CHAPTER 2: CRM - A MACRO PERSPECTIVE

“Facts, events and people can be easily misinterpreted when they are examined out of context, for it is their context that provides the clues necessary to understand them. Context locates them in space and time and gives them a past and a future, as well as the present.”

-Beardwell and Holden (1994)

2.1 INTRODUCTION

It is impossible for any study of any magnitude to get any kind of insight on the subject without understanding the context in which it operates. Defining the context of a research study is crucial for it to come to a logical conclusion. Similarly, it will be hard to understand any particular subject in the field of CRM, without certain understanding of their national and industry context. As observed by Lewis (1999) in his editor’s comment to international briefings - at a superficial level, one can observe identical activities and practices across different countries, but at a more profound level background information is needed in order to understand (the reasons for) certain practices and strategies. The relative importance of a national context for any topic has been argued by many theorists (Dore, 1973; Kerr et al., 1960; Maurice et al., 1980). Also opines Budde et al. (1982), Child (1981), Crozier (1964), Hofstede (1980) that national contextual factors determine management practices. This is more crucial in the case of a technology practice, since in the context of
technology enabling business, the societal and financial context is as important as the study itself.

Among these national contextual factors, one of the significant ones that have a national level presence is the Information Technology business which is largely influenced by the concept of outsourcing. This is because, especially in the context of Indian industry and economy, these factors significantly determine the corporate CRM practices in the country. Here, the state has full control over the infrastructure required for any implementation of this scale, in explicit or implicit form. This explains its dominant role in providing the necessary infrastructure and resources for IT companies to set up centres for development activities.

This chapter provides the macro context that is very essential to gain a deeper and clearer understanding of the CRM practices in the IT companies of Karnataka State. This chapter provides background information on CRM in India in general and in Karnataka in particular. Starting with the country, it goes on to speak of all aspects of Karnataka state, its demographics, industry, culture and its IT industry in particular. This is followed by CRM in India, where the concept of outsourcing, its business relevance, IT outsourcing and business process in IT industry are briefly described.

2.2 BASIC DATA ABOUT INDIA

India is the world’s seventh largest country in terms of area and the second most populous country on earth, with over 1.2 billion people. This is second only to China and also makes it the most populous democracy in the world. It is a socialist democratic constitutional republic governed under a parliamentary system consisting of twenty eight states and seven union territories. India is a secular, pluralistic, multilingual and multiethnic society. The republic is governed by the Constitution and the President of India is the Constitutional head and Executive of the Union. Real executive power rests in the council of ministers with Prime Minister as the head. Similarly, in the States, the Governor is head of the executive branch, but principal decision making power lies with the council of ministers.
headed by the Chief Minister.

**Indian Economy:** World Bank reports of 2011, place the Indian economy’s worth at US$1.848 trillion, making it the world’s tenth largest economy in terms of exchange rates. The country’s annual Gross Domestic Product (GDP) growth rate has stood at 5.8 per cent for the past two decades and just touching 6.5 per cent during 2011–12, makes it one of the world’s fastest growing economies. In this economy, service sector has the highest share – 55.6 per cent of the GDP (Reserve Bank of India, 2012).

In terms of human resources, India has the world’s second largest labour force – almost 480 million people. The year 2011 was not very healthy for the Indian economy, largely because of global industrial slowdown affected its services sector revenue. But, despite the growth rate staying at 6.9 per cent, India still remains one of the fastest growing economies of the world. The last year’s slowdown was because most of the global emerging economies went through a lull in 2011, India was no exception, says the Economic Survey 2012 (Ministry of Finance, 2012).

By 2050, India’s GDP growth rate will touch 8 per cent annually, putting it at the top of the list of global growing economies. This growth will be driven by its young employable population, one of the world’s fastest growing IT skills education hub and the fast growing middle class that will sustain all this growth by its purchasing power (Central Intelligence Agency, 2011). According to estimates, since 1985, almost 431 million people have come above the poverty line and the Great Indian Middle Class will touch 600 million by 2030, making it almost 80 per cent of the population of Europe today.

Today, half of the world’s top 15 information technologies outsourcing companies are based out of India, making it a preferred destination of quality outsourcing that does not cost the earth. India’s consumer market, currently the world’s eleventh-
largest, is expected to become fifth-largest by 2030. This galloping growth however, has not been able to rid the country of its socio-economic challenges and it still has to carry the burden of the world’s largest concentration of people living below the World Bank’s international poverty line (of US$1.25 per day) (World Bank, 2012).

