The IT Sector in Pakistan

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The IT sector of Pakistan is relatively new in contrast to other traditional business sectors. It is estimated that there are roughly 450,000 new computers introduced every year in Pakistan. While this seems pitifully small numbers, it represents a three-fold increase as compared to 1996-1997. Analyst predicts that this number will increase 4-5 times in the next three years. [Qazi: 2002]

Successive Governments during their regime neglected the sector for several years. Telecom and Information Technology sector was regularized under strict government policies. No initiative in IT was allowed without the consensus and permission of Government owned Telecommunication organization Pakistan Telecommunication Company limited [PTCL]. The provision of internet was also provided by PTC subsidiary Paknet and private investments were not encouraged. However, things started to change in 1996 after deregulation of Pakistan Telecommunication Corporation and end of its monopoly over the sector.

A number of initiatives were taken to maximize the benefit for this growing sector, which the country was deprived of for several decades. The enormous impact of IT on the economic growth of neighboring country i.e. India was seen as an example. A lot of incentives were provided for new IT companies. Consequently there was a mushroom growth of companies in IT sector. According to Pakistan Software Export Board, the number of IT companies in Pakistan has been increased from 80 in 1996 to over 700 in 2004 [PSEB]. The industry has created several forums to look after its interest. These include, for instance, Pakistan Association of Software Houses, Call Center Association of Pakistan etc. [Pakistan Software Export Board: 2004].

Companies started to provide their services in Information Technology for example ICT consultancy firms, Internet Service providers [ISP's], Calling Card Companies, Pay Phone Companies, Software Houses, Call Centers, Voice Over IP services [VoIP] etc. However most of the companies in this emerging sector are SME's.

In countries like Pakistan large and medium enterprises are challenged with building an infrastructure that supports the demands of their business. Before analyzing the issues relating to IT sector, in general and Corvit Systems in particular, it is important to keep in mind that the sector of IT in Pakistan is relatively a new sector and most of the companies operating in this sector are SME's. SME's do have their own set of problems, which are different from large organizations. Now we will analyze the sector in detail.

According to storey [1994] there is no definite approved definition of a small

firm but according to Redman, The Bolton report [1971] declared that any company to be small which has less than 200 employees and medium which has less than or equal to 500 staff members. According to Rainnie [1991] and Goss [1988] such fixed description can be deceptive when used to inform about employment practices as these organizations are characteristically diverse and heterogeneous. Wilkinson, Redman [2001] argues that it is difficult to define size of company solely on the basis of number of employees as there are other factors which have to be taken in account such as profitability, rate of tax return, sales turnover etc.

If we look at the IT sector of Pakistan we can find majority of companies can be defined as small or medium size enterprises having different, multifarious, diverse and complicated problems specially if we look at the employee-employer relationship. According to a research the labor-management relations in small setting can be complex, diverse, and above all informal [Scott et al: 1989]. Redman, Wilkinson [2001] argue that one SME may or may not be similar to other even if they are in similar sector and lessons taken from one SME can not necessarily be applied to another SME and the risk of oversimplification notwithstanding.

The political economy of small firms

According to Redland and Wilkinson [2001] cites Rainnie [1989, 1991] work who has categorized small/medium companies in terms of relations with big companies in four different classes.

 Dependent SME's
 Dominated SME's
 Isolated SME's
 Innovative SME's

When we analyze Rainnie's approach towards SME sector in terms of IT, we find interesting results.

Although the sector is growing but competition to capture market share is extremely high. Firms have to be very competitive in order to get market share or even to sustain existing portion. There is another challenge sector has to face that is entry of huge multinationals like Cisco, Microsoft, Sun, Oracle etc. in the market. [Innovative SME's]. Redman and Wilkinson [2001] argues that innovative SME's can be found in emerging hi-tech markets where large organizations wait until the risk-takers have finished the pioneering work and

the market starts to offer the potential for stable and fruitful returns. It is that point the large organizations provide capital investment, franchise and distribution arrangements for small companies. That is the case in Pakistan some of the SME's are working as subsidiaries or in partnership and acting as agents of these corporations called Dependent SME's while innovative SME's are those who are the first one to enter, big giant companies wait for the small companies to generate some market share, and then these big companies jump in and grab their market shares.

An important problem that this sector faces is the lack of qualified work force. After the country was exposed to IT, there has been a mushroom growth of IT schools, colleges and institutions. But the problem is low quality tutoring. The caliber of students from most of these institutions is basic. These institutions produce quantity not quality. Nevertheless there are few colleges, which provide top-notch and meritorious education to their students. These worthy students are inconsiderable and majority of them go to other countries like USA, UK etc for career growth and handsome salary. According to Abbas of BBC [2000], a survey conducted by Gallup-Pakistan revealed that more than two-thirds of Pakistan's adult population wants to go abroad to work. It further indicates that not only qualified professionals and university graduates, but also semi-skilled or unskilled workers want to leave Pakistan in search of better prospects.

The companies who retain high-tech employees are more successful in business because these human resources are competitive advantage for these firms. Different companies attract these handfuls of people and huge efforts are made to make them stay with the company. According to Redman [2001], Hom and Griffith [1995] argued that employees are pulled by market forces and pushed by internal factors to stay or leave. Whereas according to Scase [1995] it is often difficult for owner-manager to hire and retain qualified employees because of their bargaining position in the firm.

Another grievance for this sector is insufficient data communication speed due to varied reasons like outdated telecom infrastructure because of PTCL monopoly in the past and low data speed acquired by the government to send and receive information from internet. However government is taking initiatives to enhance the data speed via satellite, and wireless. It is encouraging private sector to invest in telecom infrastructure. A lot has been done to enhance the telecom infrastructure of Pakistan like nominal prices of bandwidth and easy access to Internet.

According to Government of Pakistan [2004], even though growth in the

information technology sector over the past five years is with the Internet reaching almost 2000 towns and villages and the international bandwidth rates dropping by almost 90% [from USD 30,000 in year 2000 to USD 3,950 in 2004] is tremendous. Still the overall ICT usage and penetration in Pakistan is below international averages and shows a significant room for improvement.

Another most important hard-ship for the sector is the lack of knowledge about the importance of IT in majority of traditional businesses and among masses. The reason is that literacy rate of Pakistan is lowest in the region standing at 42.7% [UNICEF: 2004]. Most of the businesses in small cities and towns have not accepted IT as a valuable resource. People still use the old, traditional ways to do business but the prospects are high as the sector is new and growing this can be seen as an advantage as well for the sector in terms of market growth.

In conclusion the small medium enterprise IT sector irrespective of this enormous growth in IT faces a number of challenges which has to be addressed in order to gain steady growth and to compete in global market.

1. Retention of high skilled workforce
2. Low data communication speed due to telecom infrastructure
3. Shortage of quality training institutions
4. Unawareness of IT in masses
5. Growing competition among small and large companies