

HUMAN RESOURCE AND SKILL GAPS IN LOGISTICS SERVICES INDUSTRY IN INDIA

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ABSTRACT

India is the fourth largest country in terms of Purchasing Power Parity (PPP) and constitutes one of the fastest growing markets in the world. Indian industry, on the whole, faces a fierce competitive and volatile environment with Globalization of businesses. The infrastructural bottlenecks, increasing uncertainty of supply chain networks, shortening of product life cycles and abundance of product variety have raised issues related to choosing and working with the right supply chain partners (suppliers, customers and logistics service providers), nurturing trust between them and designing the right system of measuring performance. Today's globalization and changing economies have made it essential for the supply chain organizations to develop strategies that make available differentiated value to the customer at optimum cost. Varied and comprehensive logistics expertise and human resource is the need of the hour, for the services providers to stay abreast with the growing competition.

In this research paper, an attempt has been made to identify the changing trends in Indian logistic services and the growing requirement for skilled and trained human resource. The researcher has tried to lay emphasis on the intensified skill gap situation that exists in the industry as a result of movement of Indian logistics sector from a mere in-house staff to a complex third party (3PL) supply chain management system.

Keywords: *Third Party Logistics, Supply Chain management, Human resource, skill gap, logistics services, globalization.*

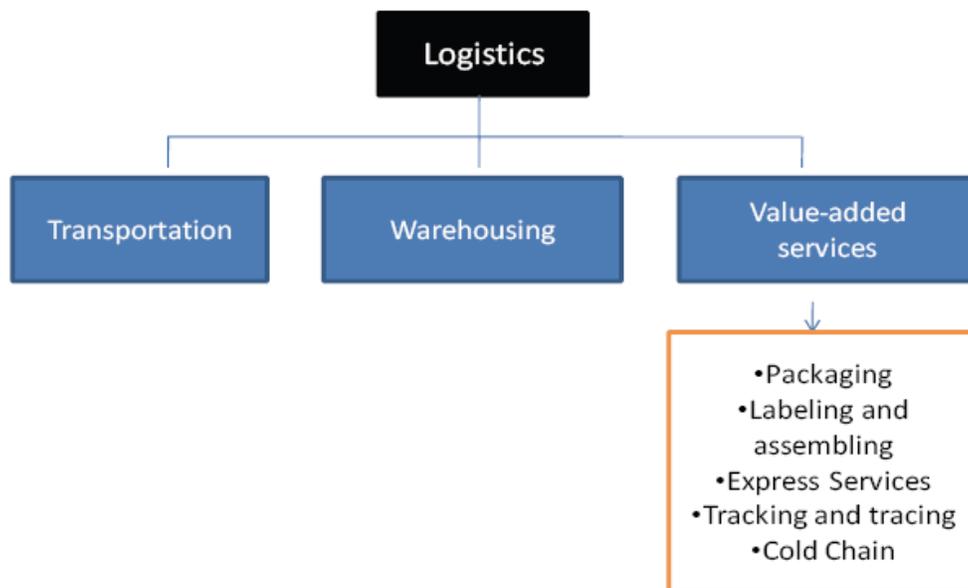
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INTRODUCTION

The terms Logistics and Supply Chain Management (SCM) are used interchangeably in common parlance, however, there is a subtle difference between the two. While SCM is more strategic in nature, logistics is more operations-oriented. Logistics can rightly be considered as a part of SCM, which encompasses planning activities, implementation, control of the efficient flow and storage of goods, services and related information between the point of origin and destination in order to meet customer requirements.

Logistics acts as an invisible catalyst linking supply and demand, and the most important operations for business development. Other than the core competency of delivering goods on time, logistics companies add value to their clients' businesses by designing and executing complex supply chain cycles, project management and inventory reduction. Few areas of business operations involve the complexity or span the geography typical of logistics. The segmentation of logistics sector is briefly shown in the Figure1 below.

Fig 1 : Segments of the Transportation, Logistics, Warehousing and Packaging Sector



Source: www.nsdcindia.org

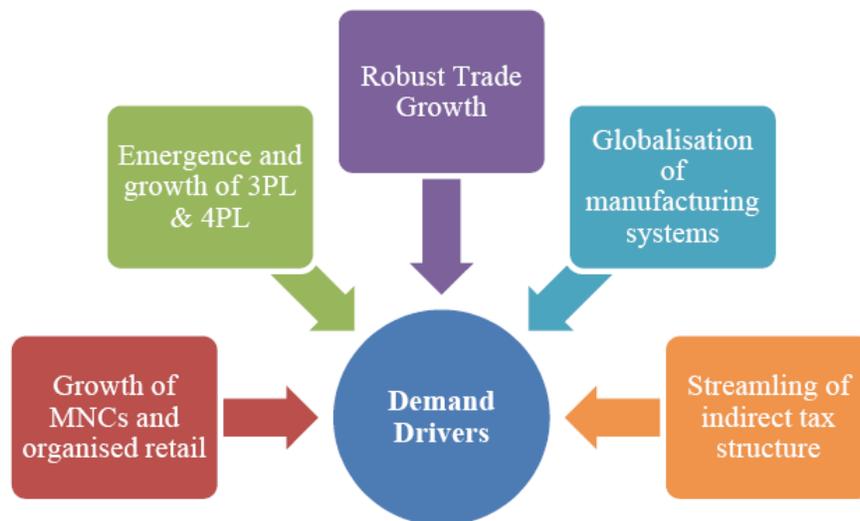
Traditionally, transportation and logistics warehousing facility was located by rail, road and water port (through ship) and mostly in the least desirable parts of cities or large towns. The stereotype then faded with new, state-of-the-art facilities beginning to develop in more rural areas on the outskirts of transportation and population hubs. Most of the changes were being

