

The Russia Digital Club

Russia Digital Report 2021: further growth of digital sales, hybrid solutions and the future of work

April 2021

IN ASSOCIATION WITH:

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Survey demographics

The survey was conducted in February 2021 and covered DT Global Business Consulting's membership in Russia. Respondents are at a senior level in both multinational and local companies operating in Russia—typically C-suite—and from a cross-section of industries. There were 102 respondents in total.

Interviews

In-depth interviews were conducted with (in alphabetical order):

Denis Khabarov, Alexander Monin and Sergei Voitishkin, Partners, **Baker McKenzie** Russia & CIS

Sergey Khalyapin, Manager Systems Engineers RU & CIS and Eastern Europe, **Citrix** Russia & CIS

Timur Khamzin, Deputy General Manager, **SberSolutions** Russia

Andrei Kutukov, Managing Director, and **Artur Gioev**, Technical Director, **Micro Focus** Russia & CIS

Johan Vanderplaetse, President, **Schneider Electric** Russia & CIS

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1. Executive summary / introduction

1. Sales growth from digital sales channels will continue to expand in 2021

- After huge acceleration in the adoption of digital solutions by companies in 2020, 2021 is another year in which sales growth via digital channels will grow substantially.
- Our survey shows that the vast majority of executives (81%) expect to see their digital sales grow in 2021, of which the majority (56%) see growth in the double-digits. Some executives (16%) even expect to grow over +50% this year.
- In contrast, 0% of executives think that their e-commerce revenues will fall in 2021 and some 19% expect to be flat.

2. Digital sales as a percentage of total sales are still small (on average), but are set to increase substantially

- For end of 2020, 15% of executives had digital sales that made up more than 20% of their total sales.
- That number jumps to 22% for end of 2021 and 36% for end of 2022.
- In order to achieve this growth, managers are willing to invest in their digital infrastructure and 59% plan to invest more in e-commerce and digital solution in 2021 than they had originally planned.
- 38% are set to stick with their initial plans. A mere 3% will reduce their activities/investments in digitalisation in 2021.

3. Digital communication: OK for existing employees and customers, not ideal for customer acquisition

- Most executives do not find it easy to build relationships while being limited to digital means of communication. Even for existing employees, only 29% find it easy, while the majority (65%) find it challenging but manageable, although only 6% struggle much with it.
- The numbers for existing customers are fairly similar to those for existing employees.
- But regarding the acquisition of new customers, results shift quickly to the negative: 45% find it hard to connect to new customers, and 51% find it at least challenging. Only 4% say it is easy.
- This applies especially to companies in B2B. B2B transactions are less standardized, more complex, typically involve several stakeholders and decisions often involve a negotiation process. Finding new business is more time consuming and less structured. Digital communication is not ideal in such a setting. Selling standardized products in a B2C environment (TVs, computers etc.) is easier.
- Some of the work-arounds to the limitations of digital communication are:
 - 1) Have a mediator help to connect you and the potential customer.
 - 2) Conveying “soft facts” can be difficult in digital environments; try to put more focus on the “hard facts” and underline the key advantages of products/services or pricing.
 - 3) Give guarantees on your products and services (e.g. a guarantee on savings potential, promised return, timely project completion etc.).
- Adopt a mentality of “how can I help the client?” vs. “how to I get this transaction done and move on.”

4. Hybrid solutions/multi-channel solutions

- The “new normal” is one where everything turns hybrid. It is not physical vs. digital anymore, but rather how can the 2 mix to create optimal results (although within that mix, the share of digital solutions relative to the total will steadily increase in the foreseeable future).
- Cloud technology is the perfect example of this: most corporations use a mix of the public and private cloud, plus on-premise solutions. The advantages to cloud technology (higher flexibility, higher IT security etc.) have become so clear to companies, that the question moves away from “should we use the cloud” to “how do we use it best and in what format”.
- Some of the more advanced technologies (AI, virtual reality, autonomous driving) will develop further. AI/data analysis is already quite advanced, while technologies such as autonomous driving are “getting there,” but still require regulatory issues to be solved and the appropriate infrastructure to be build before wide-ranging application is feasible.

5. Human Resources: the price of remote work

- 47% (1 in 2) of executives see their employees more stressed working from home compared to before the crisis, 31% say that things are equal “stress-wise” than before and 22% say there is less stress.
- What is remarkable about those numbers is that – in theory – remote work should reduce stress: no time wasted on commutes (for some these take up hours each day and can be stressful), less interpersonal friction with other colleagues, more attention focused on getting work done and more flexibility during the day to manage daily-life.
- But remote work is here to stay and the “new normal” will be a hybrid mode where employees work between 1-3 days a week remotely, and the rest of the time in the office.

- **This report will focus on the specific trends that senior executives are facing in 2021, but we highlight some of the learnings from last year's research to give context to new readers:**
- The Covid crisis of 2020 has acted as a huge accelerator to already existing trends to digitalisation in Russia. This will have a long-lasting impact on business, and we are not going back to how things were before the crisis, but we will find ourselves in a “new normal”.
- Corporate strategy and HR: companies need to adapt their corporate culture towards that of a start-up if they want to successfully undergo digital transformation. The CEO/top management have to fully support the digital strategy. There must be no fear of disruption. Incentives have to reward creativity, experimentation and new ideas: experiment, fail fast, learn the important lessons, and proceed ahead.
- Finding digital talent externally on the market can lead to disappointing results. Companies report that they have much higher success at training up their staff internally. But selectively hiring digital experts as advisors still makes sense in order to guide overall strategy or to fill gaps where knowledge is missing.
- Russia is a good place regarding digitalisation: the government has greatly expanded its digital offerings, especially in Moscow. But legislation can be tricky to manage.
- Hyped technologies are exposed: technologies such as automated driving lack the necessary infrastructure and legislation (for now). Instead, incremental improvements to further digitalize internal processes, sales and improving IT security are the milestones of 2020 and 2021.
- Finding the right mix between online and offline (brick-and-mortar) / cloud vs. inhouse solutions will be the next challenge and rigorous multi-channel solutions need to be found.

- A sense of urgency is one of the key drivers for organisations to undergo successful changes and at the necessary speed. Urgency directs managers, employees and stockholders towards a common goal. Decisions are made more quickly. People work harder. Ultimately, progress is made, often at a rate not believed possible before.
- The crisis of 2020 triggered one of these situations for corporations in Russia: it was either “digitalise or die”. Even more traditional companies in Russia managed to quickly set in place the infrastructure needed for their staff to work remotely.
- One MD of a large industrial company noted: “Frankly, I was always very sceptical about remote work, but it works. Personally, I do not like this style of working and by now I miss the personal interaction with colleagues, but we are getting the job done and fundamentally that is all that matters.”
- Amid 2020, there were also a number of industries that proved very resilient (or even benefited) from the crisis: electronics (e.g. computer equipment for remote work), online entertainment (e.g. streaming movies, TV, computer gaming), online stores, delivery services, as well as more traditional industries: food & beverages, hygiene and pharma all survived well last year.
- By year end, more corporate reports came in across all sectors that 2020 had turned out reasonably well and better than anticipated last spring. Many companies have been surprised at how well they survived last year. What we typically heard from executives was: “We grew in 2020 but did not meet our original 2020 budget” while a minority stated that: “Yes, we grew in 2020 and remarkably we even made our 2020 original budget”.

