

Environmental Dynamic Strategies in Small Scale ITES Industry In Trivandrum

Divya D S Rajan

divya@sxcce.edu.in;
St.Xaviers Catholic College of Engineering

Article Type: Research Article

Article Citation: Divya D S Rajan, Environmental Dynamic Strategies in Small Scale ITES Industry In Trivandrum. M.S. Ramaiah Management Review. 2025; 16(01), 30-38. DOI: 10.52184/msmr.v16i01.098

Received date: October 10, 2024

Accepted date: December 10, 2024

***Author for correspondence:**

Divya D S Rajan  divya@sxcce.edu.in  St.Xaviers Catholic College of Engineering

Abstract:

Information technology enabled services industry is one of the key contributor of information technology industry. The biggest economic effect of the country is due to the growth of technologically inclined service sector. India's cost competitiveness in providing IT services led to the economic transformation. More importantly, the economic transformation of the country has altered the perception of India in the global economy. For such an industry, it is highly necessary to be competitive to survive in the global market. Small ITES companies also plays a major role in the country's IT sector. The objective of this study is to understand the small scale ITES organization's emphasis towards the area which leads in gaining competitive advantage in the industry. The aim of the study is to identify a particular area where the developing organizations of technology industry must concentrate to gain competitive advantage towards its competitors. The study was conducted with the ITES companies established in Trivandrum, as it is one of major IT hub in the country. All small ITES companies in Trivandrum were approached and the data was collected through a structured questionnaire. The collected data was processed and analyzed with statistical tools. And the study highlighted the profile of the firms have a significant influence on the selection of environmentally flexible strategies executed by the firms.

Keywords: Competitive advantage, environmental dynamism, strategic flexibility, small scale ITES companies.

INTRODUCTION:

In the evolving scenario, the organizations faces major challenge in coping up with the market and staying competitive in business. It is necessary for the organizations to build a management system that helps achieving the organizational goals in alignment with changes in the environment. Strategic

management considers the environment as an important contextual factor which has a strong influence on a company's strategic direction. Moreover, the strategy literature supports the view that both firm owners and senior executives must deal with the impact of environment (Li and Simerly, 1998, p. 169). Environmental dynamism describes the rate and the unpredictability

of changes in a firm's external environment (Des.sand Beard, 1984).

Organizations can develop a wide range of strategies but developing a integrated framework in accordance with the changing market is a challenging task. This emphasizes the flexibility of an organizational strategy to cope up with the challenges in the market. Strategic flexibility refers to an ability of firms to respond and adapt to environmental changes. To be strategically flexible, organizations should exercise strategic leadership, build dynamic core competence, focus and develop human capital effectively, implement new organization structure and, have innovative culture (Hitt et al., 1998). Also, strategic flexibility enables business to obtain sustainable competitive advantage by making business more proactive. Proactive firms can analyze the environment and determine the external opportunities and threats better than other firms. Thus they can take advantage of opportunities while protecting themselves against the environmental threats. Furthermore, empirical evidences have suggested that strategic flexibility effects business performance positively (Nadkarni and Narayanan, 2007). Dynamism refers to the degree of uncertainty in market and industry conditions, including the state of technology and general economic performance. A dynamic market can affect the effectiveness of the firm's behavior. A dynamic market is emerging when changes in the behavior of market players are considered important to a company. Correspondingly, there has been a growing research interest in the role of strategic flexibility in the field of information systems (IS) (Goldhar and Lei, 1995; Lei et al., 1996; Byrd, 2001).

The effectiveness in staying competitive in business can be achieved by creating innovative products and services of high

quality and at low prices to satisfy their customer (Hitt et al., 1998). And these changes in business processes depend on the ability of the organization to adapt quickly to environmental changes. In other words, it can be concluded that a firm ability to adapt quickly to such conditions is crucial to its success in obtaining and maintaining sustainable competitive advantages.

India still maintains a dominant position in the global outsourcing market, with an approximate share of 55-60% of the global market in 2023. The global outsourcing market (comprising IT services, BPO, and other IT-enabled services) was valued at approximately **US\$ 300 billion in 2023**, and India's share continues to represent around **55-60%** of this market. India has become the digital capabilities hub of the world with around 75 per cent of global digital talent present in the country. The ITES sector comprises customer-interaction services including call-centres, back-office services, revenue accounting, data entry and data conversion, HR services, transcription and translation services, content development, animation, education, data research, market research and network consultancy. The core competencies of the Indian human capital has attracted significant number of investments, which also leads to the emergence of start-ups in technology enabled services. The Small and Medium IT/ITeS Providers (SMPs) in India are integral to the growth engine of the industry in particular and the Indian economy in general. The prevailing growth trends are expected to continue into the near future on account of the increasing maturity of this segment and the emergence of new opportunities into the future.