**Indian Industry:** One of the most remarkable features of India’s growth has been the rate of Industrialisation since Independence. The Industrial Policy Resolution of 1956 was the beginning of a specific policy process for industrialising the country in phases, accompanied with the heavy investments in building up capacity over a specified, but large number of industries. The implementation of the Five Year plans gave birth to the process of industrialisation in the country. The Five Year plans took up the onus of working on these guidelines and as a result, over the last almost 60 years after India won her Independence, the industrial production in the country has seen a fivefold growth, making it one of the fastest growing economies globally. Today India’s mainstay industries are agro inputs, cement, chemicals, food processing, IT, oil & gas, steel, to name a few. (Ministry of Commerce and Industry, 2008).

The growth in the industrial sector has been widely diversified and covers the whole range of verticals – from consumer to capital goods. Yadapadithaya (2001) points out that this industrial growth is accompanied by a matching growth in technological and managerial skills. This has ensured efficient operations for hi-tech industries, for planning, designing and constructing such industries. The Industrial Policy Resolution added impetus to the growth rate by identifying a new system of holding – the quasi government ownership of companies – the public sector, which went on to play a strategic role in Indian industrial development. The public sector, set up in 1969, was designed to be an engine for self-reliant economic growth to help a newly created nation along its way to lay the foundations of a strong agricultural and industrial base. This, the founding fathers believed, would allow the economy to overcome economic and social
backwardness. Under the new plans, government partnership for industrial operations extended from basic capital goods like steel, coal, copper, zinc and other minerals to heavy machinery, drugs and chemicals, fertilisers and consumer goods such as textiles, hotel services and watches.

Forty years down the line, the Industrial Policy of 1991 identified India’s growth path and recommended that the role of the public sector be limited to some core and heavy industries that had become the mainstay of the country’s industry. The industries thus identified included technology development, building of manufacturing capabilities, exploration of oil and other areas that were crucial in the long term development of the economy. Also on the list were manufacturing facilities and distribution of products such as defence equipment, with strategic implications. This policy, thus, opened up more areas to the private sector. In the new industrial policy, the private sector played a bigger role and there were a number of changes to industrial licensing, export-import policy, technology upgradation, fiscal policy and foreign equity capital, removal of controls and restrictions and rationalisation. In addition, many processes that ensured simplification of fiscal and administrative regulations were introduced (Government of India: Research, Reference and Training Division, 2004).

**Indian IT industry:** At the end of 2011, Indian IT industry’s revenues were touching US$100 billion - almost 7.5 per cent of Indian GDP and IT export revenues made 26 per cent of India's merchandise exports, providing employment to 2.8 million professionals (Indian Stock Market, 2011).

Over the last few years, the IT industry in India has gained a global brand identity as not merely an industry but as a knowledge economy. The IT industry has two major components: IT Services and Business Process Outsourcing (BPO). According to NASSCOM, in 2012, the IT sector crossed revenues of US$100 billion. This industry is mainly clustered around a few major cities in the country, that constitute almost 90 per cent of the sector’s export hubs too - Bangalore,
Chennai, Delhi (Gurgaon), Mumbai, Hyderabad, Pune, Kolkata, Coimbatore and Trivandrum. Almost 77 per cent of the revenue of the IT sector comes from exports and in the one and half decade between 1998 and 2012, the IT sector’s share of total Indian exports increased from about 4 per cent to about 25 per cent in FY2012 (NASSCOM, 2012). But having said that, the local market revenues are fast catching up.

In addition to being a massive driver for export revenue, IT industry has also helped in substantial employment generation in India. Adding about 230,000 jobs in FY2012, it provided direct employment to about 2.8 million people while almost 9 million people benefited indirectly from this sector’s growth.

