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## OPEN PLATFORM

# The Russian Myth

**Today's Russia has the right combination of talent, expertise and cost to be the location of choice for developing financial technology.**

While offshoring technology services has become common practice for many industries, the global financial industry has largely stayed away from the pack. Many IT departments are pondering whether offshoring is a viable option for business-specific, mission-critical development, and they are deciding which location to choose when securing a reliable offshore partner.

Remarkably, today's Russia may have the right combination of talent, expertise and cost to be the location of choice for development of financial technology, specifically for complex software engineering and R&D projects.

For one, Russia keeps producing: More than 2 million people work in more than 4,500 R&D centers throughout Russia, with at least 1 million being researchers and scientists. This is far more than in any other country. A vast majority of Russian software engineers and computer programmers holds MS or PhD degrees in mathematics or physics. With a significant R&D heritage, one of the world's best educational systems and a tremendous pool of software engineers, Russia has become a key location for R&D work for many leading American and European companies. This list includes [Bechtel](#), [Boeing](#), [IBM](#), [Intel](#), [Microsoft](#), [Motorola](#), and [Sun Microsystems](#), among others.

Russians are known for their unconventional approach and complex problem-solving capabilities. "We at Intel have a saying: Give the urgent projects to the Americans, big projects to the Indians, and the impossible ones to the Russians. The Russians can do anything," says Steve Chase, the head of Intel's branch in Russia.

While India and China lead the way in number, overall size and revenue volume of outsourcing vendors, Russian IT companies are often built on the "boutique" vs. "wholesale" approach, focusing on solving advanced R&D problems. Thus, most large projects demanding standardized solutions are often outsourced to India, and specialized R&D tasks go to Eastern Europe.

Ten years ago, it was all but impossible to find a software engineer with Wall Street-related experience in Russia. Today, despite the differences in the Russian and Western financial markets, many Russian developers have become experts in the financial technologies, as a number of leading US and UK software providers contracted and trained them, or launched dedicated R&D centers in Russia. There are groups with substantial experience in risk management, trade order management, electronic trading, pricing, Swift and other aspects of financial technology.

The notion of developing financial software systems "remotely" still evokes a nervous itch among industry insiders. "It can only work well when a programmer is literally sitting next to a trader or analyst," goes a popular saying in the financial IT community. Slowly but surely, this mentality gives way as companies adopt more structured project management practices.

Most outsourcing vendors address this issue by offering hybrid on-site/offshore management models. The real question is: How well can a remote group understand specific requirements and adapt to the fast-paced environments of financial institutions?

While Russian project managers might not be as savvy as in-house personnel, they are strong contenders. Many young people received MBAs abroad, worked in US corporations, and then returned to Russia to fill top positions in financial, IT and management consulting companies.

[Forrester Research](#) shows that many Russian companies understand the importance of systematic project management and have taken steps to acquire necessary knowledge, adopting standardized quality practices. Many have developed sophisticated and transparent project management systems, streamlining communication and allowing clients to track projects in real time.

Another possible concern is the time difference between a client and a vendor (Russia is eight hours ahead of the Eastern US). To combat this, smart vendors have shifted their work hours so that they correspond with those of their clients.

Russia's political, economic, and technological transformations have greatly impacted the social identity of its citizens. Several trends are notable: increased financial stability powered by the desire for continuing material advancement; a new sense of sophistication and investment in social success; a continuing tradition of good education; and a serious awareness of technology, fashion and lifestyle trends.

After two decades of openness, Russia renewed its strong affinity toward Europe, and fluent English has become not only a matter of necessity, but a matter of pride. Many Russian development firms use English for internal communication from new project requests to systems descriptions. Forrester Research found that 93 percent of developers—that is, actual coders—have sufficient English skills.

In terms of politics, Russian government remains unpredictable, but it has finally started paying attention to the fast-growing IT Industry, and late last year introduced a dedicated program, entitled "IT Market Development in Russia" which allows for: deregulation of IT export and simplified custom conditions for equipment import; creation, development and support of dedicated IT-parks in four Russian regions; state investments in the Russian IT infrastructure; significantly reduced corporate and income taxes for the IT industry; and marketing support of Russian IT companies internationally.

Despite anti-democracy rhetoric in the press, the world's business community continues to display its growing trust in Russia by investing in high-profile projects. Moody's and S&P's investment ratings are climbing higher. Russia is a firm brick in the BRIC wall.

Russia's IT infrastructure consistently ranks better than that of India or China and on a par with leading Eastern European countries. Modern office and telecommunication facilities are readily available in all major cities, especially Moscow and St. Petersburg.

### **Legal Issues**

Forrester Research also reported that Russia's legal system standards are approaching those of Western Europe. The intellectual property (IP) rights and contractual laws, modeled after the US and European examples, date back to the early 1990s, and law enforcement has drastically improved. Russia has been a member of international IP rights treaties for a number of years, and leading law firms, like Baker McKenzie, operate in Russia and manage successful IP transfer deals.

Equally important is the issue of protecting sensitive information. As Russian programmers formed corporate establishments and took on serious long-term contracts, they realized the importance of guarding the clients' information and created mechanisms for its protection. It's no longer a matter of scoring a one-time deal, but rather a matter of assuring a long-term relationship, which is impossible without proper legal assurance. The latest in network security, data encryption, storage and authentication is readily available. As with any other undertaking, clients should carefully plan their information disclosure and demand the highest standards from their vendors.

Interestingly, legal risks are often mistaken for piracy issues. While piracy is still present in Russia, it is limited almost exclusively to consumer software. Russian corporations have largely eliminated the issue of stolen software and have established solid practices of licensed software procurement.

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