Best known for its scenic and undulating nature and warm hospitality, Thiruvananthapuram, also called as

Trivandrum is one of the prominent cities in the state of Kerala. The rapid growth in IT, particularly in the software industry has transformed Thiruvananthapuram into the fourth hottest IT destination in India. The city has emerged as a fastest developing IT and commercial hub in recent years. Thiruvananthapuram can be called as a Silicon Valley of Kerala which contributes nearly 80 percent software export from the state. The city has ample human talent. Major chunk of highly qualified IT professionals in Kerala comes from Thiruvananthapuram. The establishment of the Technopark has further escalated growth of the software industry making Thiruvananthapuram the best 2nd tier metro with IT/ITES infrastructure. The Technopark is home to nearly 300 IT companies including some of the big giants like Oracle, Infosys, TCS, Tata Elxsi, IBS Software Services, NeST Software, SunTec Business Solutions etc. It employs more than 40000 IT professionals.

The objective of this study is to understand the organizations emphasis towards the area which leads in gaining competitive advantage in the industry. The aim of the study is to identify a particular area where the developing organizations of technology industry must concentrate to gain competitive advantage towards its competitors. Being able to make change in the products, services, and business processes depends on the ability to adapt quickly to environmental changes. In other words, a firm's ability to adapt quickly to such conditions is crucial to its success in obtaining and maintaining sustainable competitive advantages. It is also understood that the organizations dealing with unpredictable change must start anticipate and look for the signs that accelerate and initiate the change. Either wise the adaptability of an organization to

the environmental contingencies is a two separate – yet parallel process. At one side, when the organization is looking for strategic change, it is highly necessary the organization keeps its internal structure highly adaptive to accommodate the change.

Review of literature and Theoretical Framework:

This area of Environmental Flexibility is widely studied in manufacturing management, economics, strategic management, information technology management and various other studies. There are a number of reviews available in this domain especially with respect to manufacturing management literature (Sethi and Sethi, 1990; Hyun aud Ahn, 1992; Genv-in, 1993; Upton, 1994). But this study was based on the review of “a firm's ability to proact or respond quickly to a changing competitive environment and thereby develop and/or maintain competitive advantage” (Hitt et al., 1998: 26).

Capacity of firms to pro-act and respond quickly to changing competitive conditions develops and maintains competitive advantage (Zhang, 2006; Ussahawanitchakit and Sriboonlue, 2011). Firms operate in dynamic environments and they should dynamically reconfigure their resource portfolio to leverage their knowledge management skills for innovative performance (Garg, Walters and Priem, 2003; Sirmon, Hitt and Ireland, 2007; Sirmon et al., 2011). Crant (2000) emphasizes the need for a longer time horizon in decision-making, anticipating future events, and taking action to be well poised to either mitigate potential risks or exploit opportunities. Frese and Fay (2001) emphasize being proactive through seizing the initiative and being the actor that initializes things. This characteristic

emphasizes taking the initiative and working towards creating new opportunities rather than waiting for them to appear. The external environment consists of the political, economic, social, technological, environmental and legislative, as well as industry forces.

Johnson and Scholes (2007) argue that studying these forces is critical and enables a firm evaluate its competitive position vis a vis its strategy, internal resource capabilities and stakeholder acceptability. Therefore the idea of an organization to be market centered totally lies on the ability of the firm to create value for its customers and being successful in it.

Kotler, P. Armstrong, G argues that, “A product’s position is the place the product occupies relative to competitors products in consumer’s minds. Marketer wants to develop unique market positions for their products. If a product is perceived to be exactly like others on the market, consumers would have no reason to buy it. A challenge that some business owners may face is to find a way to be seen as different from their competition”. Firms must operate in the environment which they find themselves in, and strategy and innovation cannot be developed in isolation of its environment. Utterback and Abernathy argued that there is “a strong mutual relationship between a firm’s choice of strategy and its environment” and that “the characteristics of the innovativeness process and of a firm’s innovation attempts will vary systematically with difference in the firm’s environment.”

