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# RIQ Editorial

## Mobile and stable

By Galiya Sayfutdinova  
Editor, Russian IT Quarterly

The last quarter was a turbulent one for the world. Earthquakes shocked Japan and its high-tech economy, while Arab regimes that seemed as eternal as the pyramids are still trembling.

Set against these events, the outsourcing industry looks like an island of stability.

Catching the wind of the rising post-crisis economy and evading the gusts of global politics, its course remains stable and untroubled. With risks mitigated by a growing culture of multisourcing, the industry is occupied with less seismic events, such as reducing costs and changing delivery models.

The Russian IT market remains much the same. It is mostly occupied with government open-source initiatives and the mobile application boost produced last year by the emergence of new smartphones and tablets.

Confirming IDC predictions (see January RIQ edition), mobile applications development is prospering thanks to both overseas and domestic demand. In fact, these mobile devices, which previously offered very limited document management, have now begun to affect business in a big way. Businessmen spoilt by the efficiency and convenience of new mobile devices at home now want to use them in the office as well.

They are longing for new mobile applications that allow full-scale involvement in business processes through smartphones, iPads and other tablet devices. They need the applications not just for reading but also editing documents, and accessing websites, various internal systems and corporate complexes. The demand for new mobile applications and their adaptation from traditional systems is growing day by day.

Customers of mobile operators are another driver. As the revenue generated by voice communication is declining and consumption of VAS and non-voice communication is going up, the sale of mobile applications and mobile internet capability has become vital for telecom operators. The consumption of mobile internet is growing every day and it's especially stimulated by developing markets.

Russia's enormous territory, stretching beyond the Arctic circle – where the building of fixed lines is impossible – is a very promising market for mobile internet and therefore, for app developers.

The world is going mobile. The global village that never sleeps is not far away. Are you ready to meet its needs?

## Summary

### **Six Key Success Factors for Outsourcing**

2011 may turn out to be a pivotal year in the IT outsourcing marketplace. New capabilities, like cloud computing, software-as-a-service, mobile device web access, and data center virtualization and consolidation, are significantly changing both the possibilities and the complexities of outsourcing IT functions. [read more](#)

By the materials of Outsourcing Center  
05.04.2011

### **Mobile Apps Finding Their Place in Russia**

On the Russian market, which simply 'exploded' after the start of official iPad sales, more and more companies are looking at mobile applications as a new medium for managing loyalty, a space for advertising, a way of digitizing business processes and so on [read more](#)

The Moscow Times  
23.03.2011

### **Recovering Economy Boosting Outsourced IT Demand**

The improving global economy is leading a growing number of companies to invest in outsourced IT services, according to new research. Everest Group has published analysis of the global outsourcing and offshoring market [read more](#)

Global Services  
16.02.2011

### **Russian IT Market Nearing Pre-Crisis Glory Days**

"Extraordinary potential" is how then-Governor Arnold Schwarzenegger described Russia's technological future during his visit in October, encouraging investors to participate in the Skolkovo innovation hub and tap into the intellectual capital on offer [read more](#)

The Moscow Times by Olga Razumovskaya  
08.02.2011

### **Considering What, When and How to Move to the Cloud**

"Cloud computing" has been the hot topic in enterprise IT for a while. Any quick web news search will reveal thousands of news releases announcing the arrival of new cloud applications designed for businesses and consumers. In fact, a major Gartner CIO survey has cloud computing as the number two technology priority for CIOs [read more](#)

Global Services  
04.02.2011

# Six Key Success Factors for Outsourcing

By the materials of Outsourcing Center  
05.04.2011

2011 may turn out to be a pivotal year in the IT outsourcing marketplace. New capabilities, like cloud computing, software-as-a-service, mobile device web access, and data center virtualization and consolidation, are significantly changing both the possibilities and the complexities of outsourcing IT functions.

