

The slow death of IT services: Past, Present and Future

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“The conservative who resists change is as valuable as the radical who proposes it”

Ariel Durant

Abstract:

The Indian IT service industry is currently facing serious problems with the resources, who are not willing to update to the standards of the growth in the industry and the strict norms and guidelines in the outsourcing sector. The article analyses the coming death of the industry by starting from the past of how the industry evolved and to the position where it is in the present and how the opportunities could be converted to realities in the future.

The Past:

The growth of the Information technology service sector in India started with the Tata consultancy services being setup in the year 1968 to provide services to a group of companies. The service offered by the TCS later ended up in exporting software. The same time when TCS was growing in the year 1972 Late Narendra Kumar Patni started Patni computers by experimenting the offshore model. When such companies were emerging in the late 80's India did not have a good relationship with United States of America and was considered to be closer to Russia. The Indian economy was restricted to foreign imports and exports and the concept of License Raj also existed in the society.

The Indian economy was closed which lead to serious problems like a clearance which included a five step process to purchase a computer from the government. The authorities then take around 12-18 months usually for clearance and in the due time the machines will be outdated. In the year 1983 a leased line of 64-kbps would cost around 45 lakh.

The growth of the IT sector in India started with the meeting between Indira Gandhi and Ronald Reagan in the year 1981 and after which the H-1B Visa, was created in 1990 by signing the immigration reform act of 1990 by President George H.W Bush. Around this time Indian economy welcomed foreign investments and was changed from a closed to an open economy. The growth in this sector started increasing and new technologies were introduced and evolved. The Y2K problem which also used the Indian employees as an outsourcing agents to come with a quick solution also gave an edge over in the Indian IT sector. As a result of all of these factors Indian IT sector was growing as the best provider of IT services to the world.

Present:

The current IT sector is facing challenges in the three major arenas. The first challenge is with respect to the H-1B Visa where it was traditionally used by the Indian IT companies to send its employees for a short term work permit to US but with the Donald Trump's presidency there exists strict norms and regulations which has impacted the H-1B visa issue. The second big issue is the UK's exit vote from European Union which created a fall in the value of the British pound and also caused a change in the existing contracts set by Indian companies in European Union. The companies also need to establish distinct headquarters in EU which may lead to disinvestment from UK.

The third biggest challenge which the sector currently faces is that there exists a tectonic shift going on in the area of technology. The rise of technologies like cloud computing, big data, machine learning, IOT has created uncertainty in the industry with the updating of the skill sets for the resources.

Future:

The Indian IT sector has been hugely utilizing its strengths on providing the services by the outsourcing model rather than innovating and reinventing themselves. India has developed and grown into providing a better IT services to the world but it has not been able to contribute a high class innovative product to the world. At this point of time it will be a good decision for the Indian IT sector to become a product based industry from its current service based legacy. This does not mean the services should be completely eliminated the sector can concentrate in providing higher value services by integrating the services with the products being made in India

.The huge skilled resource pool in India should be used with proper investment in research and development to contribute to the new product development using high class technology which could change the face of Indian IT sector.