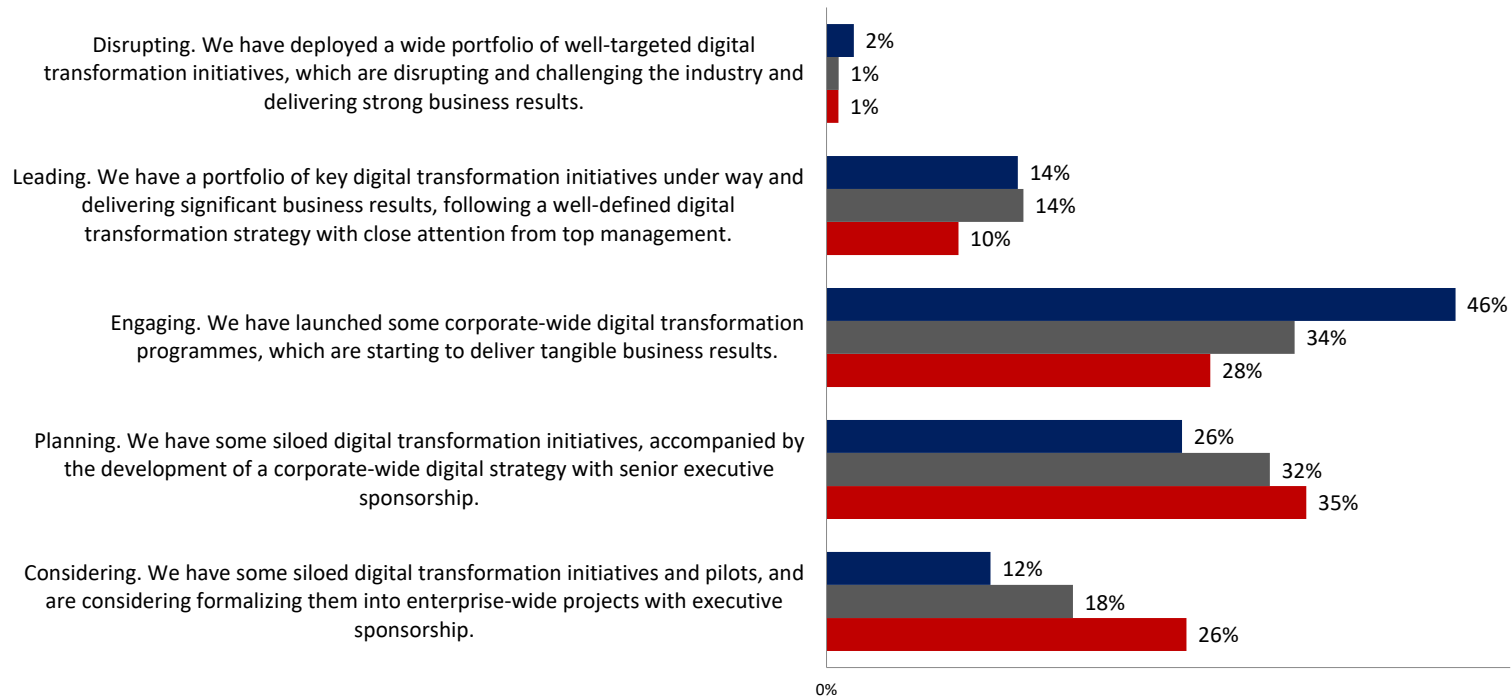
How digitally transformed are companies in Russia in 2021? (1)

- The chart on the next slide categorizes companies into what stage of digital transformation they are in (from the lowest level of “Considering” to the highest level of “Disrupting”).
- We have asked this question from Q1 2019 to Q1 2021 and we compare the results over time.
- 61% of executives categorized themselves in the lowest stages of digitalisation (“Considering” or “Planning”) 2 years ago. By 2021, that number has nearly halved and is now 38%.
- Of those 38%, already 26% are in the “Planning” stage and they have siloed digital transformation initiatives (but these are not implemented on a wide scale yet or have not delivered enough tangible results). Only few (12%) are left at the beginning stages of digital transformation.
- Those defined as “Engaging” (with corporate wide digital transformation programmes that are starting to show tangible results) have increased from 28% in 2019, to 34% in 2020 and 46% in 2021.
- 46% means that almost every second company in our survey is starting to see real results for their digital transformation initiatives and that number “feels right” based on what we hear from executives.
- Those “Leading” in digital transformation, typically with a whole portfolio of initiatives delivering significant results, make up 14% (vs. 10% in 2019). And a minority (2%) see themselves “Disrupting” and challenging their industry.
- The percentages thin out at the top, as by definition not every company can become a “Leader” or “Disrupter” in their industry. Yet these results make it clear that huge strides are being made in Russia in terms of digital transformation.

How digitally transformed are companies in Russia in 2021? (2)

What stage of digital transformation has your company reached in Russia?

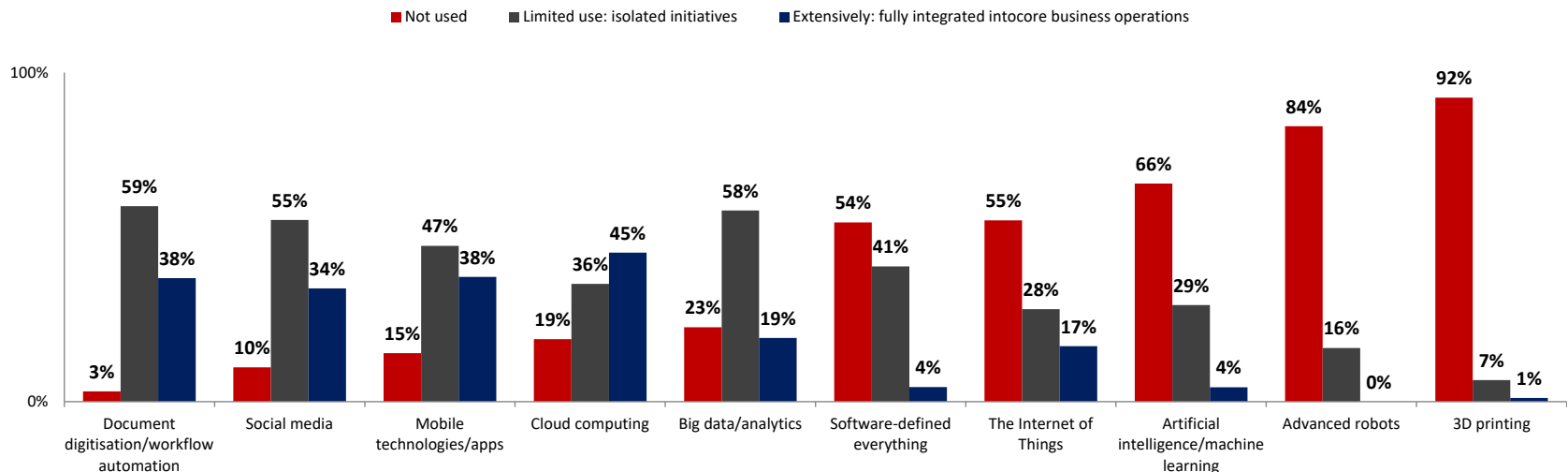
■ Feb 2021 ■ Feb 2020 ■ Feb 2019



What technologies are used most commonly by companies?

- In the chart below, from our survey, we rank how commonly technologies are used in companies (ranked from most used – on the left – to least used on the right).
- Workflow automation, social media, mobile technologies, cloud computing and data analytics are employed by the majority of companies. The more advanced technologies that require a holistic approach to digitalisation and integrated systems, such as The Internet of Things, are less commonly used. But here there has been some shift as well. For example, 10% said that they used the Internet of Things extensively in April 2020; 17% say so now. The number almost doubled, but coming from a low starting point.
- Cloud computing and data analytics are more commonly used than 12 months ago: those using the cloud extensively jumped from 37% in April 2020 to currently 45%. Those not using data analytics dropped from 33% to currently 23%.

How extensively has your company deployed the following digital technologies in CEE?



2. Much growth from digital sales channels, but some problems from limitations of digital communication

Growth in digital sales and the expansion of investment in 2021 (1)

- After huge acceleration in the adoption of digital solutions by companies in 2020, 2021 is another year in which sales growth via digital channels will grow substantially.
- **Our survey shows that the vast majority of executives (81%) expect to see their digital sales grow in 2021, of which the majority (56%) see growth in the double digits. Some executives (16%) even expect to grow over +50% this year.**
- In contrast, 0% of executives think that their e-commerce revenues will fall in 2021 and some 19% expect to be flat.
- Anecdotally many consumer companies say that at the start of 2020 their e-commerce sales represented about 6% of total sales. This then rose to 16% in May 2020 and then declined to about 12% as the lockdown loosened. But still that meant a doubling by summer 2020 and the trend continues.
- Despite such expectations for growth, it is worth noting that in absolute terms digital sales are still only a fraction of most businesses' total sales.
- Nonetheless, the trend is clear and digital sales will become ever more important in the future:
 - For end of 2020, 15% of executives had digital sales that made up more than 20% of their total sales. That number jumps to 22% for end of 2021 and 36% for end of 2022.
- In order to achieve such goals, managers are willing to invest in their digital infrastructure:
 - 59% plan to invest more in e-commerce and digital solution in 2021 than they had originally planned.
 - 38% are set to stick with their initial plans.
 - A mere 3% will reduce their activities/investments on digitalisation in 2021.

