



## Human Resource shortfall in the Indian Logistics Sector

### **Abstract:**

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.

This whitepaper discusses these shortfalls in skills in the logistics market, and sets out a roadmap for future training and development in the logistics sector in India.

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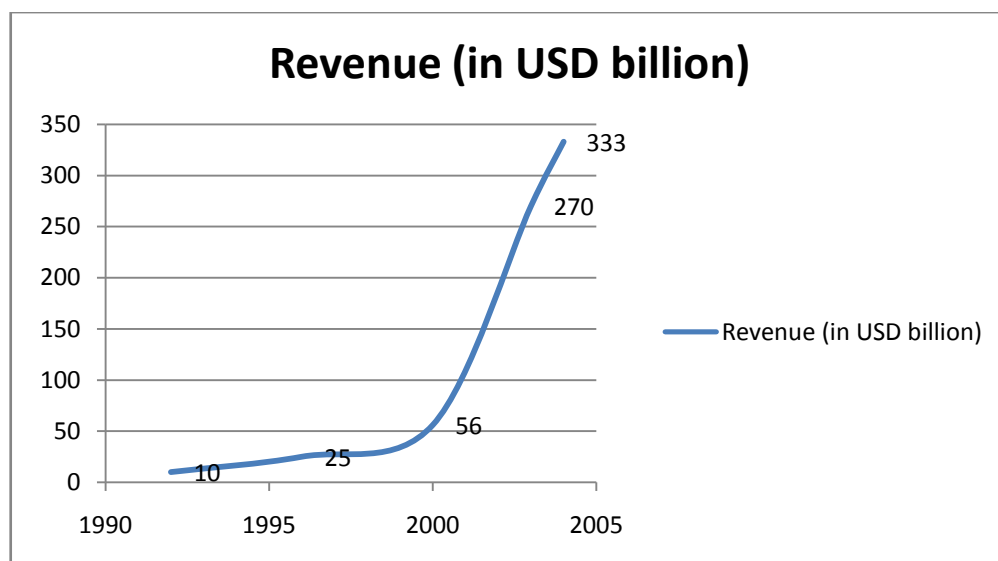
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## Introduction:

Logistics is one of the key service offerings required by businesses today, and a driver of growth in developing economies. Efficient logistics services provide access to new sources and markets, enabling companies to expand their businesses by increasing choices and capabilities, improving current conditions and future prospects.

Logistics is the invisible catalyst linking supply and demand, and one of 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.

In annual surveys of top 25 global Logistics Service Providers, US-based Armstrong & Associates, Inc. found that global logistics market size was registering high growth rates:



In India, rapid growth in almost every sector from retail to automobile manufacturing has spurred the growth of the logistics sector. The Indian logistics industry was valued at INR 4 trillion in 2007, and is growing at 20% vis-à-vis the average world logistics industry growth of 10% (Mitra: 2006).

However, largely unorganized and fraught with infrastructure and skill shortages, the Indian logistics industry is still in its nascent stage. To realize its potential growth, a public-private effort in infrastructure, IT capabilities and people is called for. The Indian Government is providing an enabling infrastructure and creating conducive regulations for logistics, with investments of INR 15 trillion over the next few years (KPMG: 2007).

Indian logistics industry is growing rapidly in terms of numbers as well as complexity and scope. However, manpower training for the sector has not kept pace, resulting in severe skills shortage. A key development in the logistics sector has been the movement from in-house staff, who simply manage inventory, to complex third party supply chain management. Logistics providers today are expected to provide complete end-to-end logistical support throughout the supply chain cycle of a business, cutting down costs and lead time. Thus the skills and expertise required within this industry has grown with the advent of sophisticated Supply Chain Management. The current levels of expertise and management skills of professionals in the sector are not meeting the growing demands of the industry.