Analysts predict radical change in the shape of IT “factory” functions like end-user support and help-desk services. Gartner Group, in its 2010 IT predictions report, forecasts that, by 2012, 20% of businesses will own no IT assets. Gartner predicts that the rise of cloud computing, virtualization, and mobile devices not only will drive many firms to relinquish the commodity support functions that consume many IT resources, but also will force them to migrate to a model in which external providers own and support the entire infrastructure. The CIO Executive Board goes a step further in its predictions for these factory IT functions; in its report “The Future of Corporate IT,” it predicts that when the wave of outsourcing, cloud computing, and virtualization has achieved its full potential, fewer than 25% of the current IT workforce will remain in their present roles! Clearly, CIOs and other IT decision makers who wish to remain competitive must consider the implications of these profound changes to their IT support model.

One big difference between today’s outsourcing market and that of, say, ten years ago, is that outsourcing is no longer an innovative and risky undertaking; it’s a mainstream strategy that has been adopted across the corporate universe. According to Computer Economics, the typical IT organization spends about 5-6% of its total IT budget on contracted services with an external provider. 23% of IT organizations outsource help-desk functions, 21% outsource desktop support, and 27% contract with an external provider to maintain existing applications. Although new capabilities like cloud computing and software-as-a service are getting all the hype, it’s still the factory IT functions such as help desk, end-user computing support and data center operations that are experiencing steady growth.

Strong adoption rates can be deceiving, however. The InformationWeek Analytics 2010 Business of Outsourcing Survey, which shows that 6 of 10 IT shops outsource some critical function, also notes that almost 30% of those surveyed have fired an outsourcing partner in the last year.

Outsourcing specialist boutique TPI also notes that the average value of an outsourcing deal has dropped from \$360M in 2000 to around \$100M today. And a whopping 59% of respondents say that outsourced end-user support delivers lower quality than internal support, with 13% of those believing it’s more expensive as well, when all management and oversight costs are included.

These contrasting statistics of growth and discontent illustrate a few things. Under the current economic conditions, most CIOs clearly believe that it’s their duty to the organization to seek savings by finding external service providers who can offer help desk, desktop, and other specialized IT services at lower costs. At the same time, they recognize that they must be judicious about the provider they select, the size and scope of the functions they outsource, and the skill set and cultural fit of the potential partner.

Analysts agree on some fundamental practices that can set outsourcing relationships on the right path. A few simple preparatory practices, plus the application of a structured transition process, can help clients select vendors with the capacity to bring innovation,

optimize processes, and fit culturally and so avoid the pain of poor organizational alignment.

### **1. Set Clear Goals**

The first practice that draws universal consensus among outsourcing advisors is clarity of goals and objectives on the client side. There are many reasons why firms decide to partner with external providers, but each situation is different. Companies should understand their own drivers and priorities, and should rank and rate their criteria. It's critical that this determination be an inclusive process, with plenty of stakeholder communication and participation. Just as lack of stakeholder involvement is often cited by project experts as a key reason for project failure, lack of inclusion creates unacceptable risks for outsourcing programs. Unlike most typical IT projects, outsourcing not only changes processes and implements new technology but also affects the livelihood, prospects, and daily operational activities of many employees. In addition to unleashing the typical change resistance associated with any project, it also risks inflaming emotions and internal politics as job responsibilities, and jobs themselves, are on the line.

Rob Aalders, Director at Transformation Analytics and the author of *The IT Outsourcing Guide*, advises firms considering outsourcing to think through their motives at four levels:

1. Goals: the macro-level business results we hope to achieve
2. Objectives: the granular outcomes we expect
3. Critical success factors: the elements that have the most leverage and that we intend to focus on in our measurement of outsourced outcomes
4. Criteria: the attributes we expect our outsourced partner to bring to the relationship

This approach to the outsourcing decision can help organizations build consensus internally on the business reasons for outsourcing and can ensure that expectations are properly set for both the client and the provider. It sets the stage for the selection and negotiation process to follow, and enables the client company to unambiguously state its success criteria, which can then be codified contractually.

