A study to explore the opportunities for Indian IT Products in the international markets

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Abstract:

Advanced countries heavily use IT tools to meet their challenging demand, they rely upon less developed countries for some of their IT needs. Outsourcing of IT needs to developing countries help them bring down IT costs. India has been a key destination for leading developed and industrialized countries for sourcing their IT needs. Information technology (IT) is the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data. IT benefits the business world by allowing organizations to work more efficiently and to maximize their value proposition. Businesses all over the world now face the digital, connected customer- one who is informed, decisive and influential. Organizations have no choice but to use technology to undergo a digital transformation themselves. Digitization can extend reach of organizations, enhance management decisions, and accelerate development of new growth engines. The study undertakes a comprehensive evaluation of the competitive advantage of the Indian IT industry using the Michel Porter’s Diamond Model of national comparative advantage. The study concludes that the Indian IT companies have distinct advantage from their international counterparts and suggest many practical approaches to help increase the Indian IT export.

Keywords:

India, IT, export, balance of payment, current account deficit, international business, ITES, software, BPO, KPO

Introduction:

Information technology (IT) is the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data. Information technology (IT) benefits the business world by allowing organizations to work more efficiently and to maximize productivity. Faster communication, electronic storage and the protection of records are advantages that IT can have on organizations. Information technology has to do with computer applications, on which nearly every work environment is dependent. Since computerized systems are so widely used, it is advantageous to incorporate information technology into organizations. It has been accepted beyond doubt that use of appropriate IT tools helps improve organizational efficiencies and results in better delivery of products and services to customers. Advanced countries heavily use IT tools to meet their challenging demand, they rely upon developing countries for some of their IT needs. Outsourcing of IT needs to developing countries help them bring down IT costs. Over the years, India has been a key destination for leading developed and industrialized countries for sourcing their IT needs.

Businesses all over the world now face the digital, connected customer- one who is informed, decisive and influential. Organizations have no choice but to use technology to undergo a digital transformation themselves. Digitization can extend reach of organizations, enhance management decisions, and accelerate development of new growth engines.
Worldwide IT spends was USD 2.3 trillion, growing at 4.6 per cent over 2013. Global sourcing of services grew by 10 per cent, and India continued to hold on to its leadership position with a 55 per cent market share. India's position as a leading provider of IT solutions has been fuelled by a large talent pool of engineers, large English speaking population and weak currency. However, Indian IT export has been hampered by poor infrastructure, lack of export benefits and inefficiencies of India IT majors. In spite of these limitations, India's total export of IT, ITeS and BPO services grew 14.8% to $82 billion in 2014-15, according to RBI data. After growing to $82 billion in 2014-15, the India IT industry is poised to reach around $350 billion by 2020.

Research objectives:
To explore the opportunities of Indian IT Products in the international markets

Sub objectives:
1. To study the Indian IT export pattern to countries
2. To study the leading IT export destinations
3. To study the key trends in IT exports
4. To study the key determinants of IT export

Research contribution:
This research suggests suitable strategies to the IT industry to help boost up the Exports of IT products from India. The outcome of this research is practical suggestions for the Indian IT firms to increase their exports.

Literature review:
Two of the leading BRICS nations namely Brazil and China have relied upon the domestic market, while India, Ireland and Israel, have developed their economy through exports (Arora, 2008). This explains the importance of international markets for the Indian IT companies. It suggests that Indian IT firms should orient themselves towards global clients. The largely untold story of the Indian software industry centres on the abilities of the pioneer firms in the industry who learnt how to transform the programming skills of their labour force into firm-specific capabilities, and to become credible rivals of firms such as Accenture, EDS and IBM Services in the outsourced-software market (Athreye, 2005). The study by Athreye bears the strong testimony of Indian software companies in the leveraging the software development capabilities of Indian skilled programmers. It also emphasises the role of quality manpower as the key element in the Indian software industry.

Indian software companies may not be reporting the two digit growth rates they had witnessed a few years ago but they are still making rapid gains on the back of innovation, improved revenue productivity and by investing heavily in technology such as automation and the Internet of Things (IoT) (Babu, Venkatesha, 2015). The Indian software companies are constantly innovating themselves in order to compete globally and be cost effective. This signifies that although the high growth rate which marked the initial boom period of IT industry may not be sustainable in long run yet Indian software companies are improving productivity to keep the momentum.