## SCM and the need for skills

Globalization has made the international supply chain a prime business concern for multinational companies. Complete and integrated Supply Chain Management (SCM) by third party logistics (3PL) providers across domestic and international locations is today a key service requirement for businesses to maintain their bottom line. Businesses today are looking for providers who can offer integrated services in global transport, customs and documentation, storage and customer services.

SCM deals with the linkages in the supply chain, such as contracts and relationships, supplier selection, information and financial flows besides materials flows, creation of new facilities such as plants, warehouses and distribution centers. Efficient management of SCM has the potential to make the chain taut and agile.

A strong supply chain involves organizations collaborating together to align and co-ordinate their efforts. Competitive advantage is then gained by the application of lean principles across the whole supply chain.

To fulfill the level of complexity required for managing today's supply chain functions, a highly trained workforce is required. Apart from domain training and expertise, supply chain managers are required to be analytical and capable of multi-tasking, delegating and handling stressful situations. They should be leaders able to direct a well co-ordinated team, build relationships with clients and suppliers, and be efficient at understanding actionable data. These specialized managerial, interpersonal and analytical skills are a must for the Indian Logistics industry, particularly in its nascent stages when it struggles to overcome critical infrastructure and organizational challenges.

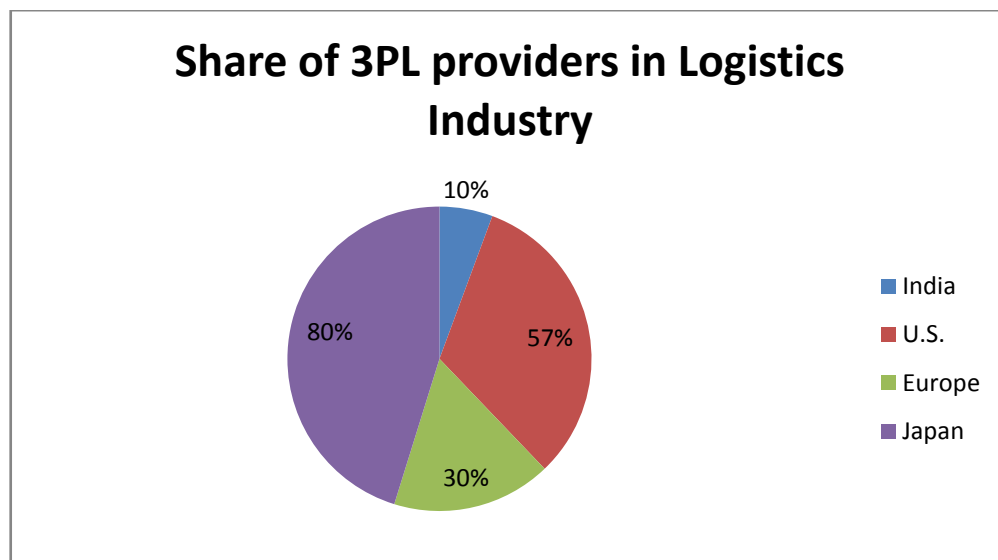
### Some of the key skills required for efficient supply chain management are:

- Information Management
- Industry know-how
- Customer Relationship Management
- Advanced Planning and Optimization (APO)
- APO in Business Processes
- Demand Planning
- Supply Network Planning
- Problem Solving

## Industry Challenges in India

The Indian logistics sector is yet incapable of emerging as a strong supply chain partner for global and Indian businesses. The industry is currently plagued with poor infrastructure, high costs, government regulations and a variety of other challenges. The sector suffers from extreme fragmentation, consisting largely of single family-owned service providers. Co-ordination and efficiency of the supply chain is made particularly difficult due to the multiple parties operating at different levels of the chain. Today, there are few logistical providers in India who are also integrated supply chain managers with service offerings over the entire transport cycle.

In India, the proportion of 3PL providers in the national Logistics market is less than that of developed countries. This is because complete integrated supply chain management has not yet taken root as an industry offering.