### **2. Know Your Strengths and Weaknesses**

Another key success factor is an internal discovery process, so that firms come to the negotiating table with an accurate assessment of their IT assets, talents and deficiencies, vendor relationships, and current operating policies and procedures. Many firms make the error of waiting for the vendor to perform due diligence, and discover that their IT asset base is much more disorganized and unmanageable than expected, creating internal tension and starting the relationship on the wrong foot. As in any IT project, a realistic knowledge of the as-is state enables partners to enter into pragmatic outsourced relationships and avoid delays, disappointments, and unforeseen expenses when the vendor performs its own due diligence and finds under-the-desk servers or undocumented software.

Just as it's important to perform your own internal audit, it's critical for the potential vendor to perform due diligence, to ensure that they aren't allowing the client to throw a problem function over the wall. Providers that perform robust due diligence demonstrate that they take their responsibilities and commitments seriously, that they don't intend to dilute the ongoing relationship with ad hoc behaviors and contract exceptions, that they understand risk management, and that they intend to support the entirety of the function that the client company has selected to outsource.

### **3. Evangelize the Change**

Socialization and marketing of the decision to outsource is another key best practice and is especially important due to the impact that outsourcing can have on employees' livelihoods and daily work life. Companies are more likely to be successful when they market and communicate the rationale for outsourcing, using the opportunity to generate enthusiasm rather than fear and resentment for the outsourcing decision. These internal marketing efforts are more likely to be successful when senior managers clearly demonstrate their belief in, and commitment to, the outsourcing efforts. Many outsourcing providers go so far as to insist on an internal executive champion to clearly emphasize to the stakeholder community that the decision is strategic.

It's critical that this outreach program be a participative process and not just a one-way broadcast. This is important not only to head off sniping and resistance but also because both client and outsourcing partner need the cooperation of the entire stakeholder community to be successful. Front-line employees know how processes actually work, know where the hidden servers and unsanctioned software are, and understand the shadow support structures that may not be visible in the CIO's office. Experienced outsourcing partners can often assist clients in developing an elegant, persuasive campaign that reinforces corporate strategies and encourages enthusiasm and cooperation from end users.

#### **4. Consider the Intangible Benefits**

Many analysts now advise client companies to look beyond cost savings to some of the subsidiary benefits of outsourcing. In its 2009 predictions paper for the IT outsourcing market, Gartner noted that "inflexibility caused by an excessive cost reduction focus results in business disruption in 30% of outsourcing deals." Outsourcing factory IT functions such as help desk and desktop support enables CIOs and technology experts to focus on innovation and competitive differentiation, rather than on keeping the lights on for utility IT functions. Contracting with an external service provider can give customers access to expertise, tools, methodologies, and disciplines that they wouldn't have access to otherwise. How many small or midsized IT shops can afford to implement expensive incident-management tools, implement ITIL transformations, or hire full-time virtualization experts? Outsourcing, through the use of structured contracts with clear metrics and performance incentives, can help surface the real cost of IT service and support—costs that are often hidden in shadow support and under-the-desk servers and applications.

As we've seen, there are a host of reasons for firms to consider external services. Firms considering outsourcing are more likely to achieve success when their search process clearly outlines their expectations with regard to technical, financial, and procedural issues. The goals and objectives, critical success factors, and discovery processes that precede the search process are the input; a successful relationship governed by an SLA-driven, mutually beneficial contract is the outcome. Although it may be obvious that a checklist of benefits and expectations for the relationship is a key element of the selection process, a recent paper from the Outsourcing Center ("Outsourcing Decision Perspectives: Service Provider Selection Criteria," © Outsourcing Center 2010) puts selection of a partner in a unique perspective; rather than suggesting that potential clients focus solely on expected benefits, the paper suggests that IT executives also look at more intangible attributes that the paper terms passion and balance. In the realm of passion, some of the factors that the Outsourcing Center advises that clients seek to discover, through references and interviews, are whether the potential partner

- Has a passion for excellence, rather than just satisfaction
- Has a strong commitment to the relationship's success
- Takes ownership of the work

- Brings brainstorming and creativity to the table
- Goes above and beyond contractual expectations

The Outsourcing Center's paper defines balance to include a number of attributes including

- Seeking a level of give and take
- Seeking a happy medium in disputes or challenges
- Facilitating compromise
- Implementing joint ownership of issues and a win-win approach to solutions

Any IT professional with experience in outsourced project work would agree that these characteristics, although a bit challenging to articulate and uncover, go a long way toward ensuring that inevitable challenges and misunderstandings will be resolved in an atmosphere of collegiality.

