Chapter Four

The Enterprises

It is understandable from the previous chapter that performance of a business initiative would depend not only on the entrepreneur but also on the nature of the business itself. It is in this context that we bring in enterprise into the picture. The 30 entrepreneurs selected for the current research are from different enterprises. This gives us an opportunity to explore the variation among these enterprises. Enterprises vary depending on their areas of business operation, nature of clientele, location of business operation, size of the enterprise, and duration of business operation. They also vary depending on the way in which enterprises attempt to build confidence about them in the minds of relevant economic actors like customers, financiers, etc. It is here, that, social capital may play an important role. Keeping all these aspects in mind, this chapter would explore the variation among the enterprises included in the current research.

4.1 Areas of Business Operation

Based on the business focus of an enterprise, we can identify considerable differences in the way in which business is conducted in the ICT industry. One broad differentiation is based on the involvement of an enterprise in developing ICT products as opposed to its involvement in offering ICT services or in trading ICT products. For organizations involved in developing products, the focus is on identifying business areas for which some product may be developed, be it hardware or software. At the same time, organizations offering a particular product need to invent additional features and identify new uses of the product. The functioning of product organizations is based on standardization of their business offering, that is, developing something which caters to the requirements of more than one person and/or organization. On the other hand, the functioning of organizations offering services is based on customization of the offering to satisfy the requirement of each
customer. The trading organizations also need to understand the requirements of each customer in order to offer the right product.

In order to understand the nature of the enterprises which have been included in this study, various data about them have been presented through different figures in this chapter. The data presented in Figure 4.1 confirms the broad trend of Indian ICT companies being skewed in favour of services. Various services offered by the studied companies included customized software solutions for various industries, data recovery, ICT infrastructure management, technical writing, e-learning, Very Large System Integration (VLSI) designing, Business Process Outsource (BPO), internet services, data migration services, design and user interface consultancy, branding and multimedia, business research, usability and Human-Computer Interaction consultancy, services in website development, website hosting, networking, and Linux. Products developed by the enterprises studied are targeted towards financial market, export businesses, entertainment industry, knowledge management, and healthcare industry. Finally, trading involved software as well as hardware products.

Figure 4.1

![Bar Chart: Business Areas of Enterprises]

It was observed that many enterprises were involved in more than one business activity. Diversification of business was one of the strategies followed by all these enterprises to face competition. Some of the enterprises offered multiple services, or multiple products, or combination of products and services or
combination of services and trading. Entrepreneurs diversified business for different reasons. For O.P. Nayar, founder of Accent Tech Solutions, diversification was part of the strategy to foster the growth of the existing business. He mentioned,

When we started, we had a training division. The original idea was to run training for two years; then discontinue that. But then I realized that this training is always required, because trained people are always required. So I could not discontinue that. So training remained as a thing. Then after some time we realized that okay we need to get into [developing software] solutions. This infrastructure management alone will not … [facilitate growth]. You need to provide [software] applications also. Then only you become a true system integrator. So we started a software division.

There can be other reasons for diversification as well. For example, Amit Sharma, founder of Sindh Infotech Pvt. Ltd. decided to diversify and enter the ICT industry when his family business started facing tremendous crisis. Pankaj Sen, founder of Advanced Software Systems Pvt. Ltd. decided to diversify in order to avoid competition from large companies. He said,

We [were offering] … Y2K training, we did Y2K modifications, we did consultancy and after that by seeing that it is picking up in Calcutta, you won’t believe, SCT, MCC [names changed; originally large ICT companies] everybody sent their people [to us] for training … And they picked up in that area. They started competing with us. Then we found the danger. We thought that we should leave this area to them. … When in a bank, I am approaching and SCT is also approaching naturally they have more hold, they have more muscle than us. And we were very small company at that time. So we left that area and we concentrated into product development.

