

EPAM Merges With Local Firm

By Yekaterina Dranitsyna
Staff Writer

The global software services company EPAM Systems has announced a merger with one of the largest Russian software outsourcing vendors — Vested Development Inc (VDI). The move is expected to solidify EPAM's leadership in the Central and Eastern Europe, the company said Tuesday in a statement.

The combined company will operate under the EPAM Systems name, employing over 2,200 software professionals across eight countries and earning over \$70 million in revenue annually.

"This merger allows EPAM to offer the strongest alternative to the current mainstream outsourcing destinations," said Arkadiy Dobkin, EPAM Chairman and CEO.

By combining operations, the companies hope to benefit in client facing and delivery capabilities, as well as in senior management capacity across North America, Europe, and the former Soviet Union region.

EPAM maintains North American headquarters in Lawrenceville, NJ, and European headquarters in Budapest, Hungary, as well as support and delivery operations in the UK and Germany. Its software development centers are located in Russia, Belarus, Ukraine and Hungary.

VDI operates over 400 development resources across North America, Russia and Ukraine, taking advantage of multiple time zones to compress delivery cycles, reduce costs and improve flexibility.

"The addition of VDI's multiple Russian development locations combined with the rapidly growing Ukrainian operations represents not only the largest resource pool available to European clients, but far and away the most balanced distribution of resources across CEE countries," said Karl Robb, Executive VP of EPAM Systems.

Robb described the merger as "the most effective risk mitigation against potential localized inflation, resource shortages or geo-political risks."

Anatoly Gaverdovsky, VDI CEO, also praised the mutual enhancement of capabilities.

"By combining our areas of specialization and by broadening the geo-diverse talent pools, the merged company will significantly boost scalability for delivering complex software engineering projects, enhance expertise in vertical and horizontal solutions, and grant greater access to the entire regional resource pool for all our clients worldwide," Gaverdovsky said.

Michael Zaitsev, CEO of DataArt software outsourcing company, was enthusiastic about the merger and its likely benefits, despite some of the risks involved in mergers.

"There are estimates by leading management consulting firms that about 70 percent of mergers do not bring the expected benefits. Among large-scale outsourcing giants

in India, benefits of “outsourcing” mergers mostly reside on the marketing and distribution side rather than in efficiency of delivery platforms,” Zaitsev said.

However he listed a number of reasons for the EPAM-VDI merger, geographic diversification being one of them.

“Hungary, Belarus and Ukraine are not the places to mitigate political risks and local inflation. At the moment, Russia is the only place in Eastern Europe that provides such mitigation,” he said.

Larger scale makes the company a more effective generic outsourcing vendor, he said.

“The merger adds significantly to their ‘off-shore’ technical expertise and platform, especially in Tver, Ryazan, and Saratov, along with tech management capabilities,” Zaitsev said.