### **5. Manage the Relationship**

As noted earlier, 13% of survey respondents believe that outsourced relationships deliver reduced service quality and also cost more when management and oversight are considered.

This highlights the importance of relationship management as a key success factor. Client firms must realistically assume that management of their partner relationships will require specialized skills, strategic understanding of IT goals, and sophisticated relationship, negotiation, and mediation capabilities. Moving beyond simple SLA compliance reports to Scorecard-based measurements does require additional management overhead. IT shops that expect to gain subsidiary benefits from outsourcing, such as creativity and enhanced agility, must invest the management time to define those benefits and to huddle with their provider periodically to ensure that these expected benefits are being delivered.

Outsourcing relationship management can require an entirely new set of skills from managers.

Managers who are accustomed to managing resources under their direct control may need to develop their influencing and facilitation skills. They also need to consider strategies for integrating outsourced staff into their existing teams, ensuring that resentments and conflicts are addressed and resolved, and maintaining team spirit. The discipline of outsourcing relationship management has become such a critical success factor that large advisory firms like Gartner and Everest Group as well as companies such as Outsourcing Center that provide decision-making information about successful outsourcing have developed specific practices to assist executives in developing outsourcing governance structures that go far beyond the typical Service Level Agreement process.

New, non-SLA-based metrics are gaining traction in monitoring the performance of external providers. As the levels of discontent and dissatisfaction mentioned earlier indicate, compliance with SLAs is not a guarantee of cost reduction or enhanced service. In her book *The Contract Scorecard*, Sara Cullen, an outsourcing consultant, recommends a variant of the popular Balanced Scorecard approach, modified for outsourced engagements. Ms. Cullen's scorecard includes Quality, Financial, Relationship, and Strategic quadrants. The Contract Scorecard then drills deeper into each quadrant area, offering Key Performance Indicators (KPIs) such as "delivery accuracy" and "compliance with contract" for the Quality area, and "baseline cost reductions" for the Financial quadrant. By including KPIs for performance in the Relationship, Strategic, and Quality areas, Cullen's scorecard enables outsourcing clients to put their expectations on the table and, rather than simply hope for qualitative benefits like innovation and process improvement, turn those expectations into critical success factors that can be measured

and incentivized. Many outsourcers, in addition to the SLA compliance reviews that are a regular part of relationship management, now also perform non-SLA reviews that get deeper into these qualitative performance indicators.

## 6. Apply a Structured Transition

In a 2009 paper entitled "Best Practices for Risk Mitigation in Outsourcing Transitions," the Outsourcing Center surveyed 56 the recipients of its 2009 Outsourcing Excellence Awards. These buyers of outsourced services, who were deemed by the Outsourcing Center to have been successful in their sourcing strategies, all agreed that "their transition phase was the point that either threatened to derail their relationship or that allowed for long-term success." They also agreed that it was a key indicator of the direction of the relationship "because of how the parties worked through the challenges together either up-front in the planning stages or as the challenges occurred." Each outsourcing engagement is a custom relationship, and the outsourcer's willingness and ability to offer a specific set of culturally appropriate services, rather than a one-size-fits-all engagement model, tells much about their willingness to be flexible throughout the life of the relationship. The Outsourcing Center paper went on to offer many best practices for outsourcing transitions, which include the following:

- The use of a well-defined transition methodology
- The development of a series of milestones and success criteria, or phase gates, that determine whether the transition team can move forward
- The establishment of a backup plan from the beginning
- The creation of a joint transition team
- Sensitivity to the cultural elements of transition,

Outsourcing is ultimately a people-centric business. Many client and provider companies make the error of assuming that it's a process-centric event or a simple business transaction.

Successful transition of the contracted responsibilities to the outsource provider is essential but not sufficient: the best outsource providers focus on morale, resistance, retention, and cultural evolution as well as strict adherence to SLAs and KPIs.