Rajapathirana and Hui, (2018) states that, “Innovation strategy is a key indicator of firm performance. Organizational innovation is the application of a new organizational method in practical, organizational or external relations of the firm. Organizational innovation improves

firm performance by reducing administrative and transaction costs, and at the same time increases workplace satisfaction.” Innovation capability is considered to be a valuable asset for companies to maintain competitive advantage and to implement the entire strategy. The firm’s ability to innovate makes it easier for firms to quickly introduce new products to the market and to adopt new systems. It is also seen as an important factor to feed ongoing competition.

In order for companies to stay successful and to be competitive in marketplace, every organization must make a right decision for their business structure. Even companies of the same size in the same industry have varying approaches for managing R&D. even though small scale companies consider the investment on Research and development as high-risk but hi-tech companies show repeated successes are achieved using research and development for developing new products. Even in tough economic times, many companies look to R&D as a possible competitive advantage. Surveys suggest that the most successful organizations use an R&D strategy that ties external market opportunities to internal strength and is linked with objectives. Well-formulated R&D policies can match and tap market opportunities with internal capabilities and provide an initial screen to all ideas generated.

According to Tidd (2003), innovations and R & D process can be a way for an organization to achieve competitive advantage. These processes can help organizations to differentiate their processes and services and can gain a competitive edge over the competitors. There is considerable evidence that R&D activity tends to increase firms’ future profitability (Branch 1974; Sougiannis 1994; Eberhart et al. 2004), has

a positive impact on a firm's market value (Chauvin and Hirschey 1993; Sougiannis 1994; Armstrong et al. 2006)

Most empirical studies suggest that, with less structure and bureaucratic administrative controls in place, small and medium-sized firms were more agile and responsive to changes in the environment. So this study attempts to understand the competitive advantage areas of small organizations with respect to environmental dynamism.

The study explores the key areas that require the organization's concentration to be competitive in accordance with the environmental changes.

- Emphasis on the adoption of market changes
- Emphasis on the product as per the changes in the market
- Emphasis on market as per the changes
- Emphasis on innovation
- Emphasis on research and development

Performance is expressed as the effort of employees in an organization when they are performing their duties. The performance of the firm and their measurement is very important and widely discussed issue. The empirical analysis of relationship between firm size, firm age and firm performance is the subject of the study by Majumdar (1997). With the help of a sample of 1020 Indian firms he examined how firm performance is affected by firm size and age.

For this reason, firms' success is directly proportional to their employees' performance. (Yıldız et. al., 2014, p.787). The age and size of a firm may provide resources from which the firm can draw to more favorably compete (Stinchcombe 1965). As such, Firm age was measured as the number of years since firm founding, and firm size was measured by the number of employees.

Research Methodology:

The research methodology of the study is discussed in detail as follows

Objectives of the study:

The objectives of this present study aims in determining the following;

1. To identify the key areas that require attention of the organization to be competitive with respect to the environmental changes
2. To study the effect of profile of the firm and the competitive key areas of the firm.

Hypothesis:

H1: There is significant relationship between the profile of the firm and environmental flexible strategies.

Research Design:

The research approach of this study is of quantitative research in nature. At first phase an exploratory research was done understand the nature of problem in the industry, Followed by which the important variables in identifying the key areas were derived.

Sources of Data:

Both primary and secondary type of data are used for the study. More dedication is given in collecting the primary data, as it plays a major role in finding authentic results for the research problem.

Primary Data:

Population: All small scale ITES companies in Trivandrum District.

Sampling technique: Total purposive Sampling technique was employed, as the population itself is an small number.

Sample Size: A total number of 266 companies.

Survey area: Trivandrum.

Formal and Informal interviews were conducted with industry experts and managers.

Secondary Sources:

Books, articles and various websites were accessed

Sample and Data Collection:

This study was performed on ITES Companies in Trivandrum. Trivandrum is one of the major cities of India, which fares well in IT enabled services industry. The questionnaire method was employed to collect data for the study. As the study is about the strategic management of the company, it was best convinced to approach the Managers of ITES companies with the structured questionnaires. Also the managers took deliberate steps in answering the questionnaire in short time. The constructs in our questionnaire were developed by using measurement scales. All of them were measured by five-point Likert scales ranging from (1) strongly agree to (5) strongly disagree. The questions were direct in nature and were about to understand the key areas of the organization. 82 % of ITES companies were approached and 68% of companies helped in completing this study.

