Market study: Opportunities in Ukrainian IT

Ukraine is becoming an attractive IT and outsourcing destination in Europe. The Global Sourcing Association (GSA) UK nominated Ukraine as the offshoring destination of the year in 2017. The country offers good opportunities for Norwegian companies that need IT-specialists.

The Norwegian-Ukrainian Chamber of Commerce (NUCC) has commissioned a study to help Norwegian companies optimize their outsourcing decision. The study is conducted by uSupport and Ukraine Digital News, two internationally-oriented industry resources, and edited by NUCC. The study includes the results from a survey and interviews with Ukrainian and Scandinavian IT-providers, as well as a few of their customers. This one pager summarizes some of the key findings.

Key findings

The Ukrainian IT service industry:

➢ IT services account for Ukraine's third largest export industry, with a volume of $3.6 billion in 2016 according to IT Ukraine, an association for Ukrainian IT businesses. This volume is modest in the global market, but places Ukraine among the top 3 exporters in Central and Eastern Europe. The industry has experienced strong growth over the last years, with an 20% increase in 2017.

➢ Most of the service export goes to the Western European or North American market. 58 percent of the IT-providers in the survey have customers in Scandinavia, 83% have customers in Western European countries outside Scandinavia and 78% have customers in North America.

➢ IT is important for the Norwegian-Ukrainian bilateral trade. About 2/3rd of the service export from Ukraine to Norway is IT-services, according to State Statistics Service of Ukraine . Total trade in services between Norway and Ukraine increased by almost 40% from 2015-2016, according to Statistics Norway.

Ukraine's main strengths:

- **Variety**: Ukraine has strong developers in almost every field, from "basic" IT outsourcing services to advanced software R&D (e.g.). The Ukrainian IT workforce accounts for nearly 127,000 employed or freelance professionals, in 2017 according to the industry resource DOU.UA. More than 4 out of 10 of the IT-providers, Scandinavian and Ukrainian, in the survey highlighted access IT-specialists as an advantage. The pool of specialists is however lower than in for example India, where you easily set up a team of 1000 developer or more.

- **Quality**: The service quality is generally high. Ukrainian software developers are known to be highly skilled, willing to learn and hard working. Almost 70% of the IT-providers in the survey see quality and technical skills as one of Ukraine's advantages. The answers are more mixed when it comes to design, management and marketing skills. In a study conducted by the analysis institute Simula, Ukraine is number to when it comes to delivery.[1]

- **Pricing**: Ukraine stands at an intermediary level on the global IT service map. Ukrainian rates are usually around the same level as in other Eastern European countries, or slightly lower, but higher than in Asia or Africa. The price level is low compared to Norway. Depending on whether you prefer a mixed Norwegian-Ukrainian team or a Ukrainian team, the savings can be between 30 to 70 percent, compared to doing all the work in Norway. Thus, Ukraine's clients enjoy a favorable price/quality ratio.

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[1] Referred to in a Computer World article 07.06.2013.

- **Proximity**: For European customers, Ukraine also presents such advantages as being geographically and culturally close. The time difference between Norway and Ukraine is only one hour. There are no visa requirements.

Ukraine's main weaknesses:

- ***Business climate and political instability***: Business climate and political instability is seen as Ukraine's main disadvantage as an IT-destination. Although, the IT-service industry is less affected than some other sectors, it also affects the perception of Ukraine internationally. Although challanges remain, the country has taken several steps to improve its business climate. Ukraine has climbed 41 places on the World Bank's «Doing business-ranking», from 112. place in 2014 to 71 in 2018.

- The local IT service industry, still in growth phase, is not fully mature. The level of management and marketing skills, but also customer service offered by some providers, may not be as high as the quality of technical implementation as such. More and more companies, however, are getting used to deal with customers in Western Europe and Scandinavia, which tends to raise the overall level of service. You can find very good Ukrainian IT-companies with substantial experience from the international market, including the Scandinavian market.

There are some risks, but also substantial benefits. The access to a wide range of IT-competences to a reasonable price makes Ukraine attractive for foreign customers. Many Ukrainian IT-companies are eager to expand their business in Western European markets, including the Scandinavian market. That creates good opportunities for Norwegian companies to find a good IT-partner. That Ukraine has high IT and tech competence can be illustrated by this quote by Brian West, Nordic Director of Business Development at Itera, a Nordic tech consulting provider with R&D teams in Ukraine and Slovakia:

«I would describe IT professionals from Ukraine as highly competent, technically sound and passionate about technology. There is abundance of talented IT engineers, which is one of the main reasons Itera has chosen establish an office Ukraine. Our co-workers in Ukraine share our ambition to create extraordinary user experiences through the smart use of technology. This ambition together with our high cultural fit makes it easier to communicate and do business together.» -- *Brian West, Nordic Director of Business Development at Itera.*

If you would like to get introduced to potential partners, get advice on how to do business or just want to know more about Ukraine, please do not hesitate to contact the NUCC team. We would be happy to assist you.