

# IBA strikes a balance across Europe's east-west divide

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**Combining the historic corridors of the former Soviet Scientific Computer Research Institute centre in Minsk with the modern offices of its Prague headquarters, 2,000-strong independent software vendor (ISV) IBA Group believes it offers a unique business proposition for western clients. *IT Europa* travelled to Belarus to find out why IBA is so confident of success in the increasingly competitive eastern European outsourcing market...**

Should you ever pay a visit to Belarus-based ISV IBA Group in Minsk, or indeed any IT company in the region, the company's employees will be sure to inform you of the city's long association with IT. IBA itself was set up as a joint venture between IBM and local IT organisations, such as the Computer Production Association (CPA) and the Scientific Computer Research Institute (SCRI) - which now doubles up as the IBA Minsk HQ. The city was a major hub for Soviet IT in the 1970s and 1980s, in particular for the development and maintenance of mainframes. Based on this platform of experience, IBA hopes to build an IT empire of its own.

"There is a history of IT in Minsk," says VP Valentin Kazan. "The CPA was the fourth biggest computer plant in the Soviet Union, and 42,000 people worked there to produce mainframe computers. So we [in Minsk] have over 40 years of experience with IT." IBA's management has been particularly keen to translate this experience into market-leading competency working with mainframes, which Kazan claims is something of a dying skill: "No one else learns mainframe stuff, but our old guys who worked for the SCRI train the younger people."

Although IBA occupies the top slot in the Belarussian mainframe



IBA's Minsk development centre

development business, the company has been quick to diversify towards new technologies. For example, in 1996 it sent a handful of technicians to Boston in the US to take SAP classes; IBA's SAP systems division is now over 300-strong, and offers end-to-end solutions. In 1997 it also founded an internet technologies division, now employing 600 people, which specialises in e-business and website development for both private and public sector clients. The growth of these business units has been sufficiently fast to reduce the proportion of revenue from mainframe work from 47pc to 38pc in the space of three years.

In terms of geographical revenues, IBA does the majority of its business with western European customers. 33pc of its clients are based in Germany, 8pc in each of Italy and France and 20pc are from the US. Only 12pc of customers are Belarussian - a figure which is unlikely to increase in a 'limited' market, says Kazan - and under 2pc come from Russia. While the firm insists it should not abandon its local clients ("We have been around for years and intend to continue to be visible in the Belarussian market," says Kazan), IBA admits it is "difficult" to penetrate the fiercely competitive Russian market. "We are trying to restructure our Russian operations, and have opened an

office in Moscow, but in reality it is not an easy action. Even though all Belarussians speak Russian, we are still foreigners.”

So in 2005 it chose to look west and opened up an EU-based Group Headquarters in the Czech Republic. Despite having only a handful of Czech customers, IBA president Sergei Levteev cites “historical” reasons for the decision to centre in Prague. “IBA has a long relationship with the Czech Republic, better than with many countries,” says Levteev. He adds: “We have had customers there in the past, but perhaps due to our efforts in Austria and Germany we lost something in the Czech Republic.”

While much of IBA’s growth is as a result of organic expansion in western Europe, the ISV bucked its own strategy with the acquisition of a 50pc stake in another established IBM partner, Bulgarian vendor Stone Computers. However, Levteev is quick to dismiss any talk of an acquisition strategy at the company: “Of course we are looking for market opportunities. Stone has good relations in the financial sector [in Bulgaria] and it is much easier going through a company with previous experience. But the business is growing as it is, there will be no special strategy. We’re not going to say, ‘In three years time we will be twice the size.’ We should keep our position and keep our current customers.”

Nevertheless, Levteev admits that IBA must look beyond the finite resources of Belarus if it is to sustain its growing number of contracts. While IBA’s Czech development centre at Brno is largely situated to service German and Austrian clients, it also enables the ISV to poach some local talent. Levteev hopes to increase the level of service provision by IBA but agrees the company must recruit more skilled people if it is to keep quality high: “Sourcing can cause problems, even project postponement. Clearly services are not like mass production, it needs human resources.”

But IBA remains staunchly linked to Belarus and believes its development centre in Minsk gives it several advantages over eastern European rivals. While IBA has stopped short of opening a development centre in Germany due to high costs, the management say that the cost-saving once prevalent in eastern EU recruits such as the Czech Republic, Bulgaria and Romania is diminishing. “The advantages of locating in Bulgaria or Romania will soon disappear, as prices and salaries go up,” says Kazan.

Conversely, Kazan claims that Minsk offers highly-trained technicians at very low prices which not even Russia can match. Indeed, Kazan admits that IBA has lost many employees in search of higher salaries in the more lucrative Russian industry. The company is also quick to point out that applying for a Belarussian visa is much more straightforward than for a Russia visa.



Despite a recent acquisition in Bulgaria, president Sergei Levteev (left) and VP Valentin Kazan (right) deny IBA will instigate a spending spree

Yet Kazan and Levteev are both realistic about growth possibilities in a market quickly being infiltrated by giant companies from India and China. “Corporate strategy sometimes pushes people to China and India, especially in the UK. But it is not always successful: some of our customers from France and Italy have said there are cultural and linguistic difficulties.” Kazan reveals frustration at analyst recommendations to outsource to the less-IT developed Ukraine, and confesses this snub may have something to do with the political situation in Belarus. “We are the right destination,” he says, “and we just have to show the international community!” [www.iba-it-group.com](http://www.iba-it-group.com)