Growth in digital sales and the expansion of investment in 2021 (2)

Timur Khamzin, SberSolutions:

SberSolutions has reached record sales in 2020 and 35% of those sales came from new products that we have created in response to the crisis. We did not treat 2020 and now 2021 as years of crisis, but as opportunities and we stayed flexible, adopted to the new reality and consequently did very well.

Johan Vanderplaetse, Schneider Electric:

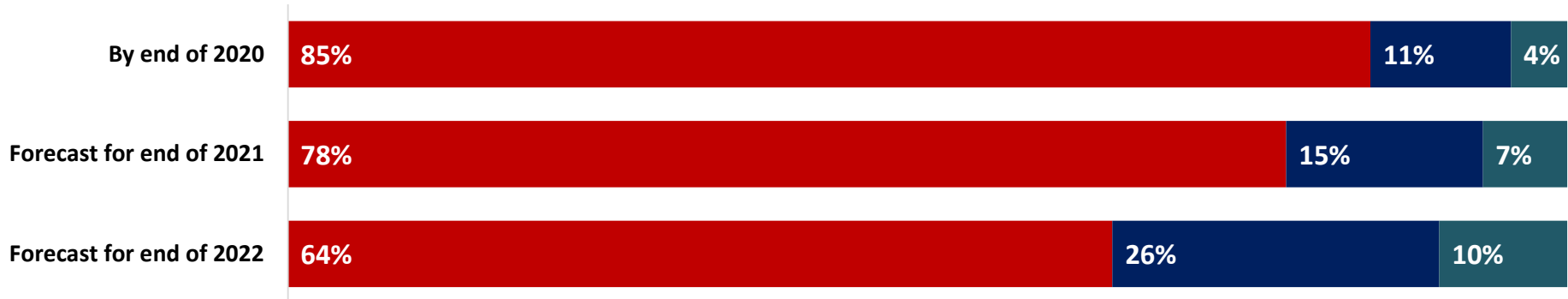
2020 was a very good year for our company with double-digit growth in Russia where we ended the year above our original pre-COVID budget. We were of course helped by the fact that, absence travel for holidays, many Russians decided to renovate their apartments and datchas. So they bought much more electric equipment than anticipated, often via e-distribution. Also the fact that we have localized a lot of production helped a lot in times of supply chain disruptions.

And lastly digitization helped a lot. It allowed ourselves to support our customers on-line. But our automation technologies, allowing things like remote asset control and support, were in high demand by our customers as well. Indeed, COVID has been a massive accelerator for introducing digital technologies. It is not just a short-term trend but one of the most fundamental shifts to businesses since decades and is here to stay.

Growth in digital sales and the expansion of investment in 2021 (3)

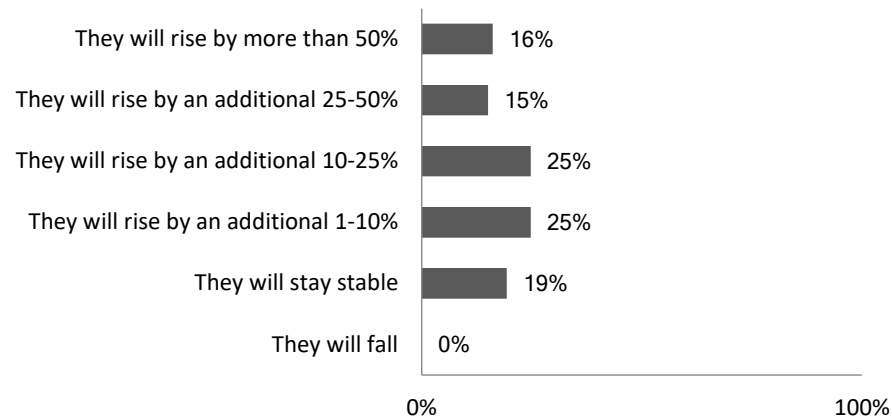
What proportion of your firm's revenue in Russia is coming from digital channels and how do you expect this to change over time?

■ 0-19% of total revenue ■ 20-39% of total revenue ■ Over 40% of total revenue

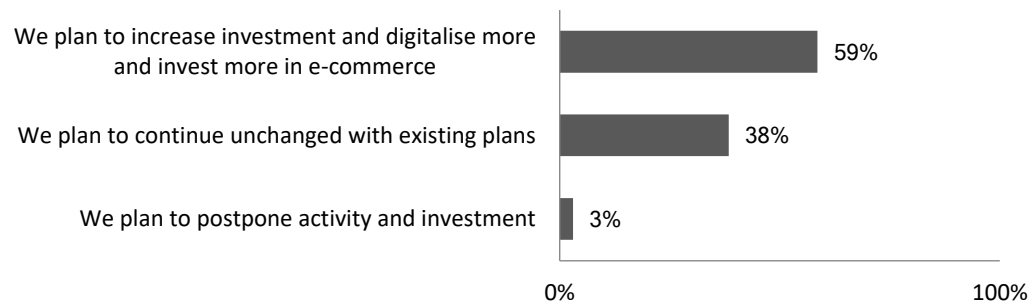


Growth in digital sales and the expansion of investment in 2021 (4)

In terms of %-growth, what do you expect for your e-commerce/digital sales in Russia in 2021 vs. 2020?



Regarding your plans for digitalisation in 2021:

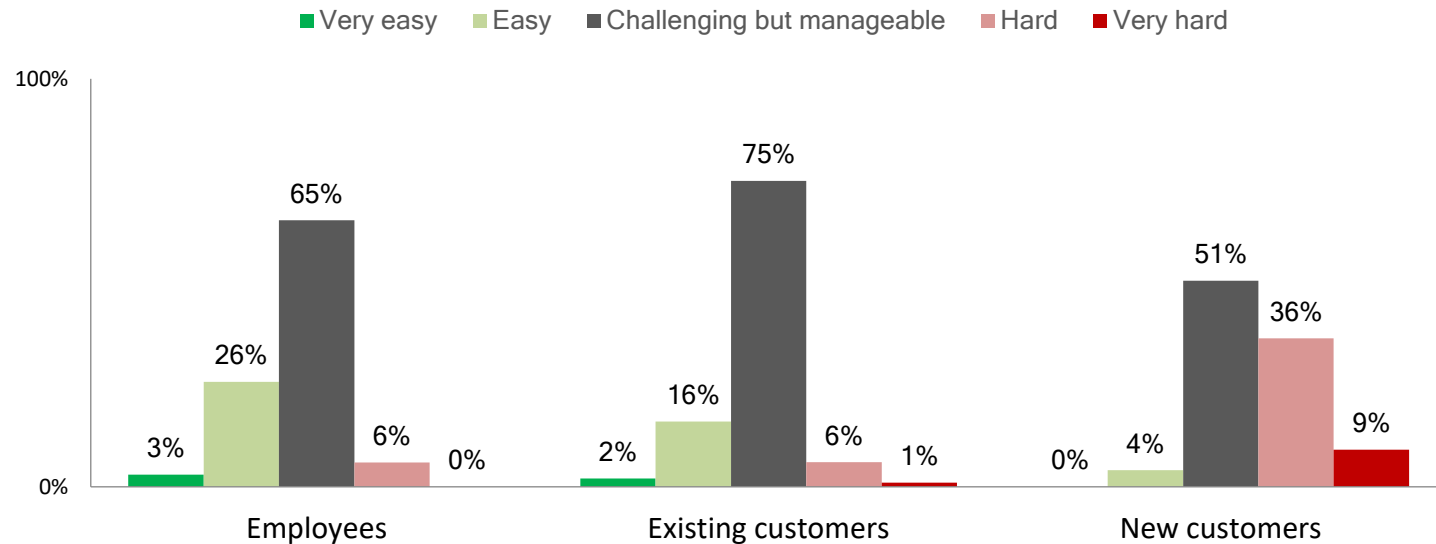


Digital communication and its challenges for the customer acquisition process (1)

- Over the last months, we have had several managers remark that finding new customers online was increasingly difficult while being limited to digital communication channels (vs. face to face meetings).
- In our survey, we have asked how difficult it was for executives to build relationships using mostly digital means of communication for the following groups: 1) existing employees, 2) existing customers and 3) potential customers (also see chart on next page):
 - For existing employees: 29% easy / 65% challenging but manageable / 6% hard
 - For existing customers: 18% easy / 75% challenging but manageable / 7% hard
 - For new customers: 4% easy / 51% challenging but manageable / 45% hard
- The first conclusion is that most executives do not find it easy to build relationships while being limited to digital communication formats.
- Even for existing employees, only 29% find this easy, while the majority (65%) find it challenging but manageable, although only 6% struggle much with it.
- The numbers for existing customers are fairly similar to those of the existing employees.
- But regarding the acquisition of new customers, results shift quickly to the negative: 45% find it hard to connect to new customers, and 51% find it at least challenging. Only 4% say it is easy.
- Whether someone is inside or outside your organisation is not the defining factor here (both existing employees and customers have similar scores). The crux is that digital communication is not good at “breaking the ice” and creating trust with new individuals.