Indian IT industry is arguably the most global of any Indian industry verticals and has created international benchmarks for quality, proving to the world that Indian IT companies can compete globally and win on quality and price leadership (Naik, Rama M, 2014). The study by Naik and Rama suggests that Indian IT industry as already shown and proved its global competitiveness and developed a reputation in international markets by delivering quality products and services. The IT companies are the most globalized one among Indian industries.

Some Indian states are more suitable to economic development and innovation due to their higher level of education and learning as well as their more general openness (Taeube, Florian Arun, 2004). The Indian IT companies are heavily concentrated in cities like Bengaluru, Hyderabad, Pune, Noida, Chennai, etc. with much more cities coming up as an ideal destination for providing IT solutions across the world. This stresses that the Indian IT sector has become a key element of Indian economy and thus inviting further investment in this sector.
Almost two third of the revenues of the Indian software industry are from exports, with a much smaller domestic revenue base (Ashish Arora, V. S. Arunachalam, Jai Asundi, Ronald, Fernandes, 2000). Arora et al reiterates the importance of global markets for Indian software products. Thus it is most desired by the Indian IT companies to focus on their international business. Lack of reliable and quality infrastructure forced Indian entrepreneurs to shift towards service-oriented sectors such as like IT-ITeS (Arora and Athreye, 2002 and Athreye, 2005). Availability of cheaper and quality manpower, a significant amount of software production began to be outsourced to India, which laid the foundation of the rapid progress of the IT industry in India (Arora & Athreye, 2002).

After 1991 liberalization of Indian economy, the Indian software industry has grown phenomenally in stature and size. Growth in stature of the industry is reflected in the establishment of global development centres (GDCs) by Indian software firms. GDCs enable clearer understanding of customer needs, design of services and products that are customized to specific customer’s needs. GDCs can enhance an Indian software firm’s global strategy in many ways: by enabling it to strengthen its ties with international clients, by providing learning and competence enhancement opportunities and facilitating tackling fierce competition, including rivals from developed countries (Awate et al., 2012; Cantwell and Mudambi, 2005; Kumaraswamy et al., 2012). Thus GDCs are a key element of Indian IT companies to maintain their competitive advantage.

Past experience reveals an increase in revenue of as much as 50 per cent when top Indian software firms opened their first GDC outside India. As developed country firms, such as IBM, Microsoft, Google, Apple, etc., have established their own GDCs in low-cost countries including India, the cost-based advantages of Indian firms have been eroded, making the establishment of GDCs quite obvious choice for these companies, especially for those with ambitions to attain global prominence (Kumaraswamy et al., 2012; Patibandla and Petersen, 2002). Thus Indian companies are repeating the success stories of GDCs as witnessed by their international counterparts.

The impact of dilution of competitive advantage in IT industry is being felt at the country level also, especially as the software industry has played a prominent role in the quest for economic development as well as technological progression of countries such as Brazil, China, Israel and India (Feiman and Knox, 2002). This suggests that success of IT companies is crucial for the overall economic development of India and hence the rising importance of global success of Indian IT firms.

Prior research work has examined the internationalization of manufacturing plants by developed country firms (Henisz and Macher, 2004; Martin and Salomon, 2003), or the follow-up strategy by emerging market production firms (Awate et al., 2012; Kumaraswamy et al., 2012), it has not examined this key issue for emerging market services firms including IT services, a surprising omission considering the importance of the phenomenon for the emerging market firms (EMFs) as well as their home countries. To fill this wide gap, we explore the inter-firm variation in the opening of GDCs by Indian IT firms. We examine how past performance of a firm, its degree of internationalization (DOI), its possession of a valuable resource in the form of CMMI Level 5 certification, ISO certificates and its rivals’ opening of GDCs influence the number of GDCs opened by it. Thus we infer from the available literature that GDCs have become the tool of choice for Indian IT firms to boost their service offerings globally.

Indian software firm opening GDCs will have to attract key IT professionals and will have to compensate them more than market rates because the firm may lack a strong reputation in the host country because of the liability of being an outsider company (Cantwell and Mudambi, 2011; Johanson and Vahlne, 2009, Newburry, 2010) and liability of belonging to emerging economy (Madhok and Keyhani, 2012). Thus GDC management offers a key human resource management challenge for Indian firms and demands a long term strategy to solve it.