Like Pankaj Sen, Arjun Desai, founder of Win Infotech Ltd. also diversified to avoid competition from larger companies, and moved from ICT training to ICT infrastructure management. However, later on, when he diversified from ICT infrastructure management to BPO services, serendipity played an important role. Arjun Desai mentioned,

This happened somewhere in end of 1998. … We got a small project related to BPO from a local customer, a MNC. Those days we didn’t know that BPO would grow so well. But subsequently in 2000, you know, things started [growing] rapidly mainly because of a project that we got … That was from the US. But it was an [outcome of an] agency relationship with one of the companies here. They got it and they came and asked us whether we can do it. We did the entire process mapping for them and said yes we can do. This is how we are going to do … we didn’t anticipate that BPO would grow so well … But then we were in touch with the market and suddenly things changed and this project became extremely important.
Although the reason for business diversification varied, it was obvious that an enterprise chose a new business area on the basis of its connection with its existing areas of business operation. Choosing a business area to venture into was mostly based on entrepreneur’s familiarity with that area. For example, Tech Writers Inc. founded by Anil Despande diversified from offering technical writing services to a related area, offering a training programme in technical writing. Hitesh Patel wanted to diversify considering the challenges that his family business was going through. He recalled that, when he was looking for a new line of business in which he could diversify, he interacted with one of his friends who was running a business in the ICT industry. Hitesh Patel’s friend advised him that he should get into an area which he was familiar with. One option here was that Hitesh Patel could develop something based on the ERP and CRM solutions that he had prepared for the textile company owned by his family. He could sell those solutions to other textile companies. However, he felt that there was a possibility of having a large competition from companies which were already doing the same. Instead Hitesh Patel thought that he would be able to develop a unique product if he worked on the question-answer building software which he had created for his wife.

4.2 Nature of Clientele

With ICT emerging as a basic infrastructure for business operations, the ICT companies have attracted clients from diverse industries. Therefore, it is necessary for both founders and employees from ICT companies to learn the operation procedures of their clients. Each company specializes in multiple industry verticals. This is referred to as ‘domain specialization’. This happens with reference to both product and services. Many a time, such specialization develops over a period through exposure to industry. And such exposure may sometimes help in the development of social capital.

Keeping this aspect in mind, we decided to collect some information about the nature of clients enterprises had, particularly the industry-background of the clients. However, the idea of collecting this information arose after we had completed interviewing the founders of the companies. Considering the difficulty of getting back to the founders and collecting relevant information, we decided to depend on the websites of these enterprises to collect information about clients of enterprises.
However, all the information that we wanted was not available on the websites. Therefore, the data presented below should be treated as partial. However, we felt that, though partial, such information would be useful in highlighting the diverse nature of clientele that ICT companies had.

From websites of 12 enterprises we could get information about the kind of industries that these enterprises served. A large number of clients were from industries like ICT, manufacturing, banking and finance, education, telecommunication, government administration, and healthcare. These enterprises also served clients from industries like real estate, automobile, biotechnology, pharmaceutical, hospitality, entertainment, apparel, logistics, trading, ITES, retail, floriculture, electronics, electrical, research, media, publishing and printing, travel and accommodation, and security and training. Clients of these companies also included various associations, organizers of events like conferences, and independent professionals like consultants and attorneys.

Given the need for diversification of business activities, every enterprise wanted to portray itself as having specialized knowledge to contribute towards multiple industries. Therefore, while documenting the industries of the clients on the website, enterprises presented as diverse a picture as possible. One way of portraying such diversity was by highlighting that the enterprise served clients from different industries. Even though all enterprises attempted to portray such diversity, it was possible to categorize the enterprises in terms of the industry of their clients. For example, at Tech Writers Inc., a large number of clients were from ICT, telecommunications, banking and finance, and electrical industry. Whereas, for Software Consultants Pvt. Ltd., clients were visible in industries like banking and finance, education, electronics, entertainment, healthcare, hospitality, logistic, manufacturing, and logistics.