Digital communication and its challenges for the customer acquisition process (2)

How hard is it to build relationships, relying mostly on digital means of communication, with: 1) existing employees, 2) existing customers, 3) with potential customers?



Digital communication and its challenges for the customer acquisition process (3)

- Finding new business and new customers is always a challenge and being limited to digital communication adds to this. But the B2B sector struggles more with it than other sectors, such as consumer goods, food/beverages and the pharma/healthcare industries.
- Retail/B2C online transactions are typically made up of a large number of lower value transactions, with one decision maker (the end customer) involved in the transaction. These transactions tend to be more standardized and they are easier to automate and to integrate into business processes.
- This facet makes finding new business online less difficult for retail vs. B2B in terms of being limited to digital communication, as the entire selling process can become streamlined into one digital solution.
- Not long ago, this would not have applied to larger scale transactions, such as buying a car, but that is changing quickly as well. For example, Tesla, the car manufacturer, has switched to online sales altogether and such examples are starting to take root in Moscow as well.
- In contrast, B2B transactions are less standardized, more complex, typically involve several stakeholders and decisions usually involve a negotiation process. Finding new business is more time consuming and less structured. Digital communication is not ideal for such a setting.

Andrei Kutukov and Artur Gioev, Micro Focus:

Business wise we have done very well during the pandemic. But we have observed that starting new projects solely using online meetings is challenging. It requires significantly more effort and more time spent in discussions and alignments than previously when one could meet face-to-face.

Overcoming “distance” in the customer acquisition process when using digital communication (1)

1. **Have a mediator help to connect you and the potential customer:** having a good business network and knowing the right people has always been important in the generation of leads. But these days, with the increasing reliance on digital communication and digital fatigue setting in with many executives, getting hold of (busy) executives has become increasingly hard. Having a mediator helps.
2. **Conveying “soft facts” can be difficult in digital environments; try to put more focus on the “hard facts”:** in the flood of digital information, standing out and being pro-active becomes essential for marketing strategies. With the lack of personal interaction, conveying “soft facts” becomes increasingly hard. Underline the “hard facts” more, such as the key advantages of products/services or pricing.
3. **Give guarantees:** many companies shy away from large-scale investments with uncertain returns. One of the solutions is to guarantee results, such as compensating the difference if the agreed results do not materialize. This has long been common practice in online retailing (via the option to send back unwanted purchases).

Sergey Khalyapin, Citrix:

The current situation has worsened cross-country interaction with peers and the kind of benchmarking that took place naturally in the past (via workshops/seminars) has now been reduced. The same is true for interactions with customers. There are definitely limits to video conferences and one of the difficulties is that one cannot read the reactions or behavior of customers adequately. One way in which we overcame this issue was by reverting back to mediators – they will introduce you directly to a person. This can help establish trust early on and that can make discussions start from a much-improved starting level.

Overcoming “distance” in the customer acquisition process when using digital communication (2)

Sergei Voitishkin, Baker McKenzie:

Over the last 12 months it has been more difficult to get new clients while being limited to remote work. It becomes harder to establish the same level of trust that one would in a face-to-face meeting. And the global crisis has affected the overall demand situation, and this has further contributed to it being more difficult to find new business.

Going forward, what is key is to adjust one's behavior and the way that marketing strategies are approached. They must be newer, more sophisticated, more pro-active and need to provide products/services that stand out more vs. the competition. In some sense, not being able to meet face-to-face needs to be compensated by the “hard facts” of why your product/service is best and that message needs to be communicated very effectively.

Another example of what we have done during the crisis is to strongly increase our online offering of seminars on various legal and business-related topics. Once we started scaling those up during the lockdowns we saw a huge gain of momentum: we had 2-3 times the number of people join than before the crisis and it was a great success. However – and this is a reality with digital marketing initiatives – we have not seen an increase in new requests come in at the same rate as at the beginning of the crisis and this has to do with a certain level of digital fatigue kicking in.

Overcoming “distance” in the customer acquisition process when using digital communication (3)

Timur Khamzin, SberSolutions:

In the B2B market it is very difficult to conduct sales using purely Zoom or other digital communication platforms, especially when talking about complex solutions. It is much easier to sell products like TVs or laptops online, but in our business when we look at, for example, the outsourcing of financial functions the negotiation process alone can last 2-3 months. But what many companies miss when they talk about digital sales is that they need to focus on their business model. Maybe the last months in Russia were not a good time for sales, but they were definitely a good time for companies that launched new products!

In response to 2020, we have adopted our product lines, such as implementing a new security diagnostics tool for IT infrastructures (considering increased cyber attacks), and it was a great success. Another thing we did was expand our digital solutions, such as online accounting, to SMEs using a subscription scheme and no salesperson is required here. Lastly, we launched a new area that we call B2B2C and this is a relatively new trend on the Russian market: here the company executive is our client, but the end-users are the employees (e.g. for tax services).

Regarding existing clients, we have a long-standing relationship with many of them as we typically collaborate on projects for over 10 years. We offered free consultation to them on how they could adopt their business during the crisis. In case we could not offer any help to them, we recommended them to one of our partners within our Group. At the end of the day, in the B2B market it is important to focus on helping clients and too many companies do not listen to their clients' needs!

Overcoming “distance” in the customer acquisition process when using digital communication (4)

Johan Vanderplaetse, Schneider Electric:

When introducing new sustainability technologies, plenty of companies shy away from investments that have uncertain returns. One of the solution to this problem is to guarantee the customer the savings.

The process is the following: We visit the facility, do an audit, and then conclude what services and technical solution are needed to bring more efficiency to the production process. We calculate the savings, reduction in CO2 emissions and the expected profit from the project. Lastly, we calculate a pay-back period that we guarantee. As an example, let us assume an initial investment of EUR 1 million with an expected pay-back period of 2 years. In case that after this period only half of the expected savings are realized, we will compensate the customer the money equivalent of the remaining half as a penalty. This process helps greatly in establishing trust with customers since we have skin in the game.

Real life examples would include a retail facility, where the goal was to decrease the cost of energy. We installed new equipment and provided services. As a result, the customer decreased his electricity cost significantly and the project had a payback period of 3 years. Another example is from the food industry: in a similar fashion, we have managed to reduce the cost of electricity and achieved a fantastic payback period of 1.8 years.

Overcoming “distance” in the customer acquisition process when using digital communication (5)

One senior executive from a global e-commerce company recently said at one of our webinars:

- Where is the money in digital? It's a great question that creates confusion among companies. And the confusion stems from a number of places. Many companies look at digitalisation too superficially. They go about their digital journey by undergoing isolated projects where they want to make something “good looking,” such as a fancy mobile phone app that gets them a nice PR release. But often these solutions are not even integrated into the rest of the company's IT infrastructure and it does not support the overall strategy of the company. Simply put, many projects fail the “so what?” test and are not really relevant to the customer.
- I would argue that the most successful companies do not plainly believe that digital is solely about selling more, but instead it's about really changing the experience of your customer. There is this conception that digital is just another route to market. I don't fundamentally agree with that. Digital can be a part of the route to market, but it also has to fix part of the customers problem and improve the customers experience with products and services. For example, when Nike started improving their digital experience, they looked at their deliveries of online purchases. When buying shoes, the biggest annoyance for customers is the process of returning the shoes in case they do not fit. But now the box already comes with all the right labels so that you can, with one click on your smartphone, say which products you want to return. The next day one of the logistics companies will come and pick it up.
- Regarding the B2B market: the question will increasingly move away from “What are you selling and what is your price?” and go towards “How are you selling and where can I purchase your product?”. Commercial buyers are shifting to digital market places as well and companies need to make sure that they plug their products and supply chain into those places where their customers are.