The export oriented growth curve of the Indian Information Technology Sector has helped it to remain a Global Powerhouse despite the International Global problems. The Government of India initiative after the financial crisis of 1991 in the form of Software Technology Parks of India (STPI) has encouraged entrepreneurship in IT and ITeS sector (Kolluru, Mythili; Kolluru, Shyam Kumar, Dec 2014). The Indian government has quite early recognized the role of IT firms in boosting exports to
earn precious foreign currency thereby meeting India’s import obligations. Setting up of STPIs has been one of the major contributions of Indian government to support the export capabilities of Indian firms. Setting up of STPIs has not only increased the level playing field but also benefited in tax credits to Indian software firms.

14 state governments in India have announced IT policies, while most have created high-powered IT task forces as almost every state government try to attract software companies to operate from its soil (Sahoo, Bimal Kishore; Nauriyal, D K. , Dec 2014). The policy support by the Indian government has been squarely supported by the respective state governments. This implies that as far as the support to Indian IT firms to boost their operational efficiency is concerned, both the central as well as the state governments are on the same page. This has benefited the IT firms in increasing their exports. Openness index and software exports have bilateral dependability, showing that openness has influenced software exports from India (Sahoo, Bimal Kishore; Nauriyal, D K. , Dec 2014). After the Indian financial crisis of 1991 and subsequent Liberalization, Privatization and Globalization (LPG) has resulted in opening of Indian economy. This openness has been a major boost for IT firms and helped them to leverage the domestic resources to serve the global markets.

Major players like IBM, Google, Microsoft, Accenture, HP, etc. have established their presence in India in the form of Indian subsidiaries and plan to expand aggressively. Competitive, sustainable offshoring models will ensure more business instead of the likes of HSBCs, Oracle, Prudential and Verizon preferring to build their own captive centers in India to serve their global needs. Due to entry of multinational IT companies in India arena, Indian players (TCS, Wipro, Cognizant, etc.) need to gear up to the challenge (Daisy Mathur Jain; Khurana, Reema, 2013). The arrival of international technology giants in India has forced Indian IT majors to increase their operational efficiency and prompted them to bring out quality products and services as affordable prices to their customers. This increased operational excellence has helped them tap international markets.

The study of the research work undertaken on the Indian IT industry strongly suggests that India IT firms have developed key technology as well as manpower management capabilities to offer global services at competitive pricing. The presence of large domestic IT companies and rivalry among them has also contributed to the efficiencies and global competitiveness of these firms.

Research methodology:
The research obtained secondary data regarding Indian IT export from leading institutions like NASSCOM, RBI and other related public sources. The export data was analysed to identify trends. Individual country wide analysis was carried out to assess the IT export to these countries and identify the areas in which the IT export can be increased. The research studies the generic methods used to boost export and apply them to IT industry. Indian foreign trade policy was studied with a focus on IT and suggests strategies to boost Indian IT export. Data released by RBI was used to understand the patterns in IT exports.

Theoretical framework:
Michael Porter’s Diamond model was used as the main theoretical framework for this research. The Diamond model of Michael Porter for the Competitive Advantage of Nations offers a model that can help understand the competitive position of a nation in global competition. The model explains why particular industries become competitive in particular locations. This model suggests that the national home base of any organization plays a crucial role in determining the level of international success to which it is likely to achieve.

Michael Porter in his research “The Competitive Advantage of Nations” (1990) mentions that a nation’s competitiveness depends on the capacity of its industry to innovate and upgrade. Companies gain advantage against the world’s best competitors because of pressure and challenge. They benefit from having strong domestic rivals, aggressive home-based suppliers, and demanding local customers.
According to Michael Porter, the Competitive Advantage lies in four broad attributes of a nation, attributes that individually and as a system constitute the diamond of national advantage, the playing field that each nation establishes and operates for its industries. These attributes are:

1. **Factor Conditions**: The nation’s position in factors of production, such as skilled labour or infrastructure, necessary to compete in a given industry.
2. **Demand Conditions**: The nature of home-market demand for the industry’s product or service.
3. **Related and Supporting Industries**: The presence or absence in the nation of supplier industries and other related industries that are internationally competitive.
4. **Firm Strategy, Structure, and Rivalry**: The conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry.