(Source: *The Economic Times*, October 7, 2003, cited in Mitra, 2005)

Moreover, India's spend on logistics activities - equivalent to 13% of its GDP - is higher than that of the developed nations, partly due to the high level of co-ordination required between fragmented players (Cited in KPMG: 2007).

Country	Logistics Cost/ GDP	Share of 3PL in overall Logistics
China, India	13-15%	<10%
U.S.	9.9%	57%
Europe	10%	30-40%
Japan	11.4%	80%

(Source: *Logistics in India*, SSKI)

As per the World Bank's report on the Logistics Performance Index, a 0.5% decrease in logistics costs leads to 2% growth in trade and 40% increase in the range of products that get exported out of the country (World Bank, 2007). The high cost of logistics has a direct impact on retail, manufacturing and trade, impacting India's economy adversely.

The challenges facing the sector have been further exacerbated by shortages in trained manpower. Companies are outsourcing SCM or a part of it to third party logistics (3PL) providers to derive cost and time efficiencies. As seen in the earlier section, to deliver value to customers, logistics providers need domain-trained manpower right from warehouse workers to top management. Logistics providers also need to have an understanding of the legal system, economic structure and import and export regulations of the markets they operate in.

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. Some of the key business areas where this gap is being felt are:

- Transportation
- Warehousing
- IT capabilities & communication skills APO in Business Processes
- Value added services (customized services, track and trace, etc.)

Majority of the manpower available in the Indian logistics sector lacks critical domain skills. The gaps in skills required are at all levels, from senior and middle management to the operational level. At the senior level, the skill gap arises from the structure of the industry in India. Small sized entrepreneurs have limited intent or capability to scale and build manpower capabilities. The industry gaps in good management practices are deeply set, 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 infrastructure to impart skills. Gaps in core technical skills arise from the unorganized and fragmented structure in the industry. 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.

## Education and training

Logistics and SCM is a relatively new field of study in India. People are still not aware of the possibilities in this sector and the training available to them. Educational institutions too have been slow to catch up with the realities on the ground. In India, there are not as many management institutes teaching Logistics as other professional courses. As this is a relatively new field, the curriculum is still not standardized across various institutes.

A critical shortfall is the lack of an overall framework of standardised performance-based and measurable competencies for logistics professionals. Some of the key requirements of a Logistics specialist's curriculum are not always clearly articulated. To overcome these problems, logistics providers and educational institutions will have to:

- Review logistics training materials and assess those materials
- List core skills that need to be addressed by trainings in order to improve logistics
- Identify effective methods of training to meet future needs

Logistics companies, educational institutions and the government will have to work together to implement a universal curriculum based on the skills required by the market today. While, it may take time to mainstream logistics education and training, companies have their part to do. Many logistics companies are developing their own training programs for various roles. Their on-the-job training combined with classroom lesson method, is proving beneficial, especially, for lower end roles such as drivers, loaders etc, where opportunities for external training are even minimal.



## Skills Required

Human resources in logistics industries, nationally and internationally, face challenges in placing people with the right skills in management positions. The scarcity of trained professionals in the field in India means that often new recruits have to be trained in the skills required for their position. Seven standardized professional competencies required from logistics executives and managers are:

- Coordinate and plan logistics operations in support of businesses.
- Make best use of human resources in the logistics chain.
- Plan and manage the product supply chain: forecast requirements, manage stocks, organize distribution, and monitor flows.
- Plan, institute and supervise a system for acquiring, installing, operating and maintaining technical equipment.
- Supervise administrative and financial operations within relevant areas of responsibility.
- Manage and maintain facilities and infrastructures (energy, water, environment, premises).
- Provide prompt and effective management and support in emergencies.

Other than these core competencies at the management level, a key shortfall in the industry has been the lack in technological skill sets in workers across the board. The rapid advancements in technology deployed in the logistics sector have necessitated training in handling technology. As Information and Communication Technology (ICT) devices become more sophisticated, higher level of training will be required across all functions. The efficient use of ICT reduces operating costs, thereby increasing margins. The ICT revolution is changing the way business is being done and in such an environment training is essential to cope up. Training on technology should not only focus on understanding and operating technology but also on 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.