Overcoming “distance” in the customer acquisition process when using digital communication (6)

Another executive from one of the largest social networks world-wide argues:

- User behaviour has changed and people now have more choices than ever and instant access. There are thousands of new products that came into the market in the US alone. Consumers now have more touchpoints and there is fierce competition going on with start-ups. So the question for us in marketing and along the supply chain is: “How can we address all the issues we have (production, supply chains, finance) and always put the consumer first?” We have seen a rise of inefficiency in marketing spend and many companies see their CPM [cost per mille – how much must be paid for 1,000 advertisement impressions]. What we need to do as marketers is to move away from that model and out of our pre-defined target group and answer the question: “Where are the new consumers?” For example, have you thought about Gen Z yet? They have grown up fully digitally and they will increasingly demand digital solutions.
- How are you going to measure value? We are now in a space where we are defining customer marketing 2.0, which means we must look for new ways of measuring value and growing your customer base is particularly important as well as retaining your existing ones. The concept of friction has always been important but is now ever more so (friction is when apps/websites take too long to load or are too inconvenient to use). There is an opportunity cost in EMEA, also in CEE and Russia, of USD 86 billion just because of friction. So from an organisation’s perspective, the question is: how are you going to create a friction-less customer journey? And remember, the customer journey has 2 dimensions: 1) the consumer but also 2) the partners you work with on your supply chain.

3. Hybrid solutions and future technologies

Hybrid/multi-channel solutions and future technologies (1)

- Executives have realized that the “new normal” after the crisis will be to find the right balance and right mix between online and offline solutions, such as digital sales vs. a brick-and-mortar infrastructure, or public cloud solutions vs. inhouse solutions.
- Another process that needs to be managed is that of the mix between offline and online not being static and the share of online solutions will continue to grow over the coming years.
- Remote work is a good example of this, and the future business environment will be one where on average 20-50% of the workforce will work remotely.
- In practice, this means that 1-2 or even 3 days a week people will work remotely, while the office continues to be a focal point for business (although less so than before). Best practice suggests that there should be an arrangement of fixed days each week when most employees come to the office, especially for bigger projects where much alignment is needed, or for brainstorming and other team-related activities that require a fluid exchange of ideas. Tasks that are better done in isolation (the kind where one has to sit down, best undisturbed, and get it done) can be completed on days of remote work.
- Companies in the manufacturing industry or other industries with blue collar workers may want to re-evaluate those relationships with the wide-spread adoption of home office. Is it fair for blue collar workers to spend time and money in a commute to work, while (typically) better paid white collar employees work comfortably at home? To avoid an intensification of a “us versus them” mentality, companies best implement a pro-active communication strategy on the issue.
- Less demand for office space will create cost savings, but the net impact of the savings may be limited as more resources are channelled towards IT departments and digital solutions.

Hybrid/multi-channel solutions and future technologies (2)

- Cloud technology is another good example of the hybrid approach and we focused extensively on this in our last report.
- The background is that cloud technology has fundamentally changed the business model of IT providers. In the past, the major business concept was to sell the basic product/software, and to then get the consumer to spend more through product upgrades or newer versions of basically the same product. The perfect example of this was having to deal with new versions of Microsoft Office every few years. Although having to enter a shop physically to buy a Microsoft Office CD sounds archaic by today's standards, this is not so long ago and illustrates how digitalisation has changed business practices.
- The modern business concept is to ask for regular subscription fees and entire IT-solution packages can be unlocked instantly.
- Cloud computing is not as wide-spread in Russia as in many other comparable regions.
- This has 3 interlinked reasons:
 - Many of the large organizations have internal policies against running their processes via the cloud. This especially applies in heavy industry and of course government owned/related companies or those having to do with national security. When they do use cloud services, it tends to be for smaller projects.
 - Russian legislation is tight on cloud services, including localisation requirements.
 - The large foreign cloud providers are now in a “chicken-and-egg” dilemma: they would have to invest heavily in Russia in order to fulfill the legal requirements. But with the large corporations in Russia biased against them they have a much weaker business case for such investments.

Hybrid/multi-channel solutions and future technologies (3)

Andrei Kutukov and Artur Gioev, Micro Focus:

The big advantage of the cloud is that the consumption model is much more convenient than that of investing in traditional infrastructure. The cloud in Russia is hybrid – and it was already hybrid before the crisis. One of the main reasons is that Russia has tricky regulations when it comes to what you can store on the cloud as a company and what not. And we do not see that regulation will soften up any time soon, but rather the opposite: all the recent news of hacker attacks, data breaches, the increase in the price of data (which is growing significantly as more of daily life is lived digitally) and so on make it obvious that regulation will stay strong and the investment in IT security will grow further and this is a very important topic to consider for businesses.

These developments have led to more companies moving towards private cloud solutions in Russia. The private cloud is especially useful for companies' core data, although the public cloud may still come in useful for less sensitive/less relevant data.

Private cloud solutions can come in different set-ups, and one can find private clouds as segments of the public cloud and this model is increasingly used by the big cloud providers for their clients. In other words, there is a private segment within their public cloud that is allocated only to 1 company. Even software-as-a-service companies, for their top clients, provide such a dedicated infrastructure.

Hybrid/multi-channel solutions and future technologies (4)

- As more companies started using cloud services over the last year, it became apparent to most managers that there are definite advantages to using the cloud. Probably the biggest advantage is that one can expand capacity quickly by purchasing more subscriptions.
- But there remain some issues with the cloud: the large hyper-scalers (such as Google Cloud) do not operate in Russia and during the crisis performance decreased as too many people tried to access networks at the same time.
- If sanctions should dictate it, there is the threat of US tech-giants turning their services off to companies in Russia.
- As one executives from a western company looking at regulation in the Russian market recently noted:
- “CEE and Russia are growing markets and that is great. But regulation is the one thing where we need to double-down on and invest more, so that we are better prepared and even more knowledgeable when entering those markets. We are definitely back in a localisation phase where local laws and regulation are more important than the global ones. The best thing you can do now is to think public policy wise. And it is not just the governmental view that matters but also how things are perceived from the public’s point of view.”
- Best practice suggests a diversified approach via a multi-channel strategy: use cloud services for the non-essentials in order to stay flexible and deal with volatility better, while keeping the more sensitive company data and processes on-premise or in private segments of the cloud.
- Many companies question whether any of the hyped technologies, such as self-driving cars, will take off in 2021 or the next 2-3 years. There is definitely much progress being made here and the technologies are “getting there”.

Hybrid/multi-channel solutions and future technologies (5)

- Yet we do not see any futuristic aspects of digitalisation (such as self-driving cars) becoming mainstream in Russia, even 2-3 years down the line.
- That is not necessarily because the technologies will not be ready. Instead, the eco-system around the technologies is still missing – most importantly the legislative framework and the general road and digital infrastructure.
- Some technologies face fewer hurdle, such as augmented reality, which offers great opportunities as remote work, webinars and long-distance education programs become more prevalent in the world.
- Blockchain is another example of a technology that is increasingly useful for applications where authenticity is needed, such as in the area of intellectual property rights.

Johan Vanderplaetse, Schneider Electric:

Regarding education and training, I believe that the old brick-and-mortar education system where a teacher is teaching in front of an aula to the students is dead. For sure, students will still have collective learning sessions. But we need to adapt to a digital environment as well, like via virtual and enhanced reality. In the future, we can beam in teachers from other places in the world via holograms. The possibilities are endless. Smart schools will work in partnership with the most advanced research facilities worldwide, and this will only enrich the learning experiences of the students. A learning experience which will become much more tailored to the student needs and which will become a life-long experience via refreshment courses. This is already starting to happen with some universities in Russia who offer transnational learning experiences and introduce digital tools. But I wish it would happen even faster.

Hybrid/multi-channel solutions and future technologies (6)

Andrei Kutukov and Artur Gioev, Micro Focus:

Probably the biggest area for thoughts, speculations and predictions regarding digitalisation is how and to what extent “online” and “offline” will mix and come together. We are not going to return to where we were before the pandemic, but it will also not stay how things are now. Slowly but surely people are getting more comfortable with consuming services online.

The dependency on software will increase and applications will become faster, more complex, and have more features. The key point to make here is that as the dependency on applications goes up, so does the importance of the quality of the software, especially from a cyber-security aspect.