driven by the growing trends in the manufacturing and retail sectors to form partnerships with companies with which they could outsource non-core logistics competencies-Third Party Logistics (3PL) providers.

INDIAN LOGISTICS SECTOR

India in the post liberalization times began to experience rapid economic growth, as markets opened for international competition and investment. The logistics and warehousing sector in India is highly fragmented and characterized by the presence of numerous unorganized and few organized players. A large number of players have been providing services in individual segments like transportation, warehousing, packaging etc. In 2007, organized players accounted for only 6 per cent of the total US\$ 100 billion Indian logistics industry. However, changing business dynamics and the entry of global third party logistics players (3PL) has led to the remodeling of the logistics services in India. From a mere combination of transportation and storage services, logistics is fast emerging as a strategic function that involves end-to-end solutions that improve efficiencies.

Fig2. Demand drivers for the Transportation, Logistics, Warehousing and Packaging Sector

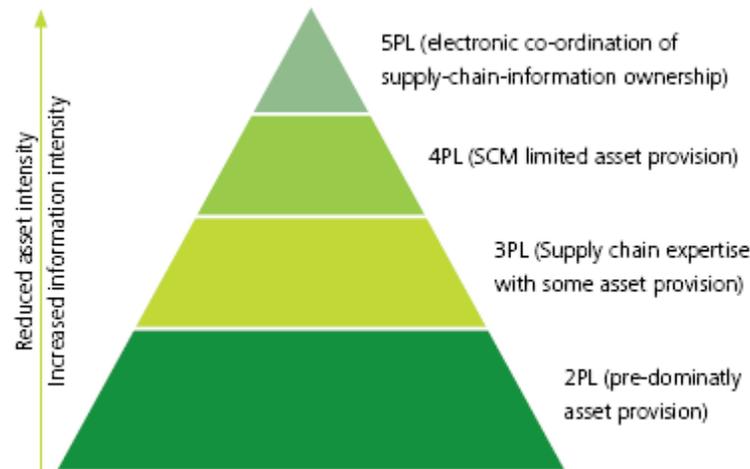


Source: www.nsdcindia.org

The annual logistics cost in India is valued at Rs. 6,750 billion (US\$ 135 billion) and it is growing at 8-10% annually. Logistics costs by value accounts for around 13% of the GDP of India – this is much higher than that in the US (9%), Europe (10%) and Japan (11%) but lower than that in countries such as China (18%) and Thailand (16%). In particular, the percentage-

wise share of transport cost (an important constituent of total logistic cost incurred by a nation) by value of GDP has been steadily increasing. (Source: Logistics in India, SSKI)

Fig 3. The evolution of Indian logistics services sector



Source: Deloitte Research

THIRD PARTY LOGISTICS (3PL)

"A firm [that] provides multiple logistics services for use by customers. Preferably, these services are integrated, or "bundled" together, by the provider. Among the services 3PLs provide are transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding." (The Council of Supply Chain Management Professionals' glossary).

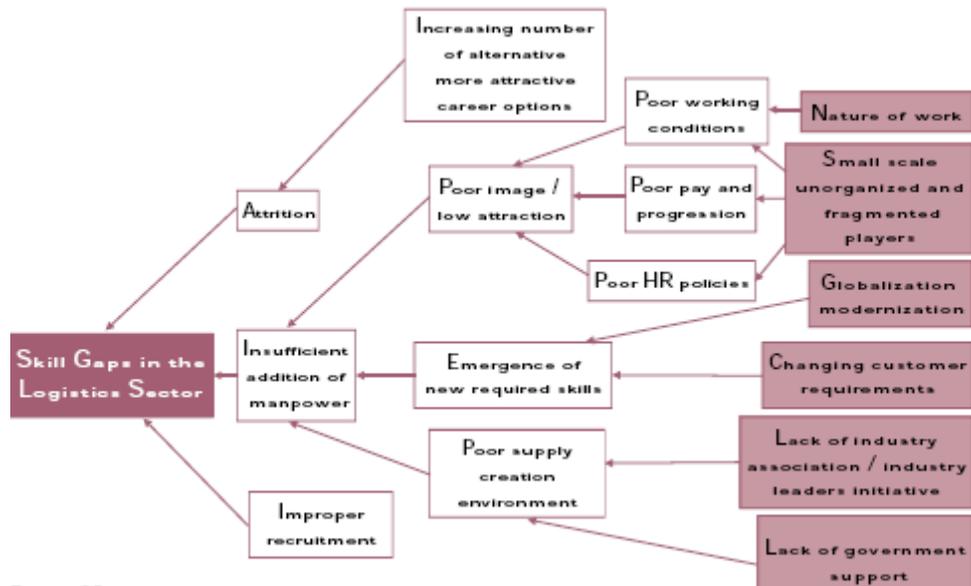
3PL companies act as a third party or facilitator between the first party (supplier) and the second party (customer, Buyer or User). Although still at a nascent stage, the Indian 3PL industry is growing at a rapid pace (55% of large corporate use this service as compared to international benchmark of 75%) but with the advent of multinationals in India and trends such as more companies wanting to outsource non-core activities while concentrating on the core business activity themselves, the requirement for 3PL are set to increase. Global sourcing activity and fierce competition amongst manufacturers to cut costs have made movement of materials rather complex, giving rise to the emergence of several third party logistics players, resulting in tremendous potential for 3PL market in India. Fuelled by the increasing trend of outsourcing, coupled with the rapid growth in the Indian manufacturing sector the estimated growth for 3PL was at about 30 per cent annually and a US\$ 30 billion industry for the year 2010.