2.3 KARNATAKA - A PREVIEW

Karnataka is the eighth largest state of India and is located in the south central part of the Indian peninsula. It has a coastline of about 300 kilometres, stretching between Mangalore and Karwar. It is fast emerging as an industrial super power of the country, being the seat of the IT industry. The State has 29 districts and 176 taluks. Over the last couple of decades, the state has established strength over a wide spectrum of industry sectors and has exceptional examples of success in the world economy, specially driven by new age technology industries, and is today among the top 5 industrialised states of India. The state has thrown up some distinctive entrepreneurs and their success has fuelled the economy to a high growth path. Fast emerging as the knowledge and technology capital of the country, Karnataka’s capital city, Bangalore has now become synonymous with IT outsourcing, Bio-technology and Hi-tech sector of the country. The city is globally recognised as the Silicon Valley of Asian region, but has made rapid strides in other technology related industries too such as telecommunication, electronics, information technology, precision engineering, automobiles, readymade garments, bio-technology and food processing, to name a few. This rapid industrial growth has driven the economy of Karnataka towards higher employment and higher income. The state has many inherent advantages for investors and these
opportunities for investors from outside, even globally, have added to its galloping industrial growth rate (Confederation of Indian Industry, 2010; Advantage Karnataka, 2012).

The state is also rich in natural resources and has been blessed with great climate, as well as soil that support agriculture of certain special cash crops like tea and coffee. It has a good educational infrastructure with schools, colleges, institutes of higher learning and research and development centres. In fact one of the reasons for Bangalore being a tech-hub is its technology and science oriented educational environment. It houses some of the leading educational and research institutions in the world - the Indian Institute of Science (IISc), Jawaharlal Nehru Centre for Advanced Scientific Research (JNCASR), National Centre for Biological Sciences (NCBS), Indian Space Research Organisation (ISRO), Indian Institute of Management Bangalore (IIMB), National Law School of India University (NLSIU), National Institute of Advanced Studies (NIAS) and the Raman Research Centre (RRC) to name a few (Advantage Karnataka, 2012).

<table>
<thead>
<tr>
<th>Area</th>
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<tbody>
<tr>
<td>Population</td>
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<tr>
<td>Gross domestic Product</td>
<td>US $33.81 billion</td>
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<tr>
<td>GDP Growth Rate</td>
<td>5.5 per cent</td>
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<td>Industrial Growth Rate</td>
<td>7.76 per cent</td>
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<tr>
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<tr>
<td>Seaports</td>
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<tr>
<td>National highways</td>
<td>3958 kilometres</td>
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<td>State highways</td>
<td>21111 kilometres</td>
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<tr>
<td>Railways</td>
<td>3172 kilometres</td>
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**Table 2.1: Karnataka at a glance**
(Source: Government of Karnataka, 2012)

Politically, the development oriented policies of the state government that has a
far-sighted approach, have been a big contribution to the rapid level of development in the state, especially where IT was concerned. With support from the state and the other factors being conducive, almost all global IT giants have long term presence in the city. Some details about the state of Karnataka are given in Table 2.1.

**Industrial Policy of Karnataka:** Karnataka’s progressive industrial policy very strongly encourages public-private partnership. This focus is stronger for certain industry sectors that have helped the state to reach where it is and made Bangalore the Silicon Valley. It has very progressive policies in place for these sectors and clear evidences of their success. The Information Technology (IT) Policy, Biotechnology (BT) Policy, Business Process Outsourcing (BPO) Policy, Tourism Policy, Agro Food Processing Policy and Export Promotion Policy have provided this focused support. Business laws in the state have been made more conducive to help reach this goal and so Karnataka has simplified labour laws. In order to encourage investment from outside the state, the Land Reforms Act and Karnataka Industries (Facilitation) Act 2002 is under enactment to facilitate doing business in the State.

Today, Karnataka is one of the fastest growing states in the country, with the GSDP (Gross State Domestic Product) at constant prices growth of 8.9 per cent in the fiscal year 2010-2011. Per capita GSDP during 2010–2011 was INR 47310 at constant prices, which is among the highest in the country. Since the agriculture and manufacturing sector is not showing too much promise, a large part of this growth can be attributed to the services sector, particularly IT. The sector grew by 10.6 in 2011-12 and 9.1 per cent in 2010-11 (The Hindu Business line, 2012). In 2009, Karnataka’s share in the software exports of India was more than 35 per cent; with the IT export growth standing at about 30 per cent. It had 33 Special Economic Zones (SEZs) in the IT sector. Apart from Bangalore, Mysore had 49 Software Technology Parks of India (STPI) registered companies which together export of US $185 million during 2006-07; Mangalore with 24 STPI registered
companies with exports of US $166 million during 2006-07 and Hubli had 13 (Indian Brand Equity Foundation, 2008).