Regarding the more futuristic applications of digital solutions, let us look at autonomous driving as an example. The issue with self-driving cars is not the technology itself – technology is getting very close to being ready.

The big problem is government regulation and then secondly the availability of infrastructure. Questions such as who takes liability in case of an accident still need to be answered. How will autonomous vehicles deal with a setting that is not standardized to the technology’s needs? Autonomous vehicles communicate with each other, but what about remote locations where there is no connection? What about bad road conditions, missing street-signs, or needing to steer past a partial blockade of the road in more remote areas of the world?

Hybrid/multi-channel solutions and future technologies (7)

Denis Khabarov, Baker McKenzie:

Hybrid solutions are the future – starting with the cloud, where it is and will continue to be a combination of public and private cloud solutions, as well as company-on-premise resources. Cybersecurity continues to be a big issue as everything goes online and the number of hacker attacks have increased 2-3 times over the last year. Companies need to be smart and decide what data is sensitive, and what different technical solutions to use for what kind of data.

The ultimate purpose of blockchain is to guarantee authenticity. And there are already various ways in which to apply the technology. For example, iPChain is a blockchain platform that will allow the maintenance and commercialization of digital IPs via smart contracts.

We do a lot of work related to machine learning and AI, such as creating a platform that will allow our clients to receive tailored IP solutions in the area of trademarks. These help you analyze which trademarks are most effective and the enhanced tools enable better service to our clients. And we have just completed a project with Microsoft and Sberbank on AI. There are at least 5-6 areas in Russia where AI is already surprisingly widespread: healthcare (providing diagnosis, development of drugs), finance (especially commercial banks that use AI for credit scores), e-commerce (individualized and personalized offers are often done by AI now), management of public utilities / traffic management, and lastly smart government solutions (road violation fines etc.).

Hybrid/multi-channel solutions and future technologies (8)

Timur Khamzin, SberSolutions:

We see the market for end-to-end cloud solutions in Russia increased by 20-30% in 2021. Most of our new products that we are developing are based on the cloud. It is one of the largest trends in 2020 and 2021 and a very helpful technology.

Before the crisis when you studied who the customers of cloud solutions in Russia for B2B were, it was mostly IT companies or maybe some pharmaceutical company. Now there are requests from manufacturing, retail and more industries are starting to use our solutions. We also see large enterprises starting to expand the areas for which they use the cloud. Some have even moved their more critical functions (such as HR or accounting) to the cloud.

In terms of IT infrastructure, most companies have a hybrid scheme where they keep some infrastructure in-house and then outsource some to the cloud. But the number of cyber attacks in Russia have increased around 4 times in 2020 and companies with less developed IT infrastructure increasingly find that with cloud solutions (which come with all the state-of-the-art cyber security) they are better protected than with their own inhouse infrastructure.

Hybrid/multi-channel solutions and future technologies (9)

Sergey Khalyapin, Citrix:

We do not see any upcoming technologies that will fundamentally change 2021 in the way that 2020 did with the Covid crisis. In some sense everything that could have happened did already happen! Consequently, in 2021 we will see consolidation and at most incremental improvements to the foundation created last year.

But it is important to differentiate between different industries: IT companies, remote deliveries (foods, groceries etc.), online entertainment/TV, and to some extent pharma are all the clear winners of the crisis and have a better starting position than other industries.

I see great potential for virtual and augmented realities. Imagine the potential for travelling abroad while sitting in your living room. It's not a complete replacement to actually travelling somewhere, but for many that do not have the means or time for extended travel, this is a fantastic opportunity.

Another application for virtual reality is education: sitting in on a classrooms anywhere in the world, seeking out the best teachers and tutors. As with any new technologies and solution, there are issues here as well, for example, it takes a lot of self-discipline to learn alone versus in a classroom setting. But the opportunities are there and as in every other aspect of lives, some will use those opportunities and others not!

4. Human Resources: the price of remote work

Remote work – initial implementation and current concerns (1)

- The large-scale shift towards remote work arrangements was one of the biggest changes that 2020 brought forth. With it came a whole new set of HR-related issues:
 - How do I make sure staff do their job effectively without direct supervision?
 - How do we keep everyone working towards a common goal?
 - What is my function as a manager if I am not there to directly supervise?
 - How do we enable the exchange of ideas and how to we keep creativity up?
 - How do you manage the relations between white collar staff (who get to work from home) and blue collar staff (of which many still have to go to work)?
- To counter some of these concerns, we ask in return: did you really know how long employees took to complete tasks before remote work was implemented? Could you truly tell for most of the day whether everyone in the team was focused, or distracted? How many coffee or cigarette breaks did people have each day precisely? We phrase these questions provocatively to highlight that some aspects of remote work are subjective and those team members who you could trust to do their work remain the same.
- But we do not want to downplay the many real concerns with remote work and here we highlight 3 of those aspects:
 1. **Technical stage:** in the beginning of 2020, companies were primarily concerned with enabling remote work in the first place, whether by using cloud services or other alternatives, such as remote PC access. All focus was on how to implement viable solutions quickly in order to prevent the entire business from coming to a halt. Without the technological set-up, remote work is a) by default not possible, or b) tedious and time consuming (slow connections...) and c) risky (IT security issues).

Remote work – initial implementation and current concerns (2)

2. **Organisational stage:** once staff was “transferred” to work remotely, managers had to start readjusting to a new reality of management. When in the past many of the more traditional companies in Russia had predetermined schedules (e.g. when staff had be at work in the morning at a precise time) and managers could “walk the floor” and manage in person, everything was different now. The initial feedback from senior executives was that they were unsure of how to handle the new situation, but most settled in quickly and readjusted successfully.
3. **Human resource stage:** the first 2 stages – technical and organisational – were generally dealt with very well by most companies. This is not to say that things were not bumpy at first in Q2 2020, yet by 2021 we have not heard a single executive complain about technical or managerial issues regarding remote work. Remote work is the “new normal”.
 - However, the emotional toll that remote work takes on people has become more pronounced.
 - In our survey we asked executives whether remote work put additional stress on employees:
 - 47% say that there is more stress now that people work from home.
 - 31% say that its equal to before / not much has changed.
 - 22% say that people are less stressed now that they work from home.
 - 47% implies that 1 in 2 employees feels more stressed now than they did before, with only 1 in 5 saying that they are less stressed. What is remarkable about those numbers is that – in theory – remote work should reduce stress:
 - No time wasted on commutes (for some these take up hours each day and are mostly stressful).
 - Less interpersonal friction with other colleagues; more attention focused on getting work done.
 - More flexibility during the day to manage daily-life.

Remote work – initial implementation and current concerns (3)

- But reality is the opposite: remote work (or as one manager called it “modern day outsourcing of office space”) continues to erode what was left of work-life balance, accelerating the trend that the mobile phone and later the smart phone had initiated by making people available 24/7.
- One additional element to remote work is that the “soft elements” and interpersonal relations suffer: people feel less like a team, there is less bonding that goes on and most aspects of human interaction have become functional.
- Creativity and idea generation can also suffer in such an environment: instead of ideas bouncing back and forth, everyone lives in isolation, taking turns to speak into a webcam in a monologue fashion.

Denis Khabarov, Baker McKenzie:

People seem to be getting fatigued about remote work. Once the pandemic eases, we expect that everyone will go back to the office just to attempt to have a normal work-life again, including work/life boundaries. After that interim period, the next step will be to move towards a hybrid workplace where more will work remotely than before Covid, but the office will remain an integral role to the work-life.

Andrei Kutukov and Artur Gioev, Micro Focus:

One aspect of remote work is that creativity suffers. In the past, the problem was that there was not enough time to be alone and to truly reflect on issues. Now there is the exact opposite issue: there are fewer natural/organic conversations with colleagues, and those that you do have usually take place within the same team and therefore cross-functional interaction and communication suffers.

Remote work – initial implementation and current concerns (4)

Sergey Khalyapin, Citrix:

We work very internationally and engage with many peers all over the worlds. From our experience, the last 12 months have led to increased stress levels among employees. In the past there were clear boundaries between work and free time. Even the time spent commuting to work, which is commonly portrayed as a waste of time for people, in some sense helped provide people with little pockets of time alone in which one could mentally retreat and “come-down” from a hectic office day. None of this is possible anymore – you now wake up, and the moment you open your eyes in the morning you are practically in the office and expected to perform.