Each of these four attributes defines a point on the diamond of national advantage; the effect of one point often depends on the state of others.

Along with these 4 major determinants, Porter also emphasized the role of these 2 additional factors in shaping the competitive advantage of nations:

1. **The Role of Government**: The government acts as an essential helper or supporter of industry, employing a host of policies to contribute directly to the competitive performance of strategic or target industries.
2. **Chance**: Chance events are occurrences that are outside of control of a firm. They are important because they create discontinuities in which some gain competitive positions and some lose.

Along with the Michael Porter’s Diamond model, other factors affecting Indian IT export were analyzed to help understand the nature of Indian IT export and this in turn helped us to suggest ways to increase India IT export.

### The Determinants of National Advantage

![Diagram: Determinants of National Competitive Advantage according to Michael Porter](image-url)
Discussion:

According to the study conducted by the Reserve Bank of India, on ‘Survey on Computer Software and Information Technology Enabled Services Exports’ for 2014 – 15, India’s total export of computer services and ITES/BPO services (excluding commercial presence) during 2014-15 is estimated at 5,014.0 billion (US$ 82.0 billion), registering 14.8 per cent growth in US $ terms over the previous year. Exports of ‘computer services’ and ‘ITES/BPO services’ contributed 72.0 per cent and 28.0 per cent, respectively, of the total software services exports. Public limited companies accounted for 55.6 per cent share of the total software services exports during 2014-15. India’s total export during 2014 – 15 has been US $310.5 billion. That makes IT export as 26.4% of total export and emphasises the role of IT export in overall Indian export. It is important to note that India’s projected total export during 2014 – 15 was $340 billion and that target was missed by $30 billion whereas IT export has increased by 14.8 percent as compared to last year. This gives the notion that IT export sector is doing better than other sectors.

USA & Canada continued as the major destination and accounted for nearly 60 per cent in total export of software services during 2014-15. Europe had nearly 25 per cent share, of which UK accounted for almost half. This stresses the importance of North America for the India IT export. It highlights that Indian IT companies have been able to cater to the needs for North American markets. This seems natural as USA and Canada are developed economies and they need IT as support tool to fuel their growth which is met by developing economies with skilled manpower like India. These figures also highlight the importance of Europe as the second largest IT export market after North America. UK alone accounts for around 12% of total IT export.

<table>
<thead>
<tr>
<th>Activity</th>
<th>2013-14</th>
<th></th>
<th>2014-15</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td><code>Billion</code></td>
<td><code>Us$ Billion*</code></td>
<td>Share (%)</td>
<td><code>Billion</code></td>
</tr>
<tr>
<td>USA &amp; Canada</td>
<td>2,712.2</td>
<td>44.8</td>
<td>62.7</td>
<td>3,004.9</td>
</tr>
<tr>
<td>Europe</td>
<td>1,054.0</td>
<td>17.4</td>
<td>24.4</td>
<td>1,235.9</td>
</tr>
<tr>
<td>of which UK</td>
<td>544.0</td>
<td>9.0</td>
<td>12.6</td>
<td>611.7</td>
</tr>
<tr>
<td>Asia</td>
<td>245.1</td>
<td>4.1</td>
<td>5.7</td>
<td>451.8</td>
</tr>
<tr>
<td>of which East Asia</td>
<td>157.0</td>
<td>2.6</td>
<td>3.6</td>
<td>356.0</td>
</tr>
<tr>
<td>West Asia</td>
<td>69.2</td>
<td>1.1</td>
<td>1.6</td>
<td>91.3</td>
</tr>
<tr>
<td>South Asia</td>
<td>18.8</td>
<td>0.3</td>
<td>0.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Australia &amp; New Zealand</td>
<td>168.5</td>
<td>2.8</td>
<td>3.9</td>
<td>169.0</td>
</tr>
<tr>
<td>Other countries</td>
<td>143.1</td>
<td>2.4</td>
<td>3.3</td>
<td>152.4</td>
</tr>
<tr>
<td>Total</td>
<td>4,322.8</td>
<td>71.4</td>
<td>100.0</td>
<td>5,014.0</td>
</tr>
</tbody>
</table>

Table 1: Destination of Software Services Exports (Source: RBI)

US Dollar was the invoice currency for around three-fourths of the software exports followed by Pound Sterling and Euro. This assures the dominant role of US dollar. Euro is placed at third position even being used by 19 of the 28 member states of European Union. Pound Sterling is the second most used currency in Indian IT export and emphasis its importance.
As in the previous year, off-site mode accounted for 80 per cent of the software export in 2014-15 while on-site mode accounted for the remaining 20 per cent.