**IT Sector in Karnataka:** The United Nations Human Development Report (2000) recognised Bangalore as the fourth leading global hub of technological innovation, placing it ahead of many popular global cities, after Silicon Valley, Boston and London, which were hard contenders. The sobriquet has stayed on over the decade and despite global slowdowns, political forces and financial ups and downs. India’s answer to Silicon Valley, Karnataka’s capital city Bangalore was once a pensioner’s paradise and some parts of it still are. But in large parts it has moved on to being a hi-tech, fast developing urban centre with export processing zones, especially for software exports. It is a fact that the IT industry in the state and the city have grown much faster than its traditional manufacturing – mining industry and agriculture. The state policies have added to the advantage that the region has made IT investments more lucrative here (NRI Forum Karnataka, 2012).

Today, Bangalore boasts of more than a thousand IT companies including more than 150 multinational giants, such as General Motors GE, Volvo, Intel, SAP Labs, to name a few employing over 100,000 professionals. The IT industry in Bangalore has nearly a thousand software companies and employs over a hundred thousand IT professionals. It has 80 private IT parks which are home to IT majors like Infosys, Wipro, Tata Consultancy Services and Cognizant, Accenture, Cap Gemini, HP, IBM, Oracle as well as the world's leading IT companies like GE, Texas Instruments, CISCO, Digital, Compaq, Motorola, Lucent Technologies, Microsoft, Sun Microsystems, Oracle, Novell and several others, making it the first choice for outsourcing. In fact about 50 per cent of the world's SEI CMM Level 5 certified companies are located in Bangalore. The revenue figures also support this - last year, the Software and Services exports revenues grew by 13-15 per cent and domestic revenues by 15-17 per cent (Confederation of Indian Industry, 2010).
Today, supported by the 47 IT SEZs, 3 software technology parks with 2,160 units, the IT industry in Karnataka has total support from the state and the central government, not to mention the population of Karnataka that has given back in equal measure – in terms of skills and education. In the larger picture, the state has almost one third of India’s software technology park units, making it the country's largest software technology hub. The 2100 IT companies that Karnataka houses constitute almost over 20 per cent of the IT companies operating in the country, making it India's largest software exporter (Advantage Karnataka, 2012).

2.4 CRM IN INDIA

The Indian ‘CRM’ market is estimated to be of about INR 1000 million, largely driven by Banking, Financial Services and Insurance (BFSI) sectors, traditionally the early adopters of technology. Being in the service sectors, they face stiff competition; sometimes product and services cloning and that might explain the technology adoption speeds in this vertical. According to Singh and Agarwal (2002), going forward, India will dominate the CRM market. There is a scope for over a million CRM service agents in the Indian market, working up to a potential of US$ 20 billion industry. There is a real opportunity to fully utilise the power of CRM software solutions, given that it is a growing market. However, apart from a few industry verticals, technology adaptation in the Indian market is yet to reach impressive levels. Adopting technology support is not very high on the list of priorities of most of these companies.

As it is clear from the Figure 2.1, the BFSI sector has taken the adoption of CRM technologies very seriously, while all others are a far second. Besides, the protectionist policy of the governance has shielded this sector from global competition for the longest time. Only after the new industrial policy opened up the Indian economy to foreign competition, has the adoption of new technologies to gain competitive advantage started in Indian enterprise. With the opening up, the whole new concept of customer being significant in the whole setup, has come into force. Today, the Indian industry is being forced to notice their customers and
are being compelled to operate and strategise on an entirely new focus – that of ‘customer relationship’ (Mittal et al., 2001).

Figure 2.1: Best-fit sectors for CRM practices and packages
(Source: Mittal et al., 2001)

Figure 2.2: Stage of evolution of the Indian CRM Market
That said, it is a fact that the Indian market has still a long way to go before it reaches its maturity stage, since even though there is awareness about CRM there is not enough understanding of what it can do to their business. Most players in the Indian industry are still not totally convinced on the benefits of undertaking a complete CRM initiative, due to the legacy of a protected past legacy (Mittal et al., 2001). Figure 2.2 indicates that a vast majority of the industry still has not reached the stage where they are willing to adopt CRM, even though they are aware of its benefits.

![Figure 2.3: Market Drivers](Source: Mittal et al., 2001)

There are a few strong factors that explain this lack of interest for CRM adoption in the Indian industry. Over the last few years, due to the slowdown in economic growth globally, the Indian market has seen certain depression. Companies are sceptical of investing heavily into systems which may or may not work in accordance with what they think will drive their business in these difficult times. When revenues are not guaranteed, most of them do not want additional
investments in expansion or modernisation. In order that this changes, a strong impetus for competitiveness in the market is required. This will energise the market into a dynamic movement (Mittal et al., 2001).