Coordinating the daily lives within families is a struggle as well, albeit whether you have children or not makes a huge difference. For so many households there are a maximum of 1-2 computers available and you will see parents (for work) and children (for school) scramble to get access to these computers. To top all of that off, the speed of the internet suffers as everyone is online at the same time.

Another crucial point is the loss of interpersonal interactions with colleagues: coffee breaks, telling jokes or simply venting about something that was upsetting to someone. Fewer interpersonal interactions, especially over extended periods of time, will impact team-morale. This is especially true for newer team members, who rely on other colleagues to “show them the ropes” and to introduce them to the best-practices at the company but get less direct support now. One solution that we have found is to establish virtual coffee breaks. We purposefully build these into the agenda and the idea is for everyone to have the opportunity to share non-work related issues if they feel like it. This has become part of our weekly routine now and it is a small initiative but based on feedback it is highly effective.

- The future of work and the office after the lockdowns will be a mixture of how it was pre-crisis and how it is now: the office will remain the focal point for businesses in the future, but the portion of people who do remote work will increase substantially to 20-30-40%.
- This is part of a continued trend where “everything turns hybrid”. It is not physical vs. digital anymore, but rather how can the 2 mix to create optimal results (although within that mix, the share of digital solutions relative to the total will steadily increase in the foreseeable future).
- Our survey suggests that after the health-crisis is over, only a fraction of executives (20%) expect to have only few employees work from home. We define “few working from home” as 0-10% of the total workforce working from home.
- 38% say that most of the employees will work from the office, but a good share will work remotely (10-30% of the total workforce).
- 36% expect more or less half of their workforce to work remotely after the crisis (40-60% of the total workforce).
- And a few (6% of executives) will go beyond that and have over 60% of their total workforce work remotely.
- These results are quite remarkable: in Russia, 42% – almost half of all executives – expect that at least 40% of their workforce work remotely and many will go above that to 50-60% of the total workforce.
- Many of our Group Members are from multi-national companies, often based in Moscow, and we acknowledge that smaller companies in the Russia Regions may not follow suit to the same extend. But this does not change the fact that there has been a significant (and permanent) shift in the work space.

Andrei Kutukov and Artur Gioev, Micro Focus:

Many of the companies that we speak to have already made the decision that, at least partially, employees will continue to work from home even after things normalize again. There are various models of how to go about this, but most often we hear about employees working remotely for 2 to 3 days a week. Regarding office space, the only consequence that we can see here is that demand will decrease.

Alexander Monin, Baker McKenzie:

Work-wise, we don't expect things to move back to how they were previously. Instead, it will be a combination of remote work and coming into the office. The reasons are clear: this allows for maximum flexibility, helps employees organize themselves best and potentially there are cost savings as well.

In terms of practical steps, when pandemic ends (or the new normal settles) we plan to all return to the office at first in order to restore the informal ties and relationships that people have and those may have been a little damaged due to people not seeing each other for so long. After that initial period, we will then consider making alternative arrangements where for example there are 3-4 days in the office and 1-2 days are flexible.

Hybrid solutions for the workspace (3)

Timur Khamzin, SberSolutions:

A hybrid scheme with a mixture of remote work and coming into the office will be the future for us. We used to require large amounts of office space but during the last year we have realized that in a hybrid scheme (it was 2 days in the office and 3 days from home) this is not necessary. As we continue with the hybrid scheme, we will come up with further solutions, such as sharing desks between employees.

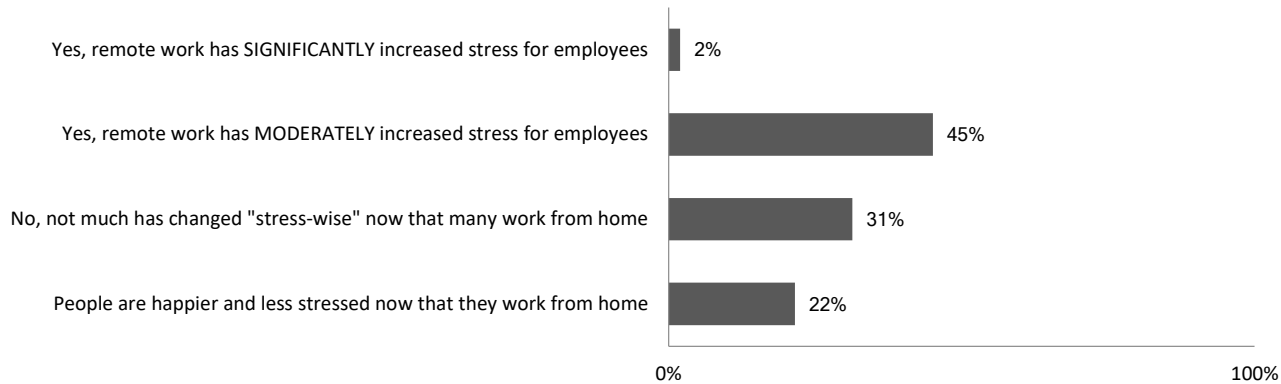
But a lot depends on an employee's function: the sales department will not work remotely as much as some of the support functions, such as IT and accounting. Those handling personal data will also continue to go to the office for cyber security reasons. And then there are all kinds of personal situations – some may have children and might prefer to come to the office, while other have moved outside of Moscow and are happy working from the countryside. Frankly, I have experienced negative and positive feedback regarding remote work, but the key factor is that it works! And that will drive the underlying business decisions.

Johan Vanderplaetse, Schneider Electric:

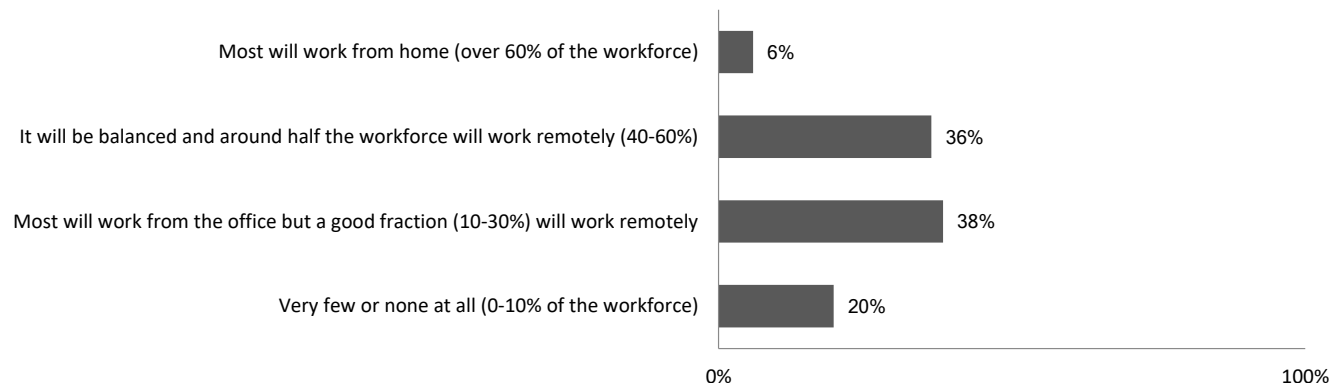
We expect demand for office space to go down, actually it is already happening. This is on the one hand a challenge to our business, since commercial real estate is an important business segment for us. But it creates opportunities as well. Buildings become increasingly smart and automated. For instance, meeting-rooms and work-stations are booked in advance by the workers, like via an App on their smart phones. And such smart technologies are also helping to reduce energy costs and bring operational savings. It improves the working experience and on top makes economic sense.

Hybrid solutions for the workspace (4)

Have remote work arrangements put additional stress on your employees (do you see lower employee satisfaction scores, or more burn-outs etc.)?



What percentage of your total workforce do you expect to continue to work remotely in an average week AFTER the health crisis is over?



