

Russia,
Date: 2004.02.10 13:53

Saint-Petersburg

Overtaking India

You would have to be almost totally technologically out of it these days not to know that India is the world's leader in Internet Technology (IT) development. Thus, in 2002, India exported software products worth between USD 7.6 billion and 8.2 billion. As noted by Valentin Makarov, president of *Consortium 'Fort Ross,'* during the recent *Global Technology Forum* held in Saint Petersburg, comparable Russian exports last year topped USD 500 million. 'Productivity growth for Russian Internet companies in 2003 averaged 40%,' Makarov said, 'as Russia rose from seventh place [in 2001, according to the *Gartner Group*] to third place worldwide on certain parameters, trailing India and Ireland.'

Global Technology Forum, which was meeting for the first time in Saint Petersburg, seeks to be a venue for business contacts between Russian and foreign IT companies.

It might appear that the sales gap between India and Russia is enormous, but Forum participants think Russia is fully capable of moving up among the world leaders in IT development. 'Russia is like the bicycle racer positioned just behind the leader,' said Stuart Robbins, founder and executive director of *CIO Collective*. 'The leader has to overcome air resistance, while the second rider sees and learns from all the leader's misjudgments and awaits the moment to jump ahead and win.' As Robbins put it, a few years ago India's cheap labor supply attracted American orders for IT development, but problems arose and there has been some rethinking about India. In short, India has been unable to bring its product testing up to the demands of the American market, having failed to bridge the gap between the cultures of East and West, and Indian designers have encountered great difficulties in managing their projects, achieving exact algorithmic conformance and meeting delivery schedules.

CIO Collective is an international society of top managers of leading IT companies as well as the IT directors of major enterprises. CIO Collective sees its mission as stimulating the development of information technologies through cooperation and exchanges of experience among the leaders in the field and as a lobbying organization for the interests of the IT market.

'The crisis in the American IT market, which was too much concerned with stock market numbers, resulted in approximately 40% of *CIO Collective's* member-companies either changing their profiles in the last three years or going out of business. That kind of situation made it inevitable that we would step up attention to the markets of developing countries, but focusing on Indian producers is a thing of the past,' Robbins said. 'Russia could well be the new India in IT, if three Russian programmers were willing to work for the price of one. To make it to the top, however, Russia will have to learn from India's mistakes.'

Eugene Goland, president of *DataArt*, said: 'Russia has an indisputable advantage over Asian countries like India and China in its geographic and cultural closeness to the West. And the center of Russian programming ought to be Saint Petersburg, with the superiority

of its institutions of higher education and its vast reserves of talented developers working for much less than is possible in Moscow.'

Andrey Narvsky, a member of the US Chamber of Commerce in Saint Petersburg, agreed. 'The Northern capital has a unique educational base, with students from the Institute of Precision Mechanics and Optics and the state university regularly winning world programming competitions. There are more than 200 IT companies in the city, employing more than 5,000 people, most of whom are experienced programmers,' Narvsky said. Those Petersburg firms number among their partners and clients, he said, such world high-tech leaders as *Borland*, *LG*, *Lucent*, *Motorola* and *Sun*. The biggest part of Saint Petersburg company orders (37%) comes from customers in the United States and Canada.

Makarov, of *Consortium 'Fort Ross*,' said: 'Russia's main advantage in the world IT market is its educational system and the very high level of its engineering training.' He described Russian engineers as particularly creative and capable of handling very big development projects. 'This is an inheritance from the Cold War,' he said, 'when engineers confronted and succeeded at global tasks-the planes flew and the subs didn't sink. Western colleagues are impressed, too, by the remarkably conscientious way in which Russians meet the time and other requirements set by their clients. Our engineers have a particularly well developed team sense, very different from the Indians, where an engineer may go through several teams in the course of six months.'

Russia gets ratings more than twice as high as the world average for meeting IT orders: 'Surveys show that 85% of the clients of Russian IT companies rate themselves as satisfied with the quality of goods produced, while worldwide the figure oscillates between 30% and 40%,' Makarov said.

American firms have traditionally been the main consumers of IT products. Stuart Robbins commented: 'Russia has to take account of a whole series of complications in entering the American market. There's the inevitable emotional barrier that Americans feel about anything from Russia, a holdover from when the Soviet Union was considered 'the evil empire.' On top of that, we Americans are self-satisfied egocentrics who think of ourselves as the world's bellybutton and who try to run everything and answer for nothing. Like it or not, you've got to come to terms with and accept that.'

Russian developers, all agreed, will find that midrange and small businesses are the most profitable for them in the American market. Makarov said: 'Currently, 67% of development orders received by Russian companies come from the biggest IT companies, and they try everything to avoid advertising that they're using Russian stuff. But the big niche remains midrange and small businesses. And while the big company can come to Russia when it's hunting for a developer, there's only one way to win orders from smaller businesses-by opening a representative office of our companies in the US. That's expensive, but there's no way around it-it's the most realistic way of establishing personal relations.'

Surprising as it may seem in an era of information technology, personal contacts between client and developer are crucial, everyone at the Forum agreed. 'Programmers across the world all understand each other because they all use Java, C++, the same languages,' Robbins said. 'That is exactly the kind of mutual understanding that the technical and information directors of companies need. *Avon*, the cosmetics company, does its development work in 7 different countries whose people speak 12 separate languages and live in 9 different time zones. But thanks to a single control system using IT technology, the employees of the company work together productively. If Russians can understand the

terminology of the Western IT market and talk the same language as their clients in formulating and executing tasks, Russia's wealth of talent is going to be in demand worldwide.'

Eugene Goland agreed: 'No matter how great the development of information technologies, the road to success in IT development is going to be paved with direct, personal contacts. The explanation of 80% of all failed projects is the low level of exchanges between client and developer.' The human factor, he said - a truly shared understanding of the set task - can be more crucial than technical skills and costs.

Government support is of no small importance to the development of the sector, all agreed. 'In the view of American analysts, the level of government support for IT producers in Russia in 2001, including the taxation, customs and legal situation, was less than zero, was negative,' Makarov said. 'It has only been in the last two or three years that we've seen a big turnaround and can say the government has moved from a course stifling the development of high technology to one that shows an understanding of high-tech's place in the modern world.' Through the efforts of the Economic Development Ministry and the Communications Ministry (essentially, developer and coordinator of the project, respectively) the federal program, 'Electronic Russia,' has been made a reality, and the Ministry of Industry and Science has been instrumental in realizing Petersburg's first IT-technopark on Vasilevsky Island. 'As we see it,' Makarov said, 'government interest in the development of Russia's IT developers will make it possible to quadruple the level of software exports in two years--to USD 2 billion a year.'

At the press service of the Ministry of Industry and Science, **Rosbalt** was told that the government is giving increased attention to supporting and bringing new ideas to life and that the development of Russian IT-technologies will be a priority for the Cabinet of ministers.

Konstantin
Translated by Howard Goldfinger.

Gorozhanko,

Rosbalt.