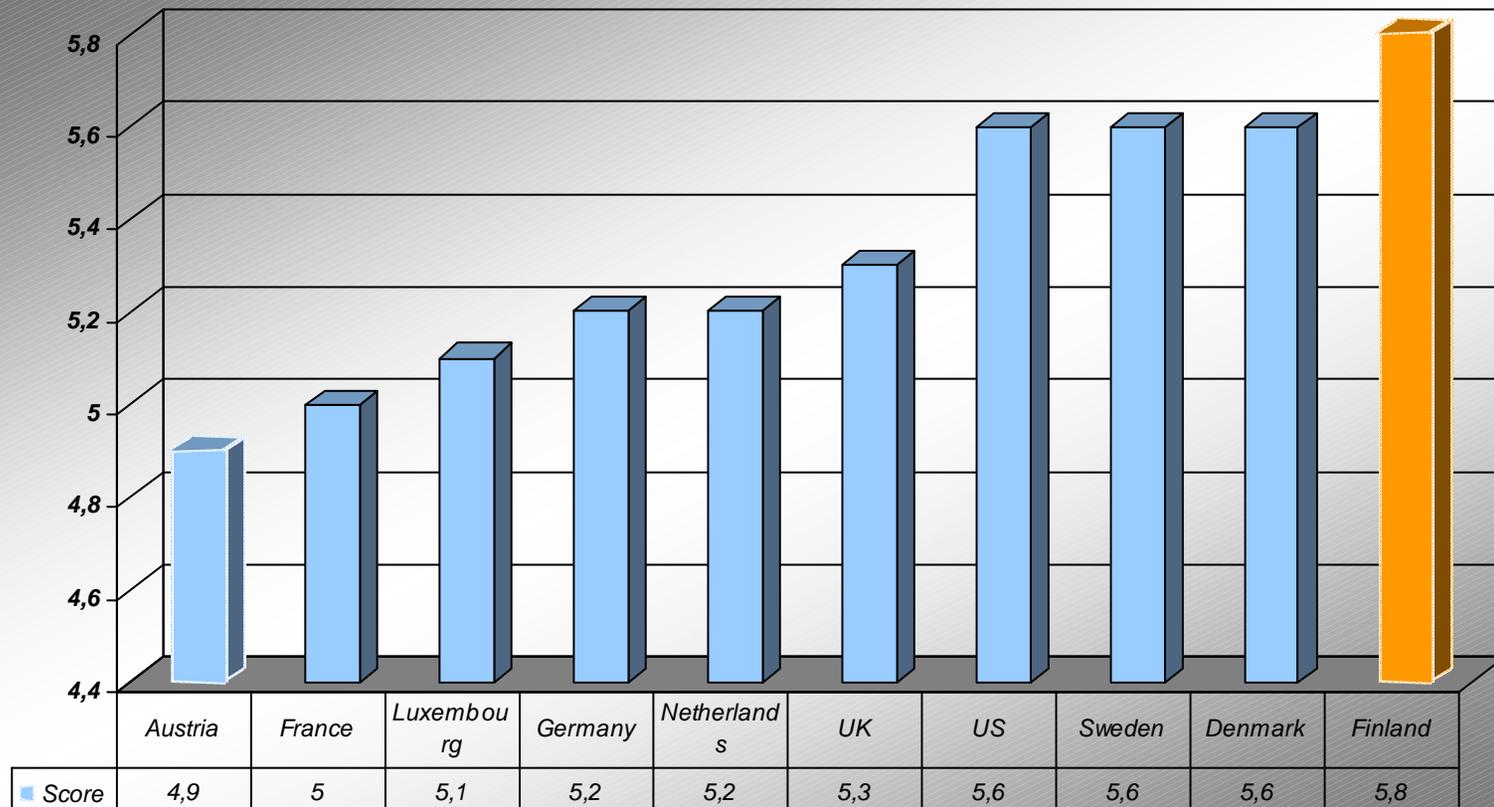**TECHNOPOLIS**

# Challenges of the Russian ICT Software Cluster in Joint Business of Finland and Russia
# Cross Border ICT Business Bridge