## Mobile Apps Finding Their Place in Russia

By the materials of The Moscow Times  
23.03.2011

Russian software makers and business people are beginning to recognize the important role of mobile applications for the new generation of smartphones.

"On the Russian market, which simply 'exploded' after the start of official iPad sales, more and more companies are looking at mobile applications as a new medium for managing loyalty, a space for advertising, a way of digitizing business processes and so on," said Alexander Zveryev, general director of a software company.

"The mobile applications market is one of the fastest growing in the world," Zveryev said. "There are already more smartphones in the world than personal computers. For the most part, this is thanks to Apple — they worked out how to get around the problem of piracy

and how to give small companies the chance to make money by creating mobile applications."

Last year, about 8 billion applications were downloaded globally, and some experts predict 20-fold growth by 2015.

There are now more than half a million applications sold worldwide in stores such as AppStore, Google Android Market, BlackBerry App World, Nokia Ovi Store and Microsoft Marketplace, and they target both the casual user and the business sector.

Alexander Savin, head of mobile advertising at Mail.ru Group, also remarked on changes in the format and volume of consumption for Russian mobile services. He said mobile applications are one of the key solutions for business in the mobile world.

Microsoft is also keen to announce its latest products on the Russian market. Official sales of phones with Windows Phone 7 will begin in Russia simultaneously with the expanded version of the operating system, the release of which is expected in the second half of this year.

"Already existing applications — e-mail, calendar, address book and mobile Office — will be developed to meet the specific demands of the corporate market, including improved integration with SharePoint and Office 365," said Vladimir Kolesnikov, a software development expert for Microsoft Russia's strategic technologies department.

At "Mobility: How to Make Your Business Mobile," a conference held in St. Petersburg earlier this month, market experts demonstrated the various opportunities for users and advertisers.

Alesya Chichinkina, representing Toozla.com, presented applications for mobile phones that combine GPS positioning with information about the surrounding area, such as excursions around historic sites and dining information. The tool can be used to deliver advertising directly to the user. For example, while a traveler is listening to a guided tour with Toozla, they could be receiving news on their phone from a restaurant a few steps away.

Mobile devices are significantly altering the perception of the possibilities of the Internet among users, as well as creating new professions and new commercial opportunities.

Developers and advertisers have been paying close attention to the Russian market from the earliest stages: In 2010, the number of smartphone and tablet users in Russia stood at about 6 million, a figure that is expected by some to triple by the end of this year.

## Recovering Economy Boosting Outsourced IT Demand

Global Services magazine  
16.02.2011

The improving global economy is leading a growing number of companies to invest in outsourced IT services, according to new research.

Everest Group has published analysis of the global outsourcing and offshoring market for the fourth quarter of 2010, noting that transactions in the sector reached a 36-month high during the period.

Compared to the preceding quarter, the outsourced IT market increased in value by 16 per cent, while considerable growth was also noted in infrastructure outsourcing.

It was noted that the US and UK continue to "dominate" demand for managed services of this kind, with the finance, healthcare and manufacturing and retail sectors all investing heavily.

Eric Simonson, managing partner of research at Everest, said: "This trend is reflective of a steady rebounding of the recessionary economy as companies refocused on their sourcing strategies and consider ways to optimise their existing sourcing portfolios."

This research supports the conclusions of a separate report by Ovum this month showing a spike in demand for managed services during Q4 2010.

## IT Market Nearing Pre-Crisis Glory Days

The Moscow Time by Olga Razumovskaya  
08.02.2011

"Extraordinary potential" is how then-Governor Arnold Schwarzenegger described Russia's technological future during his visit in October, encouraging investors to participate in the Skolkovo innovation hub and tap into the intellectual capital on offer.

While the hub begins to form in the suburbs of Moscow, and may someday bring research and development dividends to President Dmitry Medvedev's hoped-for diversified economy, the ongoing business of information technology is returning to its pre-crisis glory.

In 2010, Russia's IT market value was an estimated \$20 billion, according to International Data Corporation, or IDC, a prominent international IT analytics firm.