Data Analysis Techniques: Excel and SPSS software has been used to analyze data

Analysis and Results:

In this part, the findings of the study are analyzed and discussed. The demographic

data and the key areas are analyzed with the statistical tools such as Simple percentages, Mean, Standard deviation, Coefficient of variation, t-test, f- test.

CLASSIFICATION OF ORGANIZATION BASED ON DEMOGRAPHIC FACTORS:

ANALYSIS OF PROFILE OF THE FIRM:

TABLE 1.1 YEARS OF ESTABLISHMENT

Sl.No.	Years of establishment	Number of firms	Percentage
1.	Less than 2 years	90	33.8
2.	2.01-5	68	25.56
3.	5.01-10	52	19.54
4.	10.01-15	32	12.03
5.	More than 15	24	9.02
	Total	266	100

In total, a maximum of 33.8 percent of the firms are having less than 2 years from its years of establishment. It is followed by 2.01 to 5years and 5.01 to 10years which constitute 25.56 and 19.54 per cent to the total. 12.03 percent and 9.02 percent of the total firms fall in 10.01 to 15 and More than 15 years. The above table shows that the majority of the sample are among the firms with less than 2 years from its years of establishment

TABLE 1.2 EMPLOYEE POTENTIAL

Sl.No.	Number of Employees	Number of firms	Percentage
1.	Less than 25	231	86.84
2.	26 – 50	35	13.15
3.	51 – 75	--	-
4.	76 – 100	--	-
5.	Above 100	--	-
	Total	--	-
		266	100

From the following table, it is inferred that 86.84 percent of the firms have less than 25 employees and 13.15 percent of the employees have 26 to 50 employees.

TABLE 1.3 VARIABLES IN ENVIRONMENT DYNAMIC STRATEGIES

Sl. No.	Variables	Mean	Standard deviation	Coefficient of variation (percent)
1.	Emphasis on the adoption of market changes	3.466	0.346	9.981
2.	Emphasis on product as per the changes in market	3.388	0.344	10.151
3.	Emphasis on market as per the changes in market	3.391	0.399	11.766
4.	Emphasis on innovation	3.645	.549	16.91
5.	Emphasis on research & development	3.602	.436	12.10

From the following table, it is inferred that the most executed strategies in organizations emphasize on adoption of market changes, on product as per the changes in market and on market as per the changes in market since its mean scores are 3.466, 3.388 and 3.391 respectively.

TABLE 1.4 RELIABILITY AND VALIDITY OF VARIABLES:

The reliability and validity of the variables is discussed below:

Sl. No.	Variables	Standardized factor loading	't' statistics	Composite Reliability	Average Variance Extracted
1.	Emphasis on the adoption of market changes	0.8544	3.4417*	0.7411	52.91
2.	Emphasis on product as per the changes in market	0.8011	3.1783*		
3.	Emphasis on market as per the changes in market	0.7862	2.9094*		
4.	Emphasis on innovation	0.7334	2.7886*		
5.	Emphasis on research & development	0.6817	2.6591*		

Cronbach alpha: 0.7646.

* Significant at five per cent level.

The standard factor loading of the variables are varying from 0.6817 to 0.8544 which reveals its content validity. The significance of 't' statistics of the standardized factor loading of the variables reveal its convergent validity. It is also proved by

the composite reliability and average variance extracted since these are greater than its minimum threshold of 0.50 and 50.00 per cent respectively. The included six variables explain it to an extent of 76.46 per cent since its cronbach alpha is 0.7646.

TABLE 1.5 ASSOCIATION BETWEEN THE PROFILE OF THE FIRM AND ENVIRONMENTALLY FLEXIBLE STRATEGIES

Sl. No.	Profile of the firm	F statistics	Table value of 'F' at five point level	Result
1.	Years of establishment	2.2417	1.94	Significant
2.	Number of employees with firms	2.5676	1.94	Significant

From the table, it is observed that the profile of the firms have significant relationship with the environmentally flexible strategies executed by the firms.

Concluding remarks

This study highlighted that the profile of the firms have a significant influence on the selection of environmentally flexible strategies executed by the firms. And so the hypothesis H1 (Relationship between the profile of the firm and environmental flexible strategies) is positively supported. ITES organizations play a major role in boosting the economic growth of the country. Sustaining a volatile environment is subjective to the changes in the market. Small scale firms take potential risks in setting up their businesses, but there is no enough consideration in the survival of the business. The organizations must make proper strategic decisions that will enable them to survive and sustain any type of environment. Also it is high time, even small organizations understand the necessity and importance of Strategic Foresight. Failure of businesses due to unpredictability arises due to the organizations ability in predicting the signs of change. Environmental uncertainty is a result of lack of future uncertainty. Market

Dynamic Strategies are highly necessary for continuing firm performance.

