



IT Outsourcing in Ukraine

Industry survey and case studies

Scope

- Ukraine
- Software industry and trends
- Business growth factors and obstacles
- Salaries and rates
- Models of cooperation
- Cases
 - EDA development
 - Outsourcing in Telco
 - Embedded Software
- Summary

Ukraine

- Located in Eastern Europe
- Population is around 50 million
- Borders:
Russia, Belarus, Moldova,
Poland, Slovakia, Hungary, Romania
- Capital : Kiev, 3 million
- Cities over 1 million:
Kharkov, Dnepropetrovsk, Donetsk, Odessa

Software Industry

- 20,000-25,000 engineers in Software development
- Grown last 7 years up to 40% a year
- Concentrated in
 - Kiev, Kharkov, Dnepropetrovsk, Lvov
 - Odessa, Nikolayev, Kherson, Simferopol, Sevastopol, Donetsk

Software Industry (cont)

- Companies:
 - Over 10 people: about 1200 companies
 - Over 100 people: about 20
- Largest:
Aricent, SoftServ, Global Logic, Exigen, EPAM,
Infopulse, Miratech, Luxsoft, Ciklum, Celenia,
Lohica
- Experties:
Java, .NET, C, C++, “light technologies” – PHP, Python, Ruby

Trends

- 2001-2006: growth up to 40% per year
- Limits
 - For larger companies: absorb new personnel
 - For start ups: establish marketing and find customers
- Starting 2006 – switch sources of growth – graduates; Preserve growth in cities with university infrastructure: Kiev, Kharkov, Lvov, Dnepropetrovsk
- 2006-2007 growth 20-25%, salaries are growing, companies extending operations to smaller cities (saving costs)

Growth and obstacles

Pro

- Good technical education
- Relatively inexpensive workforce
- Visa limitation to EU and USA preserves workforce
- Some experience in business (4-7 years)
- Some management and technology expertise
- Market structurization

Contra

- Involved taxation
- Same visa limitations makes marketing more complex

Diversification

- Independent testing
- IT Support
- Other BPO:
 - Phone customer support
 - Data entry

Salaries and rates

- Salaries in development vary from 1000 to 2500/mo depending on position, technology and background
- Rates in SW development
 - Regular \$25-\$30/hr
 - Sometimes – as high as \$50/hr
 - PHP/web can be around \$15/hr
- Call centers and IT support – \$7 to \$15/hr

Cooperation models

- Three stable models of offshore SW development:
 - Project model – fixed price according to specification
 - Time&Material –more flexible w.r.t. change of requirements.
 - “Virtual office extension” – most flexible, remote engineers work under direct technical/project management from customer side and closely interoperate with customer’s staff.
 - Third model alleviates situations with rapid-changing requirements, is most flexible

Software summary

- Software offshore development services are in structurization process
- Price structure is established
- Community started to self-organize
 - www.outsourcing-forum.com.ua
 - www.hi-tech.org.ua
 - www.developers.com.ua
- More detailed analysis of SW development –look for <http://www.hi-tech.org.ua> white papers.

Case 1. Tiny group, EDA tool dev.

- US startup opened small office in Kiev – 3 engineers.
- 2 years of development, 3 tools were created.
- Separate Ukrainian business entity.
- Payments by milestones.
- Simplest approach, minimum of related risks.
- Requires attention to management, attention to possible spec misinterpretations, remote office need to be precisely focused.

Case 2. Small dev. group in Telco

- US company (about 50 employees) opens R&D office to develop new platform for massive message processing.
- 10 developers.
- After year – expands operations moving network operation centre to Kiev, +15 employees.
- Significant attention to development.
- New owners decided to reduce presence.
- Staff moved in US, product was deployed.

Case 2. Small dev.group in Telco (cont)

- What is important:
 - It is hard to deploy complex production system remotely. That possibly require personnel relocation.
 - There is some lack of trust to outsourcing to Ukraine.
 - Special attention has to be paid to communication of groups – topic for psychology of small groups?

Case 3. Medium group for Embedded Software

- US Public company (about 500 employees) opened R&D office in Kiev.
- Operated via partner for first 2 years.
- Have bought group when it was clear that operations were successful .
- Better isolation from possible risks, allows to “try before buy”, but for higher cost.

Conclusions

- Outsourcing of SW development puts larger management burden onto company. Scope of possible issues is wide, but most of them are known from regular in-house operations.
- Outsourcing allows
 - decrease cost of development;
 - find technically literate personnel;
 - improve company market position.



Thank you!



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