For comparison, the U.S. market is estimated at \$531 billion, while BRIC leader China had \$96 billion in IT business last year.

Last year was "surprisingly good" to the IT industry, said Robert Farish, regional director at IDC for Russia and the CIS, adding that the 30 percent growth was nearly twice what had been forecast.

The potential is evidenced by key industry metrics. With an installed base of 69.1 million personal computers by the end of 2010, the country achieved a penetration rate of 43.6 percent. The Communications and Press Ministry estimates that that will grow to 52 percent by the end of 2011, while last year's 66.4 million regular Internet users will grow to 80.2 million.

Though computer hardware sales returned to pre-crisis levels by mid-2010, and many mid-sized projects were ordered and completed, expected major outsourcing deals — in which companies divest themselves of their IT departments and allow external service providers to do their IT — did not materialize.

This year, industry players expect continuing growth while the government prepares to spend big to provide Internet-based services to the populace. Observers have consistently seen a direct link with Russia's IT spending and the price of oil. So with black gold approaching \$100 per barrel, the market looks good for 2011.

The "election" hiccup, which also results in deferred IT spending every time there is a major election — as government decision makers avoid big commitments prior to possible management changes — is also being factored into IT suppliers' plans in light of December's State Duma race.

But the overall mood is optimistic. “Certainly the continued mobilization of resources focused on Skolkovo and President Medvedev’s innovation agenda was a highlight of 2010,” said Ron Lewin, managing director at TerraLink, a major IT services company in Russia and Kazakhstan.

#### Innovation Project

Skolkovo is trying to differentiate itself by focusing on research and development in science and technology, and not just information technology. But the local view of the project is sometimes skeptical.

“2010 has not changed anything in my perception of this project,” said Nikolai Komlev, managing director at APKIT, a Russian IT lobby. “I still view it as a dubious undertaking — or at least the kind that has little to do with the development of IT business ... in Russia.”

Others call Skolkovo “a political project” and refuse to comment on it, saying that in Russia, business and politics are best not mixed.

Microsoft Russia head Nikolai Pryanishnikov called Skolkovo a long-term project with “good prospects” that might take dozens of years to create.

But Skolkovo alone is not enough to modernize the economy. Centers like it should be created across the country, Pryanishnikov said.

Almaz Capital pledged \$30 million to build a cloud computing incubator, the first project to be approved. Microsoft, Cisco, Siemens and Nokia have all announced intentions to participate in Skolkovo.

Regardless of grandiose projects, the average citizen has felt the power of information technology in the palm of his hand or at his fingertips, as smart phone and personal computer sales boomed.

“The PC market and the smart phone market both grew in excess of 60 percent in 2010 in unit terms,” Farish said. “A lot of that has to do with changing patterns of consumer choices.”

The product offering has changed a lot between 2008 and 2010, and prices significantly dropped, not just for Russia.

“Now there are products for a far-broader range of potential buyers than there were before,” Farish said. This brings out first-time buyers — students and families buying computers for their children, analysts say.

#### Distribution Coming Onshore

Many foreign IT manufacturers until recently have been running an offshore business, in which they sell their products to Russian partners’ branches abroad, leaving them to transport the products and navigate the murky waters of customs.

This resulted in vendors losing control over their pricing in the market because their products went through a lot of hands before reaching the local market, analysts say.

Shamil Shakirov, president of I-Teco, a leading systems integrator, pointed out unreliable delivery times by the vendors as one of the key problems in the relationship between foreign and Russian companies.

One reason for the missed deadlines was vendors' conservative estimates of sales for 2010 early on, which resulted in cutbacks in production capacities. Currency fluctuation is another factor putting local partners at risk.

The government has ostensibly been struggling to bring IT companies onshore for the last 10 years, as it would increase customs duty and tax revenues.

Foreign companies ignoring the reality of situation in the country, especially customs regulations, has been another problem. Things began to change in 2006, when the IT market size began to become attractive to foreign companies, and the current boom helps them to want "to create equal opportunities for all.