### Table 2: Currency Composition of Invoice - Software Services Exports (Source: RBI)

<table>
<thead>
<tr>
<th>Currency</th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>GBP</td>
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<td></td>
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<td>`</td>
</tr>
<tr>
<td></td>
<td>billion</td>
<td>billion*</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>USD</td>
<td>3,138.3</td>
<td>51.9</td>
</tr>
<tr>
<td>GBP</td>
<td>407.6</td>
<td>6.7</td>
</tr>
<tr>
<td>EUR</td>
<td>318.4</td>
<td>5.3</td>
</tr>
<tr>
<td>AUD</td>
<td>128.7</td>
<td>2.1</td>
</tr>
<tr>
<td>INR</td>
<td>107.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Other Currencies</td>
<td>222.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Total</td>
<td>4,322.8</td>
<td>71.4</td>
</tr>
</tbody>
</table>

### Table 3: Software Services Exports – Type of Services-wise (Source: RBI)

<table>
<thead>
<tr>
<th>Type of Services</th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>`</td>
<td>`</td>
</tr>
<tr>
<td></td>
<td>billion</td>
<td>billion*</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>On-site Services</td>
<td>857.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Off-site Services</td>
<td>3,465.5</td>
<td>57.3</td>
</tr>
<tr>
<td>Total</td>
<td>4,322.8</td>
<td>71.4</td>
</tr>
</tbody>
</table>

### Analysis of Indian IT firms as per Michael Porter’s Diamond model:

Indian IT companies were evaluated as per the determinants of Porter’s Diamond model:

1. **Factor Conditions:**

   The most crucial element for the IT companies is the human resources. The IT industry today is India’s largest and most diverse private sector employer, with a direct workforce nearing 3.5 million, and effecting over 10 million indirect jobs. With over 150,000 digitally skilled IT-BPM employees, the industry is exponentially growing capabilities that help clients go digital. The industry currently employs more than 3.5 million – India’s largest private sector employer. It is also playing a key role in promoting diversity within the industry – women employees (more than 34 per cent share), 170,000 foreign nationals and a greater share of employees from non-Tier I Indian cities.

   Indian IT workers’ wages are about 1/3 to 1/5 as compared to US workers. Indian IT professionals are presumed to be the cheapest in the world as compared to US, Europe and other developing countries and this has resulted in giving a competitive advantage to Indian IT firms.
2. Demand Conditions:

While worldwide IT-BPM spend was USD 2.3 trillion, growing at 4.6 per cent over 2013, global sourcing of services grew by 10 per cent, and India continued to hold on to its leadership position with a 55 per cent market share. At the same time the industry’s relative share in India’s GDP has swelled to 9.5 per cent, it offsets more than 70 per cent of India’s oil import bill. Software products, IT and BPM services continued to lead, accounting for over USD 1.25 trillion–55 per cent of total spend. Hardware spends at USD 1 trillion, accounted for balance 45 per cent. While Americas remained the largest market, APAC recorded highest growth of 5.1 per cent, driven by faster growth in BPM services. Emerging verticals like healthcare, communication and media, government were key growth drivers for the IT segment during 2014.

2014 saw renewed demand for overall global sourcing, which grew by 9-10 per cent over 2013, nearly twice the global technology spend growth. India maintained its leadership position in the sourcing arena with a share of 55 per cent. New global delivery centres added in 2014 recorded an impressive growth of 49 per cent with over 27 per cent additions being in India.

Domestic IT-BPM market at USD 48 billion is set to grow faster than exports market at 14 per cent, driven largely by the addition of e-commerce into the picture. IT services is the largest segment, with a share of ~47 per cent followed by BPM with share of ~18 per cent. Software products, ER&D and product development segments together have >16 per share followed by e-commerce (9.5 percent) and hardware (about 9 per cent).

