in banking and financial services training.

Our BPO training is also another example. We are also getting into new areas like design and digital marketing.

Again, if you notice, all of these are adjacent to IT. The idea is that if an individual is not coming back in contact us — and we offer only the same idiom (well known as that idiom might be), it is a little bad. I can offer other dishes right?

Yes, GNIIT has gone through a transition, but it is coming back. With the economic environment being as tough as it is, those who are doing arts and sciences courses are now finding GNIIT a very attractive option. Here is the true proposition for today's workforce: my grandfather was a matriculate so he got a job, my father was a graduate so he got a job, and I was an engineer, so I got a job. Today if you're an engineer you aren't guaranteed a job. So for the students, you should add that IT engineers need now.

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