

Leading the Russian IT Industry

An Interview with Anatoly Karachinsky, President, IBS Group of Companies

EDITORS' NOTE Anatoly Karachinsky has held his current post since 1997. From 1992 to 1997, he was the President of the IBS Company. From 1988 to 1992, he was Technical Director for Intermicro Joint Venture. He was Director of ProSystem Company in Australia from 1986 to 1988, and from 1981 to 1986, he worked in the computer center for the All-Union Research Institute for Railway Communications. In addition, Karachinsky is one of the founders and a current board member of the International Child Computer Club, a member of the board of the Russian Union of Industrialists and Businessmen (and Employers), and a member of the International Computer Club. He graduated from the Moscow Institute of Railway Transportation Engineers.



Anatoly Karachinsky

COMPANY BRIEF IBS Group (Information Business Systems; www.ibs-company.com) was founded in 1992. The group's key products are complex information systems, software, IT equipment, and business management consultation. The group includes: Luxoft, which offers software development and maintenance services to international and Russian companies; Dell Systems, which offers the full range of Dell Computer Corporation (USA) products and also provides a variety of IT services for the set-up and maintenance of advance computer systems for corporate customers in Russia; Deadline Distribution Company, which distributes computer hardware from more than 80 vendors to a wide range of companies through Internet technologies; Data Fort, which offers corporate IT outsourcing and application leasing; NewspaperDirect projects, and others.

How much of an impact has the global economic crisis had on the Russia market, and have you seen the market stabilize in recent months?

Generally, fiscal years 2008 and 2009 were a mixed picture. For the first half of 2008, the local IT market enjoyed high growth rates, but there was a dramatic drop in the third and fourth quarters. Well-known analytical company IDC estimates total 2008 market year-over-year growth as 9.5 percent.

However, the market drop was not equal for

all the IT market segments. The most dramatic drop was the hardware segment. The smallest drop was in IT services, where we could see two different trends: some projects were cut due to budget crises, but others were launched or enlarged due to a new crisis-induced demand to manage both costs and the whole organization much better in these times. Some sub-segments of IT services even demonstrated some growth.

In the software development segment, Luxoft Company has demonstrated impressive growth despite the crisis. Luxoft has, long-term, been an applications development supplier for worldwide business leaders like Boeing, IBM, Dell, and UBS. All of these large customers are on track now, and are continuing software development. But they also still need to cut costs, making Luxoft's services even more relevant than before the crisis.

Would you provide an overview of IBS Group's business and the range of services that you provide?

Founded in 1992, the group is a leading provider of IT services and products in Russia. Throughout its 16-year history, the group has been setting benchmarks in the Russian IT industry and delivering quality solutions to large- and medium-sized business customers and government agencies. The group has achieved strong organic growth by identifying new market opportunities and successfully entering new sectors of the Russian IT market. Today, the group's main activities include IT services and software development. The group's comprehensive service and product offering enables it to provide one-stop shopping and turnkey IT solutions to clients across product lines.

Will growth for IBS Group come about organically or through acquisitions, as you look to the future?

It depends on what time period we are discussing. In terms of the local and worldwide IT market conditions in the short term, we see M&A activities as a low probability – so the growth will obviously be organic. From the mid- to long-term perspective, we can't exclude such activities.

That said, the group has a successful history of solid M&A projects, including the 2007 IBS IT Services merger with another local IT services leader, Borlas, and the 2008 Luxoft acquisition of a Romanian software developer, ITC

Networks, which contributed to Luxoft's breakthrough in the telecom services segment.

The group considers any M&A possibilities very carefully – since our business is “people first,” we have to be sure it will be a perfect fit in terms of industry and technology expertise, as well as with our corporate culture.

Would you highlight some of IBS Group's key partners and their importance to the business?

IBS Group is a leader in the local complex IT services projects market, in particular, for enterprise wide business applications implementation. Therefore, both of the group companies have upper level partnership certification with all key IT platforms and business applications vendors, including: Cisco Systems, EMC, HP and HP Software, IBM, Microsoft, Microsoft Dynamics, Nortel, Oracle, SAP AG, Sun Microsystems (now part of Oracle), Symantec, Documentum, and others.

In a competitive market like Russia, how do you differentiate IBS Group from its competitors and define what makes the brand unique?

The key IBS Group differentiators in local markets are a strong vision regarding further market development and a powerful long-term strategy focusing on the most lucrative segments of the local and worldwide IT market (IT Services and software development). IBS IT Services has been ranked as the number-one IT services company in the local market for three years in a row by IDC and other authoritative analytical companies and currently controls more than 20 percent of the local enterprise-wide applications market. Luxoft has been named many times as the number-one software development outsourcer for Eastern Europe and emerging markets. It has long-term strategic relations with key local and national economy leaders, and it has earned a trusted IT strategy adviser role. We also have a unique system for developing our labor pool – for example, IBS IT Services launched a market master's degree program to provide professional training geared to the needs of the IT market at Russia's best higher education institutions.

What are your key priorities for IBS Group for 2010 in order to retain your leadership position in the market?

IBS Group's objectives are to maintain our profitability, to keep our key customers, and to continue to focus on the high-margin segments of the IT market in IT services and software development. ●