Exports to USA, the largest market grew above industry average, aided by an economic revival and higher technology adoption. Demand from Europe remained strong during the first half of the year, but softened during the second half due to currency movements and economic challenges. Manufacturing, utilities and retail growth remained strong as clients increase discretionary spend on customer experience, digital, analytics, ERP updates and improving overall efficiency. BFSI, the most mature market experienced cost pressures affecting growth.

3. Related and Supporting Industries:

Supporting industries provide a vital life line to the IT industry exports. For the IT-ITeS sector, the most important supplier or related industry would be education institutions, and hardware. In Indian IT industry context, India has a large number of institutions that provide cutting edge training on latest IT software, solutions and systems which ensures availability of highly skilled man power – the key ingredient for the knowledge lead IT industry. India has also a strong back bone of educational institutes that provide English education, from kindergarten to University level. This makes sure that IT industry has steady supply of English speaking professionals. This can provide competitive edge to IT industry.

However, the hardware sector has not been directly as supportive as the English and IT educational institutions. Indian hardware sector suffers from low quality and has been able to cater to domestic markets only due to cost advantage. However, the declining hardware costs have helped its adaptation for education second thus indirectly helping the IT forms exports by helping in creating quality manpower.

4. Firm Strategy, Structure, and Rivalry:

The Indian industry continues to develop capabilities around traditional and emerging markets, verticals and customer segments, expand global delivery presence, and increase focus on high value
services including product development. India is also home to the fourth largest and fastest growing
digital start up ecosystem in the world that is engaged in developing innovative solutions and actively
collaborating with larger technology companies to take these solutions to market.

The Indian IT-BPM industry is relentlessly continuing its growth path. The industry demonstrated
flexibility and resolve to adjust to turbulent economic conditions and experience double digit
growth. The industry is attempting to shift from a linear to a non-linear growth model and has therefore
been following a differentiated growth path. These strategies include both inward- and outward-
looking initiatives.

5. The Role of Government:

The government has played a key role in the evolution and promotion of the IT sector in India. The
new government’s technology reliant economic growth agenda has significantly boosted domestic IT-
BPM market growth prospects and overall business confidence. As an economy, India is beginning to
stabilise post elections. Overall business confidence is picking up with the new government in place
and its clear policies and economic growth agendas particularly – Digital India and Make in India,
have helped drive a vision of a technology enabled India. These initiatives are expected to fuel the
domestic IT demand and in the process of fulfilling these demands, it is highly likely that excess
capacity may be available for future export.

Digital India campaign envisages a USD 20 billion investment covering mobile connectivity
throughout the country, re-engineering of government process via technology and enabling e-delivery
of citizen services.

The present government under the dynamic leadership of Prime Minister Mr. Narendra Modi has
created a positive reputation of India across the globe which has resulted in appreciation of Indian
people and its various products and solution and generated a positive impact.

6. Chance:

The strong bilateral relations between India and USA (India’s largest IT export destination) and an
ever appreciating US $ has come as a boon for Indian IT export companies. This has been a major
factor in increasing IT exports to USA. Worldwide demand for IT products and solutions has increased
and this has opened new opportunities for Indian companies. Another factor that could be attributed to
chance is the rise in terrorism across the globe resulting in the need of security related software and
solutions thereby creating demand for Indian IT firms.

Suggestions for Increasing IT export:

Based on the discussion on the Indian IT export in 2014 – 15 and analysis of the Indian IT export
companies competencies based on Porter’s Diamond Model, our study make the following suggestions
to further boost the Indian IT export:

In the light of Brexit, The value of Pound Sterling has come down which is expected to further
slide down as the UK completes the formalities of Brexit. In this context the UK economy is
expected to shrink and this will result in less IT requirement of UK companies. It is expected
that this will lead to lesser export from India. We propose two suggestions to help deal with
this situation. First, Indian companies should start billing UK companies in US $ to set off the
downing Pound Sterling. And secondly, Indian firms should focus more on other high value
countries in EU.
Historically US $ has gained over Indian Rupees and this has boosted the export of India firms. However, it has not improved the real competencies of the firms and provided only the notional profitability. We suggest that Indian IT firms exporting to USA, Canada, etc. and billing in US $ should not judge their performance by $ value of their export but rather by operational efficiencies brought in by them.

