Russian outsourcing company sets up shop in Jacksonville

BY M.C. MOEWE
STAFF WRITER

JACKSONVILLE — When DataArt representative Vladimir Lozovsky is out hawking his company's software development services, he knows that his design team's location in Russia can be a tough sell.

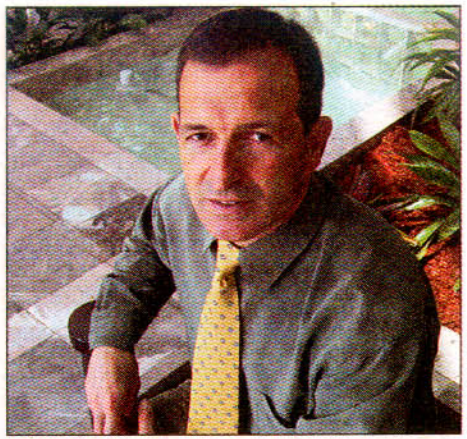
"I tell them a lot of times to give me their failed projects," Lozovsky said with a noticeable Russian accent. "It's relationship building. We're selling intangibles. A lot of times, it's how much they believe in Vladimir."

DataArt, a New York-based company with 15 U.S. employees and a 165-person development team in St. Petersburg, Russia, recently opened offices in Jacksonville. The new local office, which sells its less expensive technology services to Florida companies interested in outsourcing those functions, supplemented those in San Francisco, Chapel Hill, N.C., and London, said DataArt's founder and president, Eugene Goland.

Despite a recent rash of negative outsourcing stories, DataArt doubled its business last year to more than $4 million in annual gross revenue and expects to increase revenue this year, citing new key accounts in the financial services industry.

Though outsourcing was once considered a cost-cutting answer to everything, an April 19 study by Deloitte Consulting LLP said businesses are recognizing that the process is complex and the expected benefits often fail to materialize.

Nearly two-thirds of the companies surveyed had brought back outsourced functions in-house after realizing they could do it more efficiently, nearly half



JAMES CRICHLOW

Vladimir Lozovsky of DataArt offers offshore outsourcing with a software development staff of 165 people in St. Petersburg, Russia.

complained of hidden costs, and 57 percent absorbed costs for services they believed were included in the contracts with vendors.

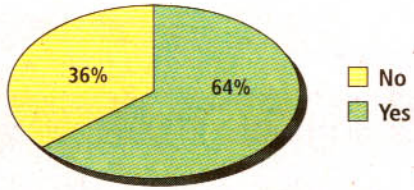
"It doesn't say outsourcing will not work," said one of the study's authors, Ken Landis, a senior strategy principal at Deloitte. "Outsourcing was considered a broad-scale elixir. That's not the case."

In January, Strategic Technologies Inc. in Jacksonville signed a contract with DataArt to work on a more than $250,000 custom software project, said Steve Alvarez, a client solutions lead with the Cary, N.C.-based STI. "It's easy to find [outsourcing companies] but striking up a business relationship is more difficult."

Like most development managers, Alvarez said he would often get spam from companies in Vietnam, Romania and

BRINGING IT BACK HOME

Nearly two-thirds of companies surveyed by Deloitte Consulting said yes when asked whether they had brought any outsourced services back in-house.



SOURCE: Deloitte Consulting LLP

CARON STREIBICH

other countries touting offshore vendors. "When offshore outsourcing was heating up, I would look at those. We did take bids from a company in India two or three times, but while the rates were low, the delivery time was longer, making the cost about the same."

His relationship with DataArt developed slowly. "Vladimir called me three or four years ago," Alvarez said. "We kept going out to breakfast and lunch. We struck up a friendship. I kept looking for the right project."

Most clients looking to develop custom software are unsure exactly what they want, a difficult situation for outsourcing, Alvarez said. "You have to be able to carve out something and define it very well."

Even when the right project did come along, Alvarez and his project manager did an extensive interview with DataArt's lead programmer in Russia. "We're asking them tough technical questions," Alvarez said. "We can nail them pretty good if they're a senior or junior programmer. He had the right skills at competitive rates."

So far, the project due in June is on schedule and slightly under budget, Alvarez said. "The main guy that I interact with is very articulate. He pays attention to his deadlines. He does weekly uploads. That's really where the rubber hits the road: Does he get the work done?"

The programmers in Russia can be reached via a New York phone number, they can upload their progress to a server daily if necessary for the customer's needs, and they adjust their work hours to match their customer's location, Lozovsky said.

"It is total transparency," he said. "It is crucial to our success. It's a lot of responsibility on everyone in the company. Everyone has to be up to speed."

Goland, 35, founded DataArt in 1997 and chose St. Petersburg as his development team home because the city has two major universities that are strong in computer science and mathematics.

Most salaries are in the $12,000-a-year range, with a few senior developers making $40,000 to $50,000, Goland said.

At any one time, DataArt has 40 to 50 active clients with 80 percent of the business originating in the United States, Goland said. Like all of DataArt's 15 employees in the United States, Goland was born in Russia but is a U.S. citizen.

For Alvarez, the carefully weighed decision to finally try DataArt was a matter of keeping competitive. He cites increased pressure from prepackaged software products that offer 50 percent to 60 percent of customers' needs right out of the box.

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