



INDIAN INFORMATION TECHNOLOGY INDUSTRY

BUSINESS & PEOPLE
PERSPECTIVE

2021

INDUSTRY OVERVIEW

INTRODUCTION

The Indian Information Technology (IT) industry is one of the fastest-growing industries in India and the largest contributor to the total exports of the country. It comprises more than 17,000 firms, of which over 1,000 are large firms with over 50 delivery locations in India. The IT sector includes IT services, Business Process Management (BPM), software products and engineering services and hardware. India is a leading sourcing destination across the world because of its cost competitiveness in providing IT services. It is also the largest employer within the private sector in India, employing nearly 3.9 million people.

The IT industry made up 8% of India's GDP in 2020 with 52% relative share in services exports and 50% share in total foreign direct investment (based on inflows from April to September 2020). According to National Association of Software and Services Companies (NASSCOM), the IT-BPM industry earned a revenue of nearly US \$194 billion in FY21, an increase of 2.3% year on year, because of rapid digital transformation and tech adoption in the wake of the pandemic. Another NASSCOM-McKinsey report estimates that the industry will grow by 10% a year to reach \$350 billion by 2025. This growth is expected to ride on the back of digital services, whose share in the revenues is estimated to increase from 30% to 50% by 2025. India accounted for nearly 55% market share of the US\$ 200-250 billion global services sourcing business in 2019-20. The exports from India are expected to increase by 1.9% to reach US\$ 150 billion in FY21.

The Top 5 Indian firms that dominate the industry are: TCS, Infosys, HCL Technologies Limited, Wipro Limited, Tech Mahindra Limited. These firms have a combined market capitalization of nearly Rs 23.48 trillion (as of 31 March 2021).

States like Karnataka, Tamil Nadu, Telangana, Delhi-NCR, Maharashtra make up the better part of the IT-BPM cluster with companies like TCS, Infosys, Wipro, HCL Tech, Tech Mahindra, IBM, Oracle, Microsoft, HP, Accenture, to name a few.

Like all the sectors, the COVID-19 pandemic created many challenges for the IT sector, with lockdowns, supply chain disruptions, shift to remote work, and suspension of contracts. However, it could get back on its feet quickly and limit the damage to the short term.

IN THE NEWS

- April 2021: TCS, Infosys, Wipro, others plan to hire 1.1 lakh people this year
- March 2021: Indian govt IT spending to grow 9.4% in 2021: Gartner
- Feb 2021: India emerges as Asia's biggest destination for fintech deals

Source: IBEF

EMERGING OPPORTUNITIES

Artificial Intelligence (AI), Internet of Things (IOT), Cloud Computing, Machine Learning (ML), Blockchain, Augmented Reality (AR), Data Science

BUSINESS PERSPECTIVE

INTRODUCTION

In recent years, technological innovations have increased by leaps and bounds. The rapid pace of digital transformation has left no sector untouched. Today, IT is present even in the smallest of things like a table lamp. It is needless to say that IT is the future of life.

COVID-19 AND FUTURE OPPORTUNITIES

When the pandemic stuck, it was expected that project-oriented services, like consulting, custom application development, systems integration, etc. would be significantly impacted while managed services, like application management, hosting services, IT outsourcing, network management etc. will receive a marginal impact. However, even in the challenging times and an initial downturn, IT majors bagged some really lucrative deals.

IT has become the backbone of sustaining and continuing business since the emergence of the COVID-19 pandemic. Organizations have had to build their capabilities and align the business models to digital practices to switch to a remote working model. These remote working and hybrid working models are envisaged to become permanent over the years. According to Gartner, IT spending in India is projected to total US \$81.9 billion in 2021, an increase of 6% from 2020. It expects spending to increase on technology like Advanced Analytical Solutions, Access Management, Encryption Software, Desktop as a Service, Cloud and Hyper-automation Enabling Systems. IT solutions such as Robotic Process Automation (RPA), AI, ML and digital commerce are also expected to see an increase in spending. The pandemic has also boosted the use of teleconferencing software like Google Meet, Zoom, Teams Meet, etc not just for people working in corporations but even for children to continue their education and non-working people to connect with their loved ones. Hence, these are the clear focus areas for IT organizations to drive the future growth of their business.

A report by Deloitte has emphasized on the need to conduct a thorough IT due diligence during mergers and acquisitions, given the changing circumstances and cruciality of technological enablement for organizations.

Government initiatives like 'Digital India' and 'Make in India', along with the advent of 5G, will further push India towards digitization and create new opportunities for the industry. Reduction in compliance burden and facilitation in remote working owing to new rules for 'Other Service Providers' (OSPs) is another support provided by the Indian government to the technology sector.

CURRENT LOOMING CHALLENGE

CYBERSECURITY THREATS

The switch to remote work has increased the organizations' susceptibility to hacking, phishing, and other malicious attacks. This must be tackled effectively by the IT sector to safeguard the ever increasing amount of data and maintain business continuity of clients as well as self.

HR PERSPECTIVE (1/3)

INTRODUCTION

The IT sector has, over the years, generated approximately 3.9 million direct jobs and nearly 10 million indirect jobs. It has emerged as the most resilient sector during the COVID-19 pandemic and has also taken various measures to safeguard its workforce from it.

PEOPLE OUTLOOK FOR IT SECTOR

Hiring

According to a survey by NASSCOM, 95% of the CEOs stated that their hiring will be higher in 2021 than 2020. The number is estimated to be more than 138,000 net new hires, taking the total employee base in IT sector to 4.43 million. Some of the new job roles in demand are Cloud Computing engineer, Robotic Process Automation Developer, Full Stack developer, ML Engineer, AI engineer, Front End Developer, UI/UX Designer etc. This increased demand will intensify the already existing talent war between IT companies.