The markets in North America and Europe are highly competitive and are becoming saturated. To deal with this challenge, Indian firms should focus on developing new markets. Latin America and whole of Africa could be an attractive market as the countries in these regions are developing and will need IT tools to grow.

APAC accounted for the highest worldwide IT spent growth of 5.1%, this makes this market something to seriously look at. IT firms should pay special attention to the needs of this geography and increase their offering.

As India maintains its impressive share of 55% in the global outsourcing arena giving the credible testimony to the time and tested competency of Indian IT forms in proving outsourced solutions; Indian IT forms must treat this segment as cash cow and continue to maintain their leadership position. They should look out for the ways to improve operational efficiencies in this domain as even a slight operational efficiency may result in higher profitability due to sheer volume of the domain.

The manpower for the industry in presently being largely met by Tier I cities. Companies should increase their employee exposure to non-Tier I cities which will bring their operating cost and boost probability.

Presently only 170,000 foreign nationals are being employed in India. Foreign national bring with them diverse knowledge and experience and help the industry. Companies should try to increase the tally of talented foreign nationals by offering them better working conditions, stock options and other motivational tools. Government of India should facilitate this by providing easy visa facility to foreign workers working in IT industry.

Exports to Europe have been affected by currency movements during the second half of 2015. To mitigate this problem IT firms should practice currency hedging using future contracts and options, more particularly for the volatile currencies like Euro.

So far Indian IT firms have been known globally for their services and outsourcing. Only a few of them have been able to compete globally in the product space. So, firms should focus on developing new products with global customers in mind to help give them sustained revenue over a long period of time.

Government must offer incentives to IT firms developing Intellectual properties to help them compete in global markets.

Indian government initiatives like digital India, make in India, etc. should be implemented properly. This will create demand of IT products and services within the nation, improve competency, bring operational excellence and excess capacity may be utilized for exports. Indian government should collectively promote Indian IT companies abroad as it is presently doing for handloom, etc.

Hardware is a crucial component for IT along with software. Whereas Indian firms have created their reputation in software and IT services field, they still lag behind in quality
hardware. Indian IT hardware industry has to been strengthened by offering high quality products at affordable prices to compete with MNCs and to tap the export market and also to support the needs of IT software and support industries for creating international competitiveness.

Indian diaspora across the globe should be tightly brought under a strong network and their presence should be actively leveraged to promote Indian IT competitiveness throughout the world.

The on-site services revenue has increased by 5.8% as compared to 2013-14, however it is still 20% of the total revenue whereas the rest 80% is coming from off-site services. In this context, IT forms should increase their competencies on offering on-site services by taking efforts like increasing the global mobility of their workers, marketing of on-site services, etc.

Results:

Information technology provides a core value preposition for the organizations. The adaptation of IT solutions across the world is on the rise. India has surfaced as a major supplier of IT products, solutions and services across the globe. India has a clear competitive advantage in IT space due to availability of highly skilled manpower, available at a highly comparative cost. However, India lags in IT hardware space and IT products domain. By developing high quality hardware and products and by bringing operations efficiencies in the existing IT services space, Indian IT export could be further increased. The role of Indian government has been encouraging to promote domestic consumption which in turn has resulted in boosting the global footprint of Indian IT firms. A wide variety of strategies are offered for the India IT firms to increase their exports.

Direction for future research:

The study focuses on the IT industry export as a whole within the IT industry. Future research should study the export of various segments like hardware, software, BPO, KPO, etc. and suggest improving the same. Only the data related to 2014 – 15 was studies in the present scenario, this does not provide the historic trends. Thus it is desired that in future, research is undertaken to study data related to longer duration and deduce trends and arrive at the suggestions to help improve Indian IT export.

In the future studies the suggestions, feedback and views of the key Industry people, government representatives and customers should be incorporated to reflect the true picture of IT industry holistically.

Acronyms used

IT: Information system
RBI: Reserve Bank of India
ITes: IT enabled services
BPO: Business process outsourcing
KPO: knowledge process outsourcing
MNC: Multi national company

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