Lastly, this study also has some limitations. This study was conducted on firms which operate in and around Trivandrum district. Further researches can be done for generalization of results in a wide scope, in that particular industry. Also this study was based on subjective measures depending on subjective perceptions of managers working in the company at that particular period of time. So the data collected may tend to be with biases and distortions. Further research can focus on objective performance measures such as financial performance measures, which are more reliable and precise. Objective performance indicators can reduce the data bias and perceptions, and may tend to validate the results. The outcome may also be different if the study assessed the environmental dynamism faced by the firms during a longer period of time.

References:

- Dess, G. and D. Beard. 1984. "Dimensions of Organizational Task Environments." *Administrative Science Quarterly* 29; 52-73.
- Hitt, M.A. et al., (1998), Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the

- 21st century. *Academy of Management*, Vol. 12, No. 4, pp. 22-42.
- Nadkarni, S. and Nakarayanan, V.K. (2007), Strategic schemas, strategic flexibility, and firm performance.:The moderating role of industry clockspeed. *Strategic Management Journal*, Vol. 28, pp. 243-270.
- Zang, M.J. (2006), IS support for strategic flexibility, environmental dynamism, and firm performance. *Journal of Managerial Issues*, Vol. 17, No. 1, pp. 84-103.
- Ussahawanitchakit, P. and Sriboonlue, P. (2011), Transformational leadership, strategic flexibility, learning capability, continuous improvement, and firm performance: Evidence from Thailand. *International Journal of Business Strategy*, Vol. 11, No. 1, pp. 162-172.
- Vecchiato R. Strategic planning and organizational flexibility in turbulent environments. *Foresight*.2015;(3):257-273.
- J.M. Crant Proactive behaviour in organizations, *Journal of Management*, 26 (3) (2000) , pp. 435-462
- M. Frese, D. Fay Personal initiative: An active performance concept for work in the 21st century *Research in Organizational Behavior*, 39 (2001), pp. 133-187
- Kotler, P. and Armstrong, G. (2010) "Principle of Marketing" 13 Edition: Copyright by Pearson Education International. Printed in Upper Saddle River, New Jersey
- Rajapathirana, R. P. J. and Hui, Y. (2018). Relationship between innovation capability, innovation type, and firm performance. *Journal of Innovation & Knowledge*, Vol: 3, 44-55.
- Lawson, B. and Samson, D. (2001). Developing innovation capability in organisations: A dynamic capabilities approach. *International Journal of Innovation Management*, 5(03), 377-400.
- Yıldız, S, Baştürk, F. and Taştan Boz, I. (2014). The Effect of Leadership and Innovativeness on Business Performance. *Procedia Social and Behavioral Sciences*, 150, 785-793
- Scihi, A. and S. Sethi. 1990. "Flexibility in Manufacturing: A Survey." *International Journal of Flexible Manufacturing Systems* 2: 289-328
- Upton, D. 1995. "What Really Makes Factories Flexible?" *Harvard Business Reuietv* 82: 74-84.
- Hvun, J. and B. Alin. 1992. "A Unifying Framework for Manufactnrng Flexibility." *Manufacturing Revieiv b* (4): 251-260.
- Gerwin, D. 1993. "Manufactnrng Flexibility: A Strategic Perspective." *Management Science* 39 (4): 395-410.
- Tidd.J.(2003) *Managing Innovation : Its more than technology*. ESTIEM magazine, p. 14-15.
- Eberhart, A., Maxwell, W., & Siddique, A. (2004). An examination of long-term abnormal stock returns and operating performance following R&D increases. *Journal of Finance*, 59(2), 623-650.
- Sougiannis, T. (1994). The accounting based valuation of corporate R&D. *Accounting Review*, 69(1), 44-68.
- Branch, B. (1974). Research and Development activity and profitability: A distributed lag analysis. *Journal of Political Economy*, 82(5), 999-1011.
- Chauvin, K., & Hirschey, M. (1993). Advertising, R&D expenditures and the market value of the firm. *Financial Management*, 22(4), 128-140.
- Armstrong, C., Davila, A., & Foster, G. (2006). Venture-backed private equity valuation and financial statement information. *Review of Accounting Studies*, 11(1), 119-154.