As supply chain management is a service oriented industry, customer service agents also need to be better trained in adding value to the customer. Most logistics organisations consist of analysts who design and engineer the optimised supply chain. The customer agents implement these solutions, speaking to shippers, receivers, etc. and booking loads. Efficient co-ordination between analysts and customer agents allows for a better transportation network. A customer service agent who understands all the workings of the supply chain and the commodity will be able to optimize delivery and lead times, saving on costs.

However, at the moment, customer service in logistics consists largely of routine co-ordination of delivery timelines. Most of the agents are entry level candidates with limited experience. Service agents need to have a better understanding of the logistics supply chain, and sound analytical skills so that they can negotiate, obtain discounts, observe and correct inefficiencies, and provide customers with information which might add value to their business.

## Recommendations

Some of the key recommendations and methodologies to implement logistics training objectives are:

- Accelerate consolidation, integration and organization in the industry
- Undertake initiatives to uplift the image of the industry
- Create incentives for development of skills for logistics employees
- Adopt competency-based training to achieve sustainable performance improvements.
- Develop pilot training options that can be feasibly and effectively scaled up for wide scale roll-out and adoption
- Inject motivation and follow-up support through incentives into all aspects of instructional design and HR process
- Embed sustainability by linking service training to identified competencies, and aligning the performance appraisal and incentive systems accordingly

Overcoming the skill gap in Indian logistics industry requires more than establishing training institutions. It needs a comprehensive approach that focuses on improving the physical infrastructure and policy framework for industry along with creating training facilities. Rooting out some of the fundamental problems such as fragmentation, poor infrastructure and unfavorable government policies will make the industry attractive to international business and local talent alike. For such a multi-pronged approach a strong public-private partnership is essential.

While the government handles the infrastructure and policy fronts, industry players need to work on the soft infrastructure. Leading logistics companies and industry boards should come together and present to the government a comprehensive training plan for the logistics sector. The plan should layout in detail the skills required in each role, the existing skill gaps and recommendations.

While institutions imparting logistical management are slowly springing up, gaps in skill training for operational functions are likely to remain unattended for long. One way of overcoming this problem is leveraging on the network of Industrial Training Institutes (ITI). These institutes are playing an important role in imparting education in technical fields and have a wide appeal across India. Courses imparting skills required for various technical functions in warehousing, transporting etc. could be introduced in ITIs.

In this age of knowledge sharing, the expertise of foreign logistics experts can be invaluable. Experts from mature logistics markets could be bought on board to help the industry and government develop training courses. Multinational logistics providers operating in India have access to vast knowledge resources and best practices which they could adapt to their operations in India.

## Conclusion

The growth of the Indian logistics sector depends on the growth of its soft infrastructure – education, training and policy framework. Growth of the logistics industry is essential to support India's fast paced growing economy, which is quickly becoming a world leader. 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 to meet for pre-determined skill sets required by the industry.

Training and management institutes are slowly increasing the number and depth of courses leaching logistics. A standardized body should monitor and promote these courses, and maintain universally applicable standards in testing and examinations.

As a service-based sector, logistics services can only be as efficient as the efficiency of its lowest rung employee. From the bottom to the top, a change in the efficiencies of personnel will spur the growth of the industry, and allow Indian businesses to scale greater heights, domestically and globally.

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## Contact us

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### Corporate Headquarter (India)

**LCL Logistix (India) Pvt. Ltd.**

220, Sai Commercial Centre, Station Road,  
Govandi (East), Mumbai-400088

**Tel:-** +91 66409999 / 9900

**Fax:-** 25552693

**E-mail:-** [corporate@lclshipping.com](mailto:corporate@lclshipping.com)