



Characteristics of Russian Outsourcing

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Initial History

- ▶ **Beginning of 90th: situation in Russia is near starvation**
 - State does not pay for contracts
 - Factories are closing
 - Hyperinflation
 - Engineers are working as suitcase traders and so on
- ▶ **But:**
 - Strong scientific background of Russia
 - a lot of specialists – lack of jobs in Russia
 - a lot of jobs – lack of specialists in Western countries
- ▶ **So: Good opportunities of outsourcing from Western countries to Russia**

- ▶ Very quickly Western companies started to outsource not only technical tasks but core business



Our Initial Examples

- ▶ ItaTel (Milan, Italy)
 - ATM-switch
 - Software for mobile phones
 - CoDesign

- ▶ Seer Technologies (North Carolina, USA)
 - Rewriting of old American programs
 - Reengineering tools
 - Gartner recognized our tool as the best in the fields of Legacy Understanding and Legacy Transformation (2001, 2002)



Start of the Russian IT market and of the IT industry

- ▶ No software market in USSR (state contracts, state funds, centralized orders)
- ▶ Strong programmers – poor business skills
- ▶ Working on Western contracts is the best learning
- ▶ Economical growth in Russia caused rise of SW–development industry
 - Economical stability
 - Reasonable inflation
 - Contracts from Russian enterprises
 - Quickly growth of outsourcing



RUSSOFT Assotiation

- ▶ 1999. Delegation of Saint–Petersburg visited San Francisco
 - Visits to Sun, Oracle, HP
 - Needs for teams >500 employees
 - No Russian company could provide more then 50 employees
- ▶ 9th Sept 1999 – Birth of consortium Fort–Ross (Saint–Petersburg SW companies)
- ▶ May 2004 – Merging with Moscow association – creation of RUSSOFT
- ▶ 2010. More then 70 companies (Russia, Ukraine, Belarus).
 - Face of Russian SW–industry abroad
 - Voice of Russian SW–industry inside Russia
 - Active lobbyist in the Russian Government
 - Club of CEOs
 - ACM–ICPC International Programming Contest



Samples of Russian Outsource Success Stories

- ▶ Global Services and Tolons Research 2009. “Cities of emerging market economies attractive for service business”:
 - St.–Petersburg – 1st place in the category of the centers for R&D, in Top 5 on engineering services and in Top 10 on products development.
 - Moscow is number 3 on R&D and in Top 5 on games development services.
- ▶ Almost all world IT leaders organized development centers in Russia proving that Russia is one of world’s leaders in the field of research and development (Intel, Sun, EMC, IBM, Motorola, T–Systems, Google, HP and so on)
- ▶ Russian IT offshoring market has grown from \$1.5 billion to \$2,5 billion before crisis in 2006–2008.



The Best 100 Global Service Providers in 2009

▶ Among 100 best IT-service providers

- EPAM Systems (Belarus-Russia)
- Exigen Services
- IBA (Belarus)
- Luxoft
- Mera NN
- Rekssoft
- Intetics (Ukraine)
- Itransition (Belarus)

▶ Global Services&NeoIT, 2009

▶ Ten best IT-service providers in CEE

- ▶ 1. Luxoft
- ▶ 2. EPAM Systems
- ▶ 3. Exigen Services
- ▶ 4. IBA
- ▶ 5. Rekssoft
- ▶ 6. MERA Networks
- ▶ 8. DataArt
- ▶ 10. Auriga

▶ Ten best Global Product development services' providers

- ▶ Exigen Services, EPAM Systems, Luxoft, Auriga, MERA Networks



Russian IT industry Today

- ▶ From IT-outsourcing to Software products development:
 - **Parallels** (Sergey Belousov) – one of world leaders in area of resources virtualization.
 - **Aelita Software** (Ratmir Timashev, Andrey Baronov) – Microsoft networks administration and network security. Has been sold more than for \$100 million to Quest.
 - **Speech Technology Center** (Michael Hitrov) – is engaged in integration of vocal applications, they have successfully decrypted records of submarine "Kursk" crew negotiations though the records have lain at the bottom of the sea for more than a year. They have the world's largest implementation in the field of speech recognition.
 - **SPb Software** – one of the leaders on Windows Mobile applications development, while Novosibirsk company **Vito Technologies** have same positions in iPhone applications development.
 - **Lanit-Tercom** company created technology of designing of the chips optimized on the required problem, and now is promoting its solution in the field of stereovision (two webcams without the additional equipment).



Russian IT industry Today (2)

- ▶ Venture activities
 - Russian venture company (RVC) together with Bank for foreign trade (VTB) initiated creation of a network of regional venture funds, «sowing financing» funds.
 - The large foreign companies (Microsoft, Cisco, HP, IBM) and foreign venture funds («Almaz Capital", "Siguler Guff", "Drapper, Fisher&Jurvetson) actively cooperate with these funds.
 - Associations of business angels are everywhere created.
- ▶ More than 20 % of respondents plan to involve investments in 2010 and as much — in 2011
- ▶ We are waiting for occurrence of the whole army of new world leaders of the software industry in Russia very soon. It will be unexpected even for Russians at first. And then it should become norm