Another significant reason is the lack of appropriate infrastructure and weak connectivity that can make the best applications worthless. Most CRM enabled software is developed to capture a majority of their data collated from the internet. Since online purchasing is a minuscule percentage of all purchasing in India, the data is limited and the analysis will be severely inadequate. In most cases, this will hamper the efficacy of the CRM system, resulting in underutilisation of the CRM system, in turn skewing the cost-value ratio. This applies to most industry verticals at this point in time. However, to be fair, the Indian industries are quickly realising the need for a long-term healthy relationship with their customers. There is awareness that this relationship is the basis of their competitive edge and this is what will sustain their business. But in most cases, though they are very well aware of the need for CRM and the significant value that it brings to businesses, there is a big gap between what CRM offers and what its users expect. In absence of clear measurable parameters of benefit, most managers are not sure how they should go about evaluating the role of CRM, particularly in improving customer relationships in their situation (Singh and Agarwal, 2002).

As CRM vendors globally are enhancing the functionalities in their offerings, adding more value in terms of more powerful and feature driven tools, the Indian industry has been unable to garner complete benefits from their initiatives. The culprit is lack of technology adaptation by the concerned users. Aware of this issue, many organisations today are demanding better usability of the systems rather than enhanced functionalities in the systems. The need of the market for technology vendors are systems that will provide enhanced competencies and a clear competitive advantage. The CRM system being adopted should not add to the current perception that technology results in downsizing and becomes a threat to the very people who will be using it, for whom it was created. In a market like
India where the ‘people’ factor is still very significant, it is critical that this issue is resolved and appropriate confidence building measures are put in place. So vendors will need to communicate that a CRM system is designed to ‘enhance’ productivity, not change the users and this confidence building exercise needs to be given priority if the Return on Investment (ROI) on a technology based investment has to be maximised (Mittal et al., 2001).

![Figure 2.4: Market Inhibitors](Source: Mittal et al., 2001)

### 2.5 IT OUTSOURCING

Outsourcing in simple terms is the process of contracting a vendor company or organisation for a fee, to take care of a function, process, or service on your behalf (Ashley, 2008). According to Corbett (2004), outsourcing is more of a management tool that transforms a vertically integrated, self-sufficient organisation to a competitive, performance-driven environment, allowing it to focus more on investments in areas that provide it competitive advantage. The basic approach for any organisation in the study of 'what' can be outsourced, needs to be focussed on the economic aspect of the business strategy, so choosing the
right activity that can be outsourced to the right vendor, gives teeth to the company’s strategy to fight competition. Another important driver is the economic advantages that accrue to outsourcing. Allowing a vendor to take care of certain sections of the business, helps reduce costs (if they have an economy or geography advantage over the mother company), helping trim the company’s operating costs and adding to productivity (Putterman and Kroszner, 1996). It can also cut costs by reducing technology investments – since a vendor may already be having the technology required, thus achieving economies of scale (Smith et al., 1998). The best is that some part of savings of vendors can flow back to the company’s cost benefits. The same advantage holds for resources, since vendor companies may have specialised teams ready, cutting hiring costs and resource expenses. More often, the cost differential between a company’s hiring costs and the vendors’ cost is so massive that it actually makes lot of business sense to outsource. Figure 2.5 indicates the base salary of a software developer in different countries. In this graph, the gradual erosion of the difference in pay parity between the customer and supplier locations is clearly visible.

![Figure 2.5: Base salary of software engineer](Source: Djavanshir, 2005)

Traditionally, outsourcing meant giving up on non-core activities in order that
more productive time can be spent on core activities. Though this is still a debateable fact, companies are looking at intelligently outsourcing some core activities too, aiming at greater savings. This will allow a company to focus on what they do best – gaining market insights to drive competitive advantage (Quinn and Hilmer, 1994). So, today, the new dynamics of running an IT company makes low costs a hygiene factor, rather than an actual competitive edge for vendors. It is the additional cutting edge services that they can provide that will get them contracts.

**Outsourcing to India:** According to (Bhowmik, 2004), outsourcing in India started with the IT industry more than a decade ago in Bangalore. Today, Bangalore accommodates a large number of software companies (Heitzman, 2004). Bhowmik (2004) cites that Indian software producers’ comparative cost advantage is due to many reasons – a lower cost of living and high proficiency in English – which comes at a much lower wage when compared to peers in US or Europe, to name a few. Besides, India has many universities with state-of-the-art IT curriculums and more than 70,000 software engineers' graduate annually from Indian institutes (Siems, 2003).

