

# The Power Shift:

The Five Forces Driving  
India's IT/ITeS Sector  
and How to Harness Them

Powered by  Business

A Think Teal Industry Insights Paper



# The Evolution Mandate: Why India's IT Sector Must Transform

India's IT/ITeS industry, which has long been the world's go-to destination for outsourcing and technology services, stands at a crucial juncture. The industry is being compelled to reform by trends in the marketplace influenced by fast evolving technology, competition booming on various fronts, and changing client demands. It is no longer feasible to depend simply on the cost arbitrage and skilled natural resources available in the country. All this calls for a more dynamic and innovative business-to-business model, along with an emphasis on continuous innovation, for more productivity and efficiency.

The necessity for transformation is underscored by several key factors.



**Increasing International Competition:**  
As South-East Asia emerges as new IT hubs, India must enhance its IT/ITeS capabilities to maintain its positional lead.

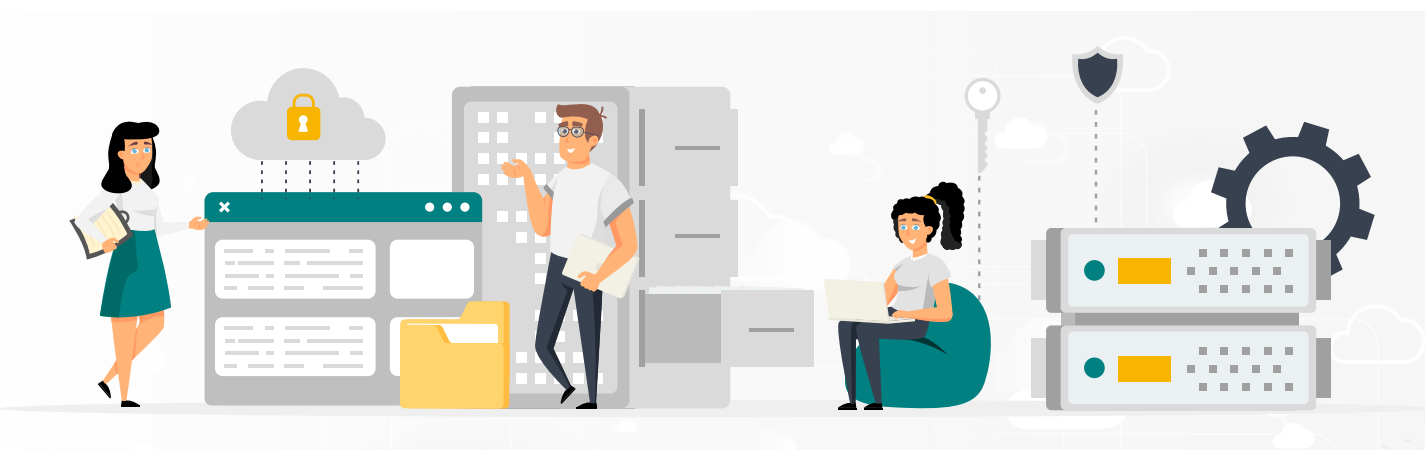
**Shift Towards High-Value Services:**  
The IT sector is moving from cost-based outsourcing to value-driven services, requiring Indian firms to elevate their offerings.



**Advancements in Emerging Technologies:**  
Rapid advancements in AI and GenAI compel India's IT sector to innovate and stay competitive.



**Increasing Role of Technology in Traditional Sectors:**  
IT/ITeS firms are increasingly becoming strategic advisors, driving innovation in traditional industry verticals.



## India's IT/ITeS Sector: A Snapshot of Challenges

Indian IT companies spend around 1.5-2% of revenue on R&D, compared to a global average of

**3-4%**



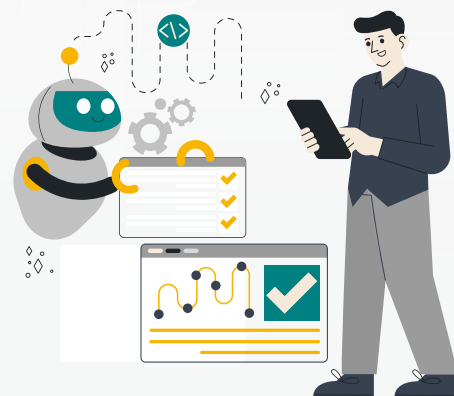
Despite rapid digital transformation

**45%**

of IT firms are still relying on outdated systems

**25%**

of IT jobs in India could be automated by 2030, with tasks like data entry and basic coding being most susceptible



Only

**25%**

of IT/ITeS firms have advanced cybersecurity measures in place, making them a hotspot for cyber attackers

India's IT sector is facing a shortage of 600,000 profiles for skilled professionals leading to a

**30-40%**

gap in the availability of digital skills