4.3 Location of Business Operation

The ICT industry is often highlighted as prioritizing virtual space over geographical location (Dicken, 2000). It is a popular impression that neither in software product sector nor in software service sector a company essentially needs to be located close to its clients. However, geography is not completely unimportant in the ICT industry. In fact, the initial development of the ICT industry in India was
characterized by the companies hiring people from India and sending them abroad to work on-site for their client’s projects. This phenomenon was popularly known as ‘body shopping’. This trend is continuing even today. At the same time, geographical clustering of ICT companies continues to play an important role in attracting suitable human resource. Besides, being located at a geographical location relatively close to the client also helps in developing trust as well as in understanding the client’s requirements.  

Keeping these aspects in mind, it was decided to obtain information about the office locations of the ICT companies and the location of their clients’ companies. Since this decision was taken after completing the interviews with company founders, we had to depend on the information available on the websites of these enterprises. Given this limitation, we faced difficulty in securing detailed information on this aspect about all enterprises. There were only six enterprises which had provided some information on the location of their clients. In comparison, all the enterprises had provided detailed information on their websites about the location of their offices.

The largest number of clients of these enterprises was from India. However, some other countries where significant number of clients was located included Australia, France, Malaysia, Singapore, UK, and the USA. Other than that, the enterprises had clients from Brazil, China, Denmark, Germany, Greece, Indonesia, Japan, Philippines and Sweden. When it came to clients from abroad, a clustering of clients was often observed. For example, Tech Writers Inc. and Software Consultants Pvt. Ltd. had many clients from the USA, whereas, Soft Solutions Pvt. Ltd. had many clients from Singapore.

Out of the 30 enterprises, 16 had only one office establishment. Whereas, Accent Tech Solutions had as many as 33 offices and Ahead Technologies Pvt. Ltd. had nine offices. Enterprises which had more than one office establishment, often had one or more of their offices located outside India. For example, Magnatech Inc. had one of its offices in the USA, whereas Tech Writers Inc. had one of its offices in the USA and another in Singapore. The other countries where enterprises had offices included France, Germany, Singapore, The Netherlands, Taiwan, and the UAE. Enterprises established offices abroad for catering to the requirements of existing clients in those regions as well as for expanding business activities.

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10 See Appendix Three for details on the ICT industry in India
However, office establishments needed to be maintained cost effectively. This was specifically important with reference to offices abroad, as the operation cost of such offices was quite high. Therefore, many enterprises established business partnerships with enterprises in different countries, so that they do not need to maintain offices in all regions where they do business. For example, Netware Pvt. Ltd. had partnership with a company abroad. At the same time, Datainformatics Pvt. Ltd. functioned as a business partner in India for companies located abroad.

4.4 Size of the Enterprise

Enterprise culture often varies depending on the size of the enterprise, particularly in terms of the number of employees. Size of an enterprise can be measured in various ways. A popular way of doing this is by looking at the annual turnover of a company. However, getting accurate financial data about any enterprise is always a challenge. Therefore, it was decided to develop an understanding about the size of the enterprise in a round about way: by securing data about the number of employees in the enterprise, which was more easily available. However, like financial status, employee strength also keeps changing in every enterprise. The figures presented here are approximations made by the entrepreneurs about the employee strength in their enterprise.

Accent Tech Solutions was the largest enterprise in terms of employee strength. Their group which consisted of two companies, had altogether around 3,000 employees. There were two other enterprises which also had relatively high number of employees: Integrated Software Solutions had around 900 employees and Ryze Softech Pvt. Ltd. had around 490 employees. All these three enterprises were involved in more than one business activity. The only other organization which had similar number of employees despite being involved in a single business activity was Ahead Technologies Pvt. Ltd. Their employee strength was 800. If the number of consultants was taken into consideration while calculating employee strength, Ahead Technologies would have been one of the largest employers: around 3,200 people were working as consultants for this enterprise.