HUMAN RESOURCE SKILL GAPS

The Indian Logistics sector has been growing at faster pace than the global industry in the past decade. However, there is an acute shortfall of personnel with adequate training and education in logistical management in India. At management and mid-tier levels, the logistical sector in India suffers from poor organization, lack of leadership, disjointed skills and positions, and a lack of process-driven systems. (www.lcllogistix.com)

The fast growth of this industry in India both in terms of scale and scope of services has created the need for a whole new set of skills along with an ever increasing requirement of skilled and trained manpower. However, the industry leaders recognize the critical need for manpower development in this sector, precious little has been done to explore the core issues and identify initiatives to address this situation. Indian Logistics industry which in its nascent stage struggles to fight and rise above various infrastructural and organizational issues necessitates requirement of specialized managerial, interpersonal and analytical skills. At management and mid-tier levels, the unorganized structure of the Transportation, Logistics, Warehousing and Packaging Sector in India has lead to problems of poor organisation, lack of leadership, disjointed skills and a lack of process-driven systems which are required for overall sectoral growth and development.

The disorganised nature of the logistics sector in India, its perception as a manpower-heavy industry and lack of adequate training institutions has led to a shortfall in skilled management and client service personnel. The limited capacity within the recruitment pool has limited India's growth in the logistical sector. The gap has been felt primarily in the key business areas like transportation, warehousing, Information Technology and communication skills and other value added services (customized services, track and trace, etc.).



Source: Skill Gaps in Indian Logistics Sector, KPMG Report

The manpower available in the Indian logistics sector critically lacks domain skills. The gaps in skills required are at all levels, from senior and middle management to the operational level. The skill gaps at the senior level arise from the structure of the industry. Small sized entrepreneurs have limited intent or capability to scale and build manpower capabilities. The gaps in good management practices are deeply rooted, as the logistics industry itself has still not emerged as an attractive sector for professionals. There is a lack of specialized knowledge of practices, and most workers have basic in-house experience-driven skills with no formal education or training. The industry being dominated by the unorganized and fragmented structure gives rise to gaps in the core technical skills. There exist very few formal training institutions and practically none for operational training in associated areas like loading and unloading, supervisory, proper handling practices etc. Thus at all three levels, management, skilled and supervisory, and operational, Indian logistics industry is facing an acute skill shortage. (www.lcllogisticx.com)

A major shortfall in the industry, other than the core competencies at the management level, has been due to the lack of technological skill sets in workers across the board. The rapid advancements in technology deployed in the logistics sector have necessitated training in handling technology. With the advancement in Information and Communication Technology (ICT) devices, higher level of training is required across all functions. The efficient use of ICT reduces operating costs, thereby increasing margins. The revolution in the ICT has changed the

way businesses are being done and in such an environment training is essential to cope up. The focus of Training on technology needs to be on understanding and operating technology along with planning using technology on a large scale. Technology will have to be used efficiently across all levels, right from the drivers using GPRS to warehouse handlers using scanning devices (Skill Gaps in Indian Logistics Sector, KPMG Report)

CONCLUSION

The Indian logistics sector and its growth are highly dependent on the growth of its soft infrastructure – education, training and policy framework. India's fast paced economy which is rapidly becoming a world leader, needs the vital support of logistics industry for its growth. Without increased capacity in logistics and the supply chain, a limit will be placed on India's economic growth. Skills development is essential to leverage on the emerging opportunities in the logistics sector. A knowledge and service revolution in the logistics sector can bring about a greater degree of specialization in various roles and better integration of services. This revolution will be best supported by a public-private partnership, and co-ordination between leading logistical companies. A training and education curriculum needs to be set up at the management course level to meet for pre-determined skill sets required by the industry. Logistics services being a service-based sector can only be efficient with the efficiency of its lowest level employee. From the bottom to the top, a change in the efficiencies of personnel will drive the growth of the industry, and allow Indian businesses to extent to greater heights, domestically and globally.

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