Some progress has been made, with Hewlett-Packard finally opening its local PC production facility, along with partner FoxConn, in St. Petersburg in April of last year, and Microsoft's decision to switch to ruble-based contracts last month.

"In the past, most vendors worked almost exclusively through major distributors and did not have stock in Russia ... Now vendors are more comfortable and established in the market, are working directly with clients more often, and are more integrated into the industry," said Lewin, of TerraLink.

This will give manufacturers a much higher profile role in the local industry and in their relationships with customers, which could make many large Russian IT companies uncomfortable.

#### Cloud Computing, Government Catalyst

Market players unanimously call 2011 the year of cloud computing — in which large corporations get their information technology, or parts thereof, as a service, and don't have to be concerned with where or on what platform the work is being done.

"Everything is going cloud," said Owen Kemp, president of Newclouds and former vice president of Hewlett-Packard.

Kemp says it has multibillion-dollar potential in Russia and more than trillion-dollar prospects worldwide. Cloud computing will allow companies to cut IT budget spending by 10 to 30 percent, said Alexander Galitsky, an IT venture capitalist and Skolkovo board member.

As IT is becoming a service and Russia is slowly catching up with other countries, the need to use cloud computing to optimize businesses will become evident, explained Pryanishnikov, of Microsoft.

"The share of IT services in the total volume of IT market in Russia is lower than the average in the world and is significantly behind this number for Europe and the U.S. I think the time has come to change that," he said.

Cloud services have been slow to gain acceptance on the Russian market.

A possible hindrance to the growth of IT services is "a culture of doing and owning everything yourself and not trusting something that is available to all and hosted somewhere in a intangible cloud or in a third-party's data center," Kemp said, pointing out that educating people about cloud computing might help the process.

With a stated goal to increase transparency overall, the government's planned spending of 80 billion rubles (\$2.6 billion) in 2011 on IT systems to provide bureaucratic services to the populace is a key element in the battle for efficiency and against corruption.

As part of this program, called “The Informatization of Society,” the Communications and Press Ministry is auditing and consulting on the IT budget of nearly every major federal agency.

Robert Farish sees “some genuine progress in improving the efficiency of the working of the central government ... in the use of IT,” and the start of delivery of real IT services to the population.

Last year 227,000 citizens paid their traffic fines online, 177,000 created accounts in the pension fund, and 100,000 received passports online, Communications and Press Minister Igor Shyogolev told the Federation Council last month.

Gosuslugi.ru, the portal providing public services, had 5 million unique users in 2010. “For the first year, these are some really good numbers,” Shyogolev said.

## Considering What, When and How to Move to the Cloud

Global Services  
04.02.2011

“Cloud computing” has been the hot topic in enterprise IT for a while. Any quick web news search will reveal thousands of news releases announcing the arrival of new cloud applications designed for businesses and consumers. In fact, a major Gartner CIO survey has cloud computing as the number two technology priority for CIOs.

Recently the conversation in the enterprise IT department has shifted for many from “should we be moving to the cloud?” to “what, when and how are we moving to the cloud,” as many of the key benefits of the cloud model – reduced costs and management overhead, flexibility and scalability and accessibility – become increasingly well understood and accepted.

However, those questions of “what, when and how” are vital in order to understand which of the myriad cloud computing options provide the best solution to the issues IT departments are facing in today’s cash-constrained world. Cloud computing in itself is not a panacea to cure everything in an ailing business but the results of carefully considered transition to the cloud can be extremely compelling.

In today’s economic context, finding the efficiencies and competitive innovations possible through process enhancement is often a first priority (identified as such in the same Gartner study), and technology platform options should be assessed in the context of how they help businesses address shortcomings there. Do the bottlenecks in your business focus around operational silos? Does your accounts department see your fax machine as mission critical? Are manual approvals and signatures still required for things that could be handled online? Where are the next growth opportunities and can your systems meet those challenges?

It is in these discussions where IT, through engaging and understanding the needs of the various business functions, can most effectively formulate its cloud strategy.