Whereas Accent Tech Solutions had a large employee strength, Raj Software and Communications had only two employees. At the same time, there were two start-up enterprises which were completely freelancer-driven. They did not have any
employees at all. Leaving aside these two poles, other enterprises were spread out in between. Figure 4.2 shows that, in the sample, a larger number of enterprises had employees either between 11 and 25 (8 enterprises) or between 26 and 50 (6 enterprises).

![Figure 4.2](image-url)

Given the dependence on technology, it was quite natural to find that most employees in all these enterprises were technical personnel. Only a small part of the workforce was administrative or managerial staff. Except for one, in no enterprise the number of administrative staff was more than that of the technical personnel. This organization, Datainformatics Pvt. Ltd., was primarily involved in trading, which probably explains why it has more non-technical than technical staff. In all other organizations, more than 60 per cent of the employees were technical personnel. In six organizations, all the employees were technical personnel. Leaving aside one of these six organizations, which had 40 employees, in rest five the number of employees was below 15. This indicated the trend that smaller organizations expected their employees to perform multiple tasks. Instead of appointing separate employees for administrative work, they expected their technical employees to perform non-technical tasks as well.
Figure 4.3

Technical Employees of Enterprises

<table>
<thead>
<tr>
<th>Number of Enterprises</th>
<th>Below 60</th>
<th>60-70</th>
<th>71-80</th>
<th>81-90</th>
<th>91-100</th>
<th>Information unavailable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>9</td>
<td>5</td>
</tr>
</tbody>
</table>

Technical employees as percentage of total employees

Given the nature of work in the ICT industry, it is not essential for an employee to be always physically located in the office. We found enterprises employing many freelancers and consultants who were not physically located at the enterprise. Knowhow and Design Lab had no ‘employee’ on their payroll. They were driven completely by freelancers. Knowhow had 35 freelancers and Design Lab had 5 freelancers. Both these organizations were founded and run by women entrepreneurs. As these two enterprises were still in their start-up stage, running them with freelancers was part of the business strategy to keep provision for scaling down costs when there is a decline in the flow of business.

4.5 Duration of Business Operation

The style of functioning of an enterprise undergoes changes with time. For understanding these changes, it was necessary to classify the enterprises in terms of the number of years their business was operating. Two types of data was collected for this purpose: (i) the year of registration and (ii) the year in which the business operations began. For most of the enterprises, the year of registration and the year of initiation of business operations were the same. However, there were enterprises which were either registered first, but initiated business operations later on, or began their business operations first, but got themselves registered later on. In the second
category, often registration took place when it was necessary for getting business, or for securing finance. At the same time, there were enterprises like Netware Pvt. Ltd., Infonet Pvt. Ltd., and Datainformatics Pvt. Ltd. which were initially registered as a ‘firm’, but later on were re-registered as a ‘company’. The need to transform a firm into a company was to facilitate external financial investment into the enterprise.

One interesting observation from Figure 4.4 is that, out of the 30 enterprises, only one was registered before 1985. All the other enterprises were registered between 1985 and 2005. This, in a way, matches with the trends in the growth of ICT industry in India. The impetus to growth for the ICT industry had come with the gradual liberalization of industry regulations which began around 1985. However, initiatives towards liberalization became stronger with the implementation of the New Economic Policy in 1991. Therefore, probably it was no coincidence that majority of the enterprises were established after 1991.

Analysis in this chapter reveals the diversity that exists among the enterprises in the ICT industry. Irrespective of this diversity, we found frequent references being made by entrepreneurs about the importance of trust, reputation, and goodwill for the development of business. Although conceptually we have segregated the three terms, empirically at times the distinction between them got blurred. Often, it was found that different entrepreneurs perceived these terms differently. For example, whereas some
entrepreneurs understood customer reference as reputation, others considered it as goodwill. In view of the importance given by entrepreneurs to trust, reputation, and goodwill in relation to various aspects of business operation, it appears necessary to elucidate on these terms. The next two chapters would attempt such an elucidation while looking into various facets of business.