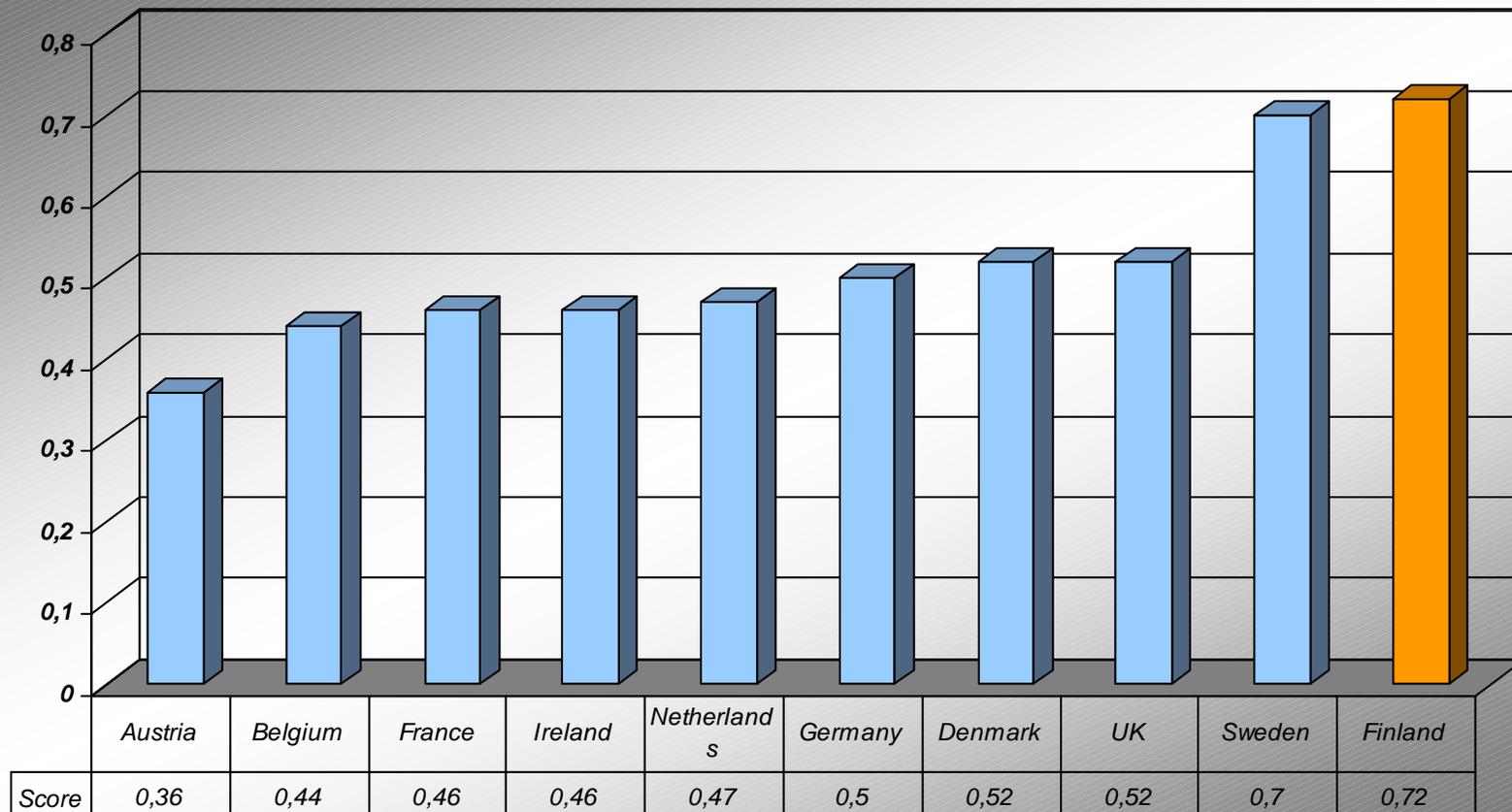**Ardin Software Oy – Helsinki, Vantaa, Lappeenranta, Espoo**

**Mr. Pentti Paalu, Ardin Software Oy, December 17-2007**

# International competitiveness score

| | Austria | France | Luxembourg | Germany | Netherlands | UK | US | Sweden | Denmark | Finland |
|---|---|---|---|---|---|---|---|---|---|---|
| Score | 4,9 | 5 | 5,1 | 5,2 | 5,2 | 5,3 | 5,6 | 5,6 | 5,6 | 5,8 |

Source: The Lisbon review 2004, World Economic Forum

**ardin**
**SOFTWARE**

# In good company with innovation performers



| Score | Austria | Belgium | France | Ireland | Netherlands | Germany | Denmark | UK | Sweden | Finland |
|-------|---------|---------|--------|---------|-------------|---------|---------|------|--------|---------|
| Score | 0,36 | 0,44 | 0,46 | 0,46 | 0,47 | 0,5 | 0,52 | 0,52 | 0,7 | 0,72 |

Source: European innovation Scoreboard, European Commission, 2004

# General Interest for Russia Finnish co-operation in SW area

- **Interest Russia is growing rapidly:**

  - **Promotion Events monthly, examples:**

    - **Access Russia**! Technopolis Business Breakfast, Vantaa (08.02.07) and at Technopolis Innopoli (09.08.07),

    - 27.11.07- "**St. Petersburg Corridor**" in St. Petersburg (SPB),

    - 29.11.07 "**Finnish-Russian Entrepreneurs' meeting**" in the Finnish consulate in SPB.