Tactical vs strategic approach

Embracing the cloud too tactically can result in unnecessary investment. Consider the case of online publishing company, Yudu Media. An initial investment in Salesforce.com was ultimately written off when the management came to terms with the limitations of a service that only addressed one aspect of the company's business operations – in this case sales and marketing. A few months after its initial transition, the company realised it needed to go further in eliminating operational islands and moved its core business over to a cloud application suite that addressed its business process challenges across its marketing, sales and accounting functions. For Yudu Media, the alternative would have created a "hairball" of disparate systems, loosely coupled to other cloud and on-premise IT systems which would have been impossible to integrate seamlessly and cost a fortune to maintain and upgrade later.

In many cases, it is already apparent that the issue is broader than a single department's needs.

Bury-St-Edmunds based DIY tools reseller Justoffbase is a business that previously held its inventory and customer data in spreadsheet form, processed orders through a terminal and tied the whole process together manually. For its management, tying together the disparate functions was vital and introducing automation key to scaling its business. Having separate applications in use by finance, customer service, inventory management teams and so on was the problem and moving to the cloud on an individual platform without marrying the processes together wouldn't have been a helpful fit – even if it addressed some of the specific problems that function of the business suffered from.

All of this is not to say that moving a single department or functional need to the cloud is not a great move as a first step of a broader strategy; many companies do exactly that and get great results from being freed from the shackles of aging, inflexible systems. Rather that you should not expect this to solve all the other problems with your current IT systems – in fact, it may serve to expose them as the department that is now benefitting from the modern technology is hampered by the slow pace of the rest of the organisation that hasn't yet upgraded to the cloud.

One of the biggest benefits of many cloud business management platforms is the promise of an "open" application development network. Systems that offer Platform-as-a-Service capabilities help 'future-proof' any investment you make by ensuring that you can further easily configure or customise the deployment as your business evolves and your needs inevitably change. In addition, being cloud-based means these systems can be more easily integrated with your other business applications. You should be aware though that creating too much integration complexity in the cloud will likely expose you to the same challenges you had by deploying multiple disparate systems on your own – a hairball in the cloud is still a hairball.

#### Efficiency vs innovation

In tandem with evaluating the potential for the cloud to streamline operations, businesses looking at their cloud strategy should consider that new technology not only lets us do the same things more efficiently but more importantly allows for entirely new ways of doing and running the business. Where a company might previously have kept a lot of stock of products, it might be able to pass orders directly to its suppliers in real time, cutting out the cost of keeping stock whilst maintaining a good level of responsiveness to its customers. If your accounting, e-commerce, customer and finance systems are unified it's easier to experiment with multiple sales channels – both online and offline – leveraging the same central warehouse and investment in stock.

A services-based business might provide the ability for consultants to submit time and expense sheets directly for approval in the system – improving the project tracking process and speeding up the billing cycle – or, indeed, publish project status updates and other collateral in a secure customer portal online, improving customer communications.

Any business might look at transforming their customer communications by monitoring and engaging with customers directly from their business management platform via the media that matters to them – from Twitter to Facebook and back.

In order to ensure that they remain and competitive and thrive, it's vital that businesses evaluating these platforms don't just look at replicating what they do now in the cloud – but look to embrace the opportunity to do things differently.

Whilst we are committed advocates that cloud computing is the model on which enterprise IT should be based going forward, we also firmly believe that re-creating your current systems and processes in the cloud won't help address the fundamental issues you need to address as you face up to on-going macro-economic turbulence.

Instead, by looking at your core business and identifying the process issues that create difficulties for your employees and limit your business today, you will be better placed to develop an holistic cloud strategy. Asking the hard questions – how can you better ensure your employees can collaborate in the best interests of the customer and the business? How can you minimise data re-entry between departmental systems? How can you achieve a holistic, real-time view of business performance – locally and globally? Beyond process improvement, do the platforms you're evaluating give any opportunity for evolving your fundamental business model?

Engaging with these questions and more is a fundamental part of your path to the cloud – by understanding the needs of the business and how your chosen cloud-based systems can help address them, you will ensure your business can compete and thrive in today's business environment.