So, in this era, many companies took to India as their preferred hub for outsourcing as far as IT service and BPO was concerned. Their primary aim was to achieve cost reductions and improve their service quality. Then they had the option to open up resources to focus more on their core business capabilities and competencies. Starting in the 1990s, India’s position as a preferred outsourcing destination has grown steadily. But for the last few years, there has been strong competition from neighbouring countries like China and Philippines as well as Latin America. The close ties that were forged with both the United States of America and the European Union, have helped India to keep its position. But the recent global slowdown has affected the equation, deeply impacting IT companies globally. In this new phase, those sectors that were a little behind in outsourcing have caught up and now there are a new set of verticals - financial service, telecommunications
and manufacturing industries, which have shown phenomenal growth over the last few years (The Economic Times, 2010). However, with the expanding IT and BPO market comes a bigger pie and surely, more competition.

**Competition to IT Outsourcing to India:** In the recent past, China, Philippines, Russia, Brazil and South Africa among others are increasingly competing on level ground with India’s IT intelligence, threatening India’s lead in this industry (Mohapatra, 2003).

Overtaking the Indian lead in 2011, Philippines became the world leader in BPO, in terms of total number of workers employed (Asia Times, 2011). Their advantage was that the Filipino culture is very compatible to the US as the country was a US colony for many decades, and their English proficiency is almost as good as India. The Latin American region offers the time zone advantage that is attractive to the US market too.

China has managed to maintain its leading position over India in the manufacturing sector for many years and now that lead is threatening to spill over to IT services sector. Now it is near the top of the chart, in offering cost effective services/ solutions/ products. The language barrier that it has suffered from is slowly fading away as fierce global competition in the IT market is pushing it to overcome its last standing barrier- a very large non-English speaking population. The International Association of Teachers of English as a Foreign Language (IATEFL) mentions on their website that English learning now is important in China. Apparently, close to three hundred million people are actively engaged in the job of learning English. This new English speaking population can definitely give China a competitive edge over India (IATEFL, 2010).

India, on the other hand, is slipping. Indian companies are facing issues due to the rapid increase in salaries and the retention problems. Also, the infrastructure in India is a big disappointment to foreign customers and once introduced to the sad
state of affairs in the country, they are increasingly hesitating to choose India as the outsourcing destination. Metropolises, especially Bangalore are faced with problems such as pitiable infrastructure, poor traffic management, increase in real estate price and high cost of living. Also, the corruption within the Indian government system is adding to woes of the Indian IT companies. With very little going for them, now Indian companies need to fast orient themselves to operating in a customer-centric global industry. India urgently needs a long-term strategy to improve its infrastructure and consistently work on growing its skilled labour force, or else India will soon start to face the movement of its foreign IT and BPO clients’ to other countries (Bhatnagar, 2005).

Today, a strong CRM can actually save the day for an IT services provider. Apart from the technological capabilities, it is of utmost importance for the companies to build strong customer relationships and adopt CRM as an enterprise strategy. Here, CRM plays an extremely crucial role in the very existence of business.

The NASSCOM- McKinsey study (2005) identified several challenges encountering Indian corporations. The study predicts that India's off shoring IT industry will face shortage in the coming decades. Furthermore, only about 25 per cent of engineering and technical graduates are about 15 per cent of general college graduates are considered as suitable to work in the IT industry. Given cultural and political issues, this number could go down in the next decade or so. Furthermore, India needs skilled IT workers fluent in different languages, to be able to compete in the global arena. The study has very strong words on that India has to improve its urban infrastructure, which is facing issues such as inefficient planning and as a result, has serious bottlenecks. In addition to this, India's cities are already heavily populated and future growth will have to come from entirely newly constructed satellite cities outside of Tier 1 and Tier 2 cities. And one of the most important factors - with wages rising up to 10-15 per cent per annum pushing up resource costs, the IT companies need to find innovative ways to reduce the total cost. At this rate, the cost advantage will disappear very soon. In order to
ensure that savings to the clients will be constant for the services they provide, costs need a long, hard re-look.

2.6 IT INDUSTRY BUSINESS PROCESS AND CRM

Based on the researcher's industry experience, a typical business cycle has been outlined. The objective of this section is to describe how CRM plays an important role in the business development activities in an IT firm.