  - **Investments in Infra, Offices**

    - Technopolis is already in SPB,

    - FinPro, Tekes and other important Finnish ICT players plan to open an "Innovation Centre" in SPB in Jan. 2008

- **Time is ripe to escalate the level of this relations**

- **Through today's cooperation between Finnish and Russian ICT companies we could achieve not only cost savings, but also open the door to future, to a much bigger and higher level of cooperation.**

# Dubious Finnish questions asked

- **Why should I go to St Pete, because ..**

  - **everything there is so abrasive and expensive?**

  - **I have to pay extra for the customs and officials to get things going?**

  - **I'll be robbed in the metro or on the street?**

  - **even in taxies I have to pay more than locals?**

**ardin**
SOFTWARE

# What one should know about Russia

- **Russia is a hidden treasure,** there are hundreds of software projects done Near Shore, but only a handful got publicity.

- **More and more companies are coming to Russia** either to start captive centre or open Near Shore office

- More and more Near Shoring **companies are** now being appended / **converted into sales and support offices of their Western customers.**



Source: Auvinen

**ardin**
SOFTWARE

# Optimism

- The Russian society **has to create (and is creating) an infrastructure** to support the vast, renewing production capacity after this ongoing consumption-spending period

- Russia does **not need foreign capital to upgrade** to competitive level, it can "leap" there  with one fifth of the investments made  in the west during these decenniums.

- **Upgrade needs management and ICT tools**



Source: Auvinen

# Facts: Major trends of Russian local SW market

- Current size of Russian SW cluster revenues (millions of €) in 2006 compared to Finland, in terms of generated revenue (by professor Jyrki Kontio, Software Business Laboratory SBL, HUT).

- Comparable figures, **but Russia is 30 times bigger in population than Finland, so there is a lot of hidden growth**

mill €

ardin
SOFTWARE
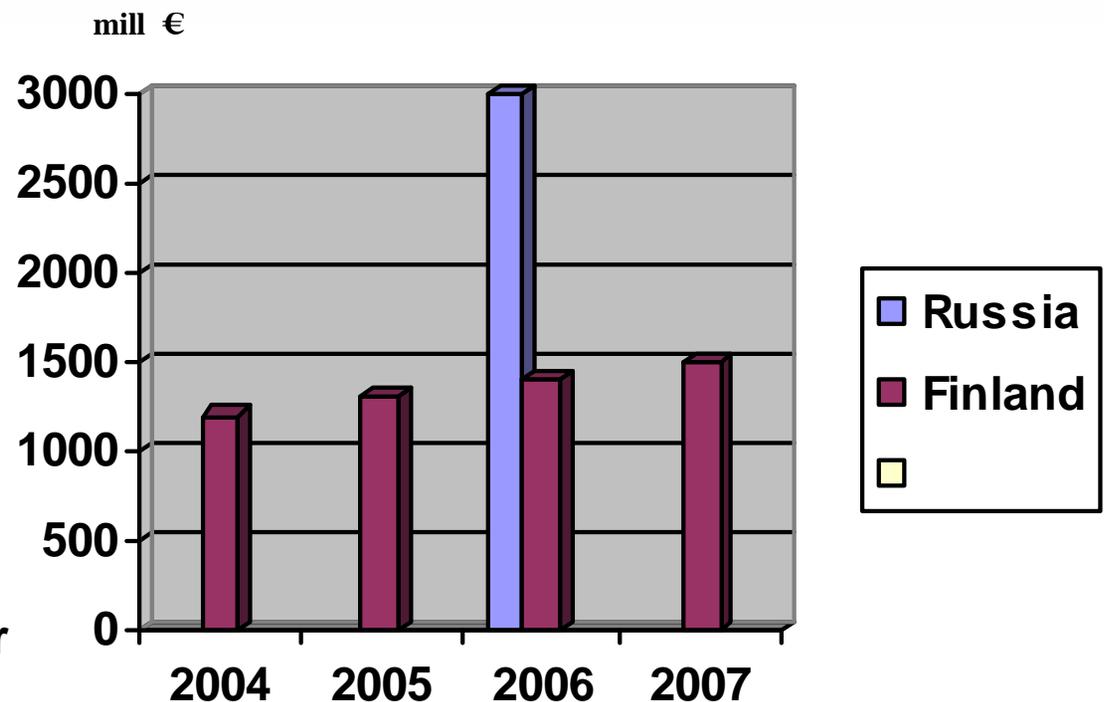
# Look, who is already there: Captive centres.