Additionally, firms need to strengthen their virtual recruitment process to find candidates who are good fit. The past year has made the physical presence of the candidate during interviews impossible. In the absence of these face-to-face interactions, it is difficult to decipher the candidate's behavior based on expression and body language, leading to an increase in the number of bad hires. This presents an opportunity for implementing alternative and innovative hiring solutions, including AI, SaaS- based staffing solutions and automation in the recruitment process. Adding trial projects, interviewing on multiple platforms, real- time coding simulations are some other measures which the hiring managers may take.

CURRENT LOOMING CHALLENGE

ATTRITION

Higher attrition is expected in FY-21 due to the strong revival of the sector and an increased demand and war to attract the best talent by the major IT firms, thereby making organizations' retention policies, increments, promotions, non financial perks very important.

Another disturbing trend that is now being seen in the IT sector is the early attrition (employees leaving within a short span of time). According to Han Digital, 5-8% of full-time and 15-20% contractual employees hired in the January-March'21 quarter left within the first 90 days.

Hence, besides salary hikes, IT majors have offered non-financial perks like more leaves, career enhancement paths, and flexible work environment to retain employees and reduce attrition levels.

HR PERSPECTIVE (2/3)

Reskilling and Upskilling

With the fast digitization of businesses, a need to rapidly invest in reskilling and upskilling the employees in areas like AI, cloud architecture design, software operations support, website/software development, large-scale data modelling, ML, IOT, cybersecurity skills, etc. have been identified.

Digital solutions like e-learning courses, personalized LMS, gamification, bite sized learnings are being utilized to make learning fun and engaging.

Performance Management

Traditionally, most metrics in a Performance Management System are subjective and depend on the supervisor's perception of the work based on their interactions with their employees. But, the remote working model has made that difficult to gauge. Hence, some IT organizations have shifted to creating performance measurements focusing on replacing subjective aspects with more objective metrics and creating more explicit goals. There is also an increased focus on making performance management system agile. IT firms need to embrace it swiftly for effectively managing their hybrid workforce.

Building Online Culture

The future of the workplace is Millennials. According to the new Workplace Culture report from LinkedIn, 86% of millennials would take a pay cut to work at a company whose values they feel are in tune with their own. With organizations going remote and virtual, the role of HR is crucial to building an online culture to uphold the mission and values of the organization, maintain the bonds between people and ensuring the smooth functioning of the organization. Some examples of doing this include using virtual collaborative tools to exchange ideas, creating a balance with video meetings instead of always using emails, communicating richly, etc.

Employee Well- Being

The past year has put employees at the centre of the organizations' plans. Transition to a remote working model and continuous lockdowns have impacted people's well-being and mental health, and IT organizations are taking various measures to minimize this impact. Implementation of Employee Wellness and Assistance Programs, counselling services, COVID-19 helplines, teleconsultations, access to essential COVID-19 treatment resources like ventilators, oxygen, hospital beds, vaccination reimbursements are some of the ways in which the IT organizations have tried to support their employees. The post-Covid workforce will be hybrid and organizations need to come up with permanent policies to ensure their engagement and well-being.

Leadership

The pandemic has highlighted the need for compassionate and empathetic leadership in leaders. A study from Harvard Business Review stated that empathetic workplaces outperform their counterparts by 20 percent. Leadership Skilling is the need of the hour to enable future managers and leaders to lead their people well through any crisis.

Key leadership competencies for the future: Empathy, Resilience, Agility, Active Listening, Trust Building, Problem Solving, Transparent Communication

HR PERSPECTIVE (3/3)

FUTURE OPPORTUNITIES

HR Technology

Many mundane HR processes can be automated which will help save the time and energy of HRs and enable them to focus on other strategic areas. Chatbots, virtual reality solutions for training, hiring, onboarding, enhanced recruiting tools etc., are some solutions that have been introduced and increasingly being adopted. IT sector, with its advanced knowledge about AI, automation etc., is expected to lead this trend. It is crucial for HR Managers to focus on adopting HR Technology to save time and efforts.

Changing Organizational Structure

At the advent of the pandemic, IT sector had frozen its hiring. However, even at that time, crowdsourced platforms like Topcoder, Github, HackerEarth etc. saw higher activity and order bookings. IT firms had turned to employing gig/contractual workers to save costs, deliver projects on time and access specialized talent. This trend is expected to continue in the future. Additionally, remote working will see the decentralization of jobs from urban clusters to smaller towns, giving organizations access to a larger and more diverse talent pool. Hence, a rise in the number of freelancers and gig workers is foreseen in the IT workforce. This gig economy will call for a change in reporting structures and hierarchy to ensure a culture of adaptability, collaboration and swift decision-making.

Diversity and Inclusion

Organizations are beginning to realize that a diverse workforce brings significant competitive advantage. Focus on communities that are underrepresented in the workforce- retirees, people with special abilities, people from marginalized communities, etc. is needed while scouting for talent. Their representation is essential not only in the workforce but also in leadership positions, thereby requiring D&I policies across hierarchies. Beginning January 2021, IT companies have employed recruitment agencies exclusively for attracting and engaging diverse candidates with an aim to target a minimum of 40-50 percent of diversity supply at the sourcing level.

CONCLUSION

The pandemic has presented itself as an opportunity for the IT industry to help create future organizations that are digitally enabled, remotely operated, and secure. But, to achieve that, putting an immense focus on people and their well-being is required. IT has to also play a significant role in helping India realize the vision of creating USD 1 trillion of economic value using digital technology by 2025.