



Russian Outsourcing Firms Compete on Quality, Not Price

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The Philippines, with its low-cost, English speaking population has always provided competition for US and European freelancers, and Indian companies dominate the bids at job sites like Elance and Odesk. But increasingly Russian firms are winning development work with lower prices and comparative skills that might otherwise have gone to Western programmers.

Sibers is one of those firms. The company, based in Novosibirsk, Russia, started in 1998 as a two-man programming team when Java developer Yury Bannov graduated from university and began working with a classmate on a contract for American firm IWC. They later did work for 3COM, hired more employees and since 2006 have operated as a contract development business under the name HireRussians.

Many of the firm's clients are start-ups that can range in size from individuals looking for help developing a Facebook or iPhone app to small hi-tech businesses with innovative ideas but limited development budgets.

"They know exactly what features they need to develop, which technical team members they need to hire, and how they will get the developed product to the market," says Anie Taskaeva, HireRussians' Head of Marketing and Public Relations. "The most suitable outsourcing model for them implies an iterative development process that assures the highest possible level of flexibility for innovative projects with requirements that are either unclear or likely to change during development."

Other clients include local project managers who act as middlemen for firms that need software developers, and the owners and CTOs of established businesses who might want a new online store, a back-office system for employees or just professional support and an upgrade to an existing system.

Completed projects have included work on Eye-Fi, a memory card for cameras that uses a built-in wi-fi to send pictures back to a computers, as well as a number of projects based on Asterisk, an open-source VoiP platform.

Half of the company's clients come from a single source. HireRussians is ranked third on freelance site Elance, which it's been using for around a decade. Over the last year, it's picked up 155 clients of whom one in three came back for more, earning the company a total of \$1,161,777 – an average of \$7,495 per client. (Altogether, the company has been hired by 490 clients on the freelance site, and \$4,168,456.)

Those are good-sized jobs that most freelance developers would be happy to accept, and the 10,781 logged hours suggests a reasonable hourly rate of over \$100. In fact though, HireRussians hourly fees are \$25 for QA or HTML development; \$30 for a developer; \$35 for a senior developer; and \$50 for the technical team leader.

By way of comparison, rates for freelance developers from the US and Western Europe advertising on Elance can reach as high as \$120 per hour.

You Get What You Pay For

The usual response among freelancers with bigger bills to pay and higher prices to pay them is that clients get what they pay for. Work with a firm on the other side of the world and the client can't be certain — until they get the project back — that the quality of the firm's developers will be high enough or their services reliable enough.

Anie Taskaeva concedes that outsourcing firms like HireRussians do face several obstacles to winning jobs. Intellectual property issues can cause concern, as can confidentiality, different business ethics, a lack of confidence in the company's technical expertise, and time zone differences. (Novosibirsk is exactly twelve hours ahead of New York.)

She cites the company's presence in a part of the country known for its scientific pedigree and home to the Siberian Branch of the Russian Academy of Science as one reason that clients should trust them. The firm's experts, she says, have graduated from the area's most prestigious universities, some have Masters degrees and most are fluent in English. The time difference means that project managers have to keep careful schedules but it also means that developers have a twelve-hour head start. Certifying programmers and supplying references can also help to create trust. Even the climate, she argues, is another reason that firms should feel confident outsourcing to a firm in Siberia.

"It may sound funny, but Siberian weather really is a factor for better productivity. Not only do we find the brain works better when it's cold, but the long winters also make developers stay inside in front of their computers, instead of going to a beach."

Russia Versus India

That could prove to be a winning factor when it comes to winning work from HireRussians' real competition. That's not single developers working from home offices in California but Indian outsourcing firms in Bangalore and Mumbai. HireRussians might be the third ranked development firm on Elance but the top company is SynapseIndia which has won just under \$1.7m worth of work. That's more than half a million dollars more than the Siberian firm but SynapseIndia needed nearly twice as many jobs to do it at a rate one-third lower than that of HireRussians'.

"We never compete with Indian companies on price," says Ms Taskaeva. "Rather, we focus on employing highly talented people, our professional experience, and our Customer-Provider mentality instead of price."

So as Russian outsourcing firms attempt to beat Indian outsourcing firms by emphasizing skill over price, where does that leave Western freelance developers hoping to win just enough jobs to earn a living?

Worried, perhaps, but not lost entirely. As demand for their services increases so is the price of Indian and Russian developers. India has already seen wage inflation that has led some experts to believe that its price advantage over US developers will be gone within five years.

When even firms in Siberia have to compete on quality rather than fees, US-trained developers from recognized schools, with perfect English and in the same time zones as clients should find themselves back on a level playing field. They'll still be competing against firms on the other side of the world but at least the location of the competition will be as irrelevant as the location of the freelancer. Until then, the winning jobs against foreign competition will remain a battle.