- Alcatel-Lucent
- Motorola
- HP
- Microsoft
- Google
- Intel
- IBM

- EMC
- TietoEnator
- Nokia
- Siemens
- Sun Microsystems
- Quest-Software
- Orc Software
- Endero

# Who already has Near Shore offices?

- <u>Sunrize-R</u>
- <u>Techlabs</u>
- <u>AtBusiness</u>
- Flextronics
- Gemini-Systems
- Veoh
- Veltech
- Conject
- Logic Explorer
- Exigen
- Avicode

- Darout servicies
- Intermedia.Net
- Actimind
- Astra Software
- Lisatech
- DoubleClick
- Envion Software
- SmartPhone labs
- Kanda Software
- Ventorsoft
- Total Objects
- Kvantsoft

**ardin**
SOFTWARE

# Attractions for internationalization to Finland / through Finland 1 (2)

- **The features, which attract Russian SW companies to Finland:**

  - **High demand for SW** products and services, outsourcing opportunities.

  - **Proximity** to NW region of Russia. Finland is a gate to other Nordic and EU countries

  - Finland has **modern business environment** and has access to global network through FinNode, which allow Russian companies to reach international markets.

  - Finland has **high standard of education** on all levels, access to modern University and Academy projects and their results for Russian companies and University students.

  - Competitive and **stable operating costs and corporate tax rate** (income tax is still better in Russia).

ardin
SOFTWARE

# Attractions for internationalization to Finland / through Finland 2 (2)

- **The features, which attract Russian SW companies to Finland:**

  - Remarkable **investments in R&D**. Possibility to cooperate with Finnish ICT in R&D.

  - Active and productive **cooperation between research and industry** with very positive results, which Russian industry can also use.

  - **Leader** in software for mobile technology and Internet security, Internet applications and digital TV environment.

  - **Active and productive developer communities**, software entrepreneur associations, networks of developers, startups, VCs, Open source specialists.

  - **Many foreign companies** (e.g. Siemens, ICL, Lotus, IBM, Alliance) have established their mobile communications development centres in Finland.

**ardin**
**SOFTWARE**

# BECAUSE

- A big part of Russian industry companies now have *special **IT services inside their business*.**

- *Russian **Government now started to take a more active part** in taking measures to stimulate the export of IT services*.

- Russian SW market *is **neither structured** (i.e. it has holes in the areas where the demand is not yet formulated) ***nor is it matured***

**ardin**
SOFTWARE

# THEREFORE

- There are **huge opportunities** for Finnish companies to enter the Russian market and vice versa, **but** the **absence of contacts** and information on both sides is a serious showstopper.

- As big Russian companies and even SMEs *do not consider expenses on business automation to be a waste anymore*; just the opposite, **SW becomes a strategic and a core element of all companies' businesses**

**ardin**
SOFTWARE

# Main Findings and Conclusions for actions

- **Reasons for Russian SW companies to enter the Finnish market ?**

- Entering Russian companies could be a good opportunity for Finnish SW cluster in many areas:

  - Employment of SW specialist

  - Cooperation with Russian SW cluster in implementing Finnish (and international) SW solutions in Russia

  - Access to innovations brought from Russia

**ardin**
**SOFTWARE**

# Main Findings and Conclusions for actions

- **How to get Russia to Follow Finnish experience?**

- Establishing long-term cooperation plans between Finnish and Russian SW clusters is very important.

- Finnish SW cluster has their priorities, 15:40 plans, etc.

- TEKES selected special areas for projects funding which included ICT area – it is important to build cooperation so that benefits, which Russia can offer to Finnish SW cluster, would be evaluated and used.

- **We propose the "Finnish-Russian ICT Connector Two" to be planned and started, this will benefit both sides.**

**ardin**
SOFTWARE

# Main Findings and Conclusions for actions

- **1 Sales process development & implementation**

- **2 Production process development & implementation**

- Finnish companies can enter this area, sharing with their practical experiences

- Finnish SW cluster has a lot of experience in processes of production and development and can share it, running training courses for RusSoft and for non-RusSoft companies.

# Contact information

**Ardin Software Oy**
Teknobulevardi 3-5
01530 Vantaa
FINLAND
name.surname@ardinsoftware.fi

**Sales & Marketing:**
 **Pentti Paalu**
**Business Development:**
 **Antti Äkräs**
**CEO: Arcady Khotin**

**ardin** SOFTWARE