

Russian IT Outsourcing Market on a Roll

Western companies like Google, SAP, Microsoft, Hyperion, Reuters, Philips, and Boeing are increasingly outsourcing to Russia a country whose IT outsourcing industry is gradually maturing and is expected to reach one billion dollars by 2007

Imrana Khan

“Russia most likely will not challenge India’s leadership in the offshore market, but in the current multisourcing environment several factors differentiate Russia in the world market,” says a recent study *Russia as Offshore Software Development Location: Should You Consider This Your Next Move?* by IDC.

Stability in relationships, technical expertise and relatively low staff turnover are the key advantages of Russian software-development companies, according to the study. Companies participating in the study point to the availability of very well-educated engineers, strong technical skills and sound methodologies in the country as the benefits of outsourcing to Russia. The study findings are based on the responses of 20 U.S. and European companies that have nearshore or offshore experience with Russian suppliers for software application development, which range from specific tasks to full R&D processes, including design, testing and continuous maintenance.

Russian IT professionals benefit a lot from the educational structure in the country, which encourages students to opt for mathematics and science as subjects. Russia, the largest country in Central and Eastern region, not only has the largest pool of educated workforce, but also has the ability to handle IT tasks like product development and managing high-end complex projects, says the study. The attrition level in Russian companies is also very low (between three to four percent).

2007 Global Services 100 — Leaders, Emerging European Markets Company
IBA Group
SoftServe
Luxoft
DataArt
Lohika Systems
StarSoft Development Labs
KEPLER — ROMINFO S.A.
EPAM Systems
MERA Networks
Auriga

Russian service providers are taking advantage of all this, and are scaling up. Exigen Services (formerly known as Software Development Labs), for instance, plans to employ 1,800 to 2,200 techies by the end of 2007, where more than 90% will be engineers.

The customer companies, across industries, are increasingly outsourcing their IT work to Russia. SAP, Microsoft, IBM, Reuters, Blue Cross Blue Shield, London Stock Exchange, Schlumberger and Halliburton are just a few companies to have partnered with Russian providers.

In June 2006, IBM opened its first development center in Russia. The company assured investments of \$40 million over three years to tap Russia’s computing talent. Around the same time, Google established two development centers in the country. Even Boeing and Motorola have set up centers in Russia, and are employing local engineers.

IT Leaders in Russia

Russian IT service companies are now counted amongst the world’s best providers. Recently, EPAM Systems was rated as the top Eastern European ITO Provider by the International Association

of Outsourcing Professionals (IAOP). Luxoft (for Customer Testimonial) and DataArt (for Employee Management), were amongst the other Russian companies that were recognized by IAOP (See Table). Global Services, too, recognized Auriga, DataArt, EPAM, Luxoft, IBA Group in its annual listing of global service providers in February this year.

EPAM's customer base includes industry leaders such as Reuters, London Stock Exchange, Colgate-Palmolive, British Telecom, William Hill, Empire and CareFirst BlueCross BlueShield, Schlumberger and Halliburton and technology leaders such as SAP, BEA Systems, Microsoft, and Hyperion.

Luxoft, recognized by IAOP as a "Rising Star" Boeing, Deutsche Bank, IBM, UBS, T-Mobile and Dell amongst its clients.

The clientele of another Russian software development services provider Exigen Services includes CSC, TeliaSonera, T-Mobile, T-Systems, Canon, Software AG, AXA Service and Deutsche Post.

"The combination of EU legal framework with access to stable and skilled resources in Russia provides CSC and our clients with a sustainable source of competitive advantage," says Alan Guthrie, Program Manager, CSC, a client of Exigen Services.

2007 Global Outsourcing 100 — IAOP Awards	
Company	Category
DataArt	Employee Management
EPAM	Size and Growth
Luxoft	Customer Testimonial