![Business Cycle in IT Firms Diagram]

**Figure 2.6: A typical business cycle in IT firms** (Compiled by Researcher)

Business generation may arise from two sources:

- Existing Clients - New business opportunities from existing clients will arise
if they are very satisfied with projects that have been delivered or are under progress. It is important to maintain the communication channels with the customer open, to ensure a long term relationship, ironing out snafus on a continuous basis and offering more products, to explore the possibility of expanding the account.

- New Clients - Hunting for new clients has to take into account the technological expertise of the organisation, the requirements of the client and the geographical area of operation.

Depending on the response during the initial cold call, it is essential to create a closed-loop follow-up process so that potential leads don’t slip through the cracks. This is where a CRM system steps in with its Lead Nurturing process that refers to opening a two-way line of communication with customers and prospects. Nurturing is usually done by staying on top of the prospect’s mind, by staying in regular touch and communication on a regular basis. These communications could be in the form of relevant collaterals/ brochures/ white-papers etc.

The sales team have a very active role in the process, with regular updates for prospective as well as existing customers, of any new development in the organisation. After acquainting them with the offers, it is also essential that the team does rigorous follow ups and actually chase the prospects that do not show any interest right away, at a later pre-decided date. Face-to-face meetings help retain prospect’s mind-share ensuring 'top of the mind' recall.

Based on the initial meeting and presentations given by the onsite sales team, the customer will send a Request for Proposal (RFP), which is a detailed document that clearly spells out the requirements of the client in terms of software services or in some cases, gives the broad details of the nature of the work to be carried out. The Technology Head identifies the technical person(s) who will prepare the proposal and will include:

- Technical aspects of the project
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- Commercial and financial viability
- Deliverables and schedules
- Required Resources

The sales and marketing team will maintain a proposal tracker within the CRM, which will contain a list of all proposals submitted by the organisation and the stage of each such proposal. For lost orders, it will contain a root cause analysis as to why the organisation lost the order.

After submission of the proposal, the client might call for negotiations, which is usually with a Head of sales or a senior sales person and if required, the Technology Head. Depending on the solution proposed, the timelines and the cost estimates, the customer awards the project to the organisation which is referred to as 'Closure' and the beginning of a new engagement.

After this process of acquiring a new customer and winning a new business deal, all efforts are made to provide the best of services adhering to specified software development standards such as SEI CMMI levels etc. An Account Manager would be identified, who would be the first point of contact for the customer and it is his/her responsibility to make sure that the engagement is smooth. More often than not, the Sales manager responsible for winning the deal is appointed as the Account Manager. An important function of the Account Manager is to introduce newer offerings to the existing customer, aimed at cross and up selling. This process is usually referred to as 'farming of existing customers.' For this plan to succeed, the existing project needs to run very smoothly and needs to achieve absolute customer satisfaction.

Information gathered from every customer interaction is fed into the CRM during the different stages of the sales cycle. Right from identifying the target customer to strategising on each prospect, CRM plays a vital role in assisting sales personnel not only for winning new customers, but also for continued business from existing
customers, thus aiding business development and guiding an organisation to achieve its objectives.

2.7 CONCLUSION

The IT industry has made significant contributions to the country’s economic progress. Supported by a rapidly changing socio-economic infrastructure, the prosperity of the IT sector in India has changed the face of the Indian job market. With a host of opportunities with IT biggies like Infosys, Wipro, Tata Consultancy Services and many other IT firms’ there is no shortage of jobs for qualified resources. This has lead to a substantial increase in the average purchasing power of the common people of India. The consumption spending is increasing driving up the aggregate demand. All these factors have contributed to the increase in gross production of goods and services in the Indian economy. There is no doubt that the development of India’s IT industry has been influential in aiding the economic growth of India (NASSCOM, 2012).

Among the things that have been going right, a big role is played by the use of proper customer management. By continually embracing innovative technologies, that help increase customer-centricity and satisfaction, India has been able to focus on new markets. Creating growth strategies that ultimately stem from better service has been the strength of the India’s IT sector and this is where the CRM steps in.

Hence, organisations are compelled to formulate and implement CRM practices at the organisational levels without expecting much from the government initiatives in India. This may be the best way ahead for the Indian knowledge service and outsourcing industry. This is also the right place for an efficient CRM system to play a significant role and add value to the Indian IT outsourcing industry context and help beat global competition.