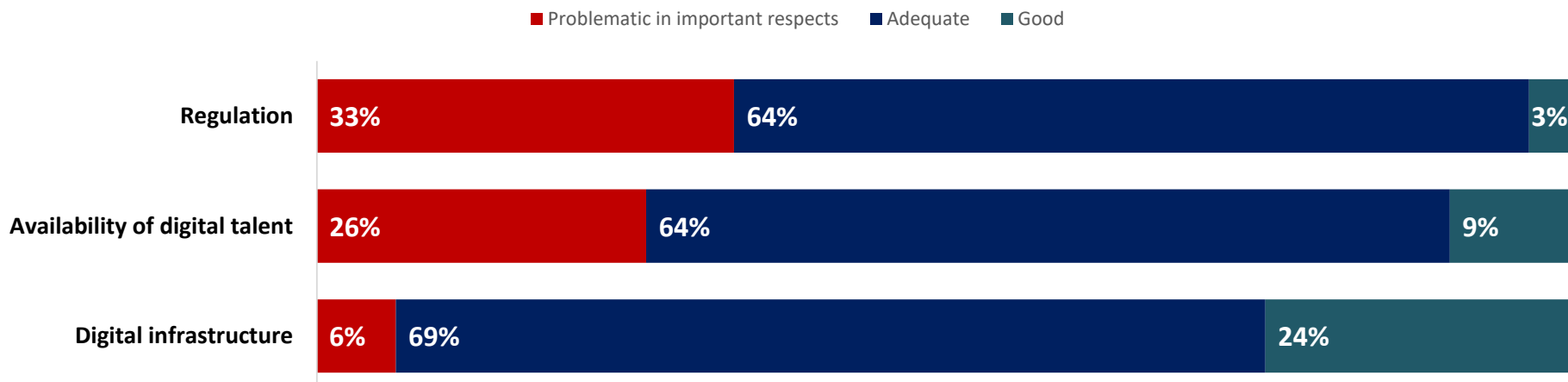
5. What are some of the challenges to digitalisation in Russia?

- With digital transformation, companies in Russia struggle with “internal” issues more than with “external ones”: does your company have the right culture? Are you setting clear and measurable goals, getting full support from top management, creating small cross-functional teams and focusing corporate culture towards agility, creativity and no fear of failure?
- When we asked in our 2020 survey what executives’ biggest difficulties were regarding digital transformation in Russia, the top 3 had to do with company internal issues:
 - Dealing with legacy systems (52%)
 - Dealing with the internal side of digitalisation (49%)
 - Insufficient allocation of resources (47%)
- When asked what companies’ main focus/goals was in terms of digitalisation, the top 3 responses were:
 - Improve customer/client experience (75%)
 - Improve internal productivity and efficiency (73%)
 - Develop new business models and revenue streams (52%)
- B2C companies typically focus on the customer oriented aspects and consider improvements in internal efficiency important, but overall it tends to not be the main driver of their digitalisation strategy.
- With many B2B companies and especially those in manufacturing or heavy industry, it is the opposite: they utilize digital technologies mainly to improve internal efficiency.

Challenges to growth in digitalisation (2)

- Regarding the “external environment”, the main 2 issues that executives see are:
 - Regulation
 - Availability of digital talent
- To be fair, only 33% claim to face big problems with regulation, but that is still not a small amount and only 3% say that they find the situation “good”. A lot will depend on your industry and those operating in the frontiers of technology and innovation may find themselves struggle more with legislation (or the fact that there is no clear legislation yet).
- The numbers for the availability of talent are similar to those on regulation: 26% have problems finding the right people, but most (64%) are OK with the situation and 9% say things are good.

How well does the business environment in Russia support your digital transformation?



- We published a report on HR in Russia and it goes into greater detail on the subject of finding the right people for companies' digital transformation strategies.
- The general conclusion was that external candidates are typically expensive, often do not deliver the expected results, or are headhunted after 1-2 years and leave the company prematurely.
- In response to this, companies turn to their internal talent pool and promote and train existing staff to fill open vacancies for their digital business.
- For most positions in sales, marketing or customer relations, the requirement is for a businessperson with a good understanding of IT-processes, not an IT expert.
- Best practice is to take those that have talent and interest, and to then bring in experts to train them.
- Our survey data underlines these findings:
 - 56% of executives say that they mainly train internally for positions that relate to digital
 - 35% do both: they equally promote internally and hire externally
 - Only 9% say that they mostly hire externally
- There are situations where hiring externally is required (ideally when the e-business starts growing and additional resources are needed quickly), but for many businesses and especially at the start of digital transformation, looking at the local organization and creating a team made up mostly of existing staff leads to better results.

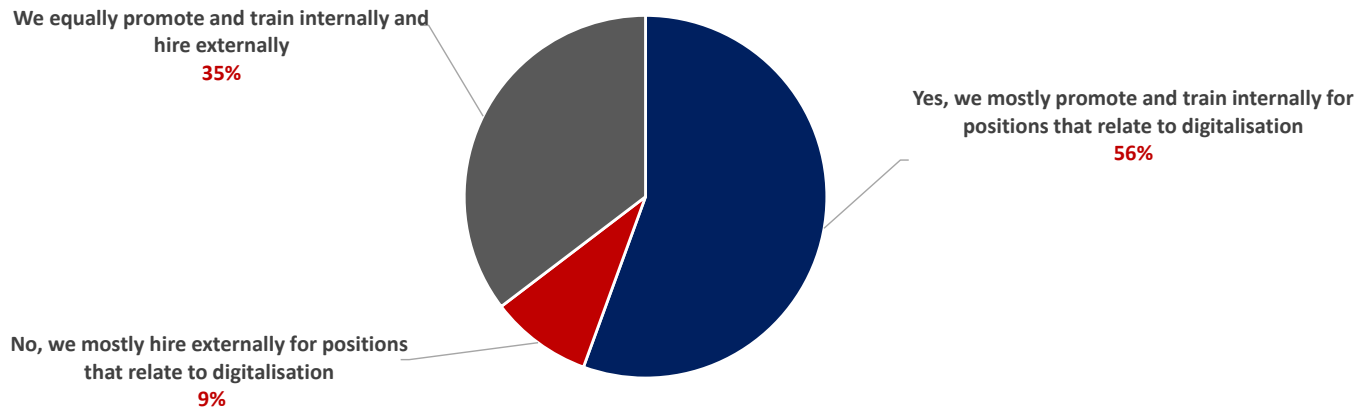
- Experts in digital transformation are incredibly useful in the form of an advisory function. This way, experts that might otherwise not be interested in working for a “normal company” can be brought in as advisors to answer critical questions that the organisation may be stuck on and to ensure the overall direction is right.
- Another important aspect is to train up HR departments, as hiring digital talent can be a frustrating experience for some companies. Job titles for digital positions can be obscure, and unlike in fields such as finance or accounting, it is hard to know what capabilities a candidate really has. The fact that technology consistently develops and changes over time also does not help.
- Unfortunately, there is no easy fix to this situation; instead, HR departments need to get more experience under the belt and IT departments should support and guide the hiring process as well.

Sergey Khalyapin, Citrix:

Regarding what to look for in the ideal candidate there are 3 areas: technology, soft skills and business skills. But people that combine all 3 are scarce! It's a real hunt for such people. The question is what to do if someone is strong in one area but not in the other? Here it depends on the position: if we are looking for a coder, then we need an IT specialist. That is clear. But if we are looking for a manager, or positions in digital marketing and sales, the suggestion would be to weigh personality and communication skills higher than the technological aspect. The technical aspects can be learned on the job or taught in trainings while fundamental psychological characteristics are hard if impossible to change.

Finding digital talent (3)

Do you use existing staff to run your digital business?



Johan Vanderplaetse, Schneider Electric:

We have a very strong engineering team that is very innovative, hard working and competitive. But the main challenge we have – which is not unique to Russia but worldwide one – is that digitalization shifts the focus somewhat away from hardware to software. And dealing with software requires a new type of skill sets.

In many industrial companies there is great expertise on the hardware, but as more and more layers of software are added on top of solutions, it's a different “type of language” that one requires to bring the value proposition to the end-customer. And ironically, the end-customer has the same challenges as they need to deal with an increasingly digital environment as well and they tend to be more CAPEX and less OPEX oriented. Therefore, a lot of effort goes into retraining people and attracting the right skills via hiring.

- Taking a stance on where Russia stands in terms of “openness to digitalisation” is not straight forward.
- On the one side, Russia embraces digitalisation: compared to most other countries Russia is a digital society and smart technology is much used.
- Government is increasingly digital, and the National Projects have the development of e-government on the agenda. There are of course regional differences, but for Moscow many governmental services can be used digitally.
- HR documents can now be signed digitally and that has helped immensely during times of remote work.
- The Russian Civil Code allows parties to do signatures electronically in many cases, which has proved highly beneficial.
- On the downside, executives report that legislation can be tricky in Russia compared to say CEE: 33% of executives saw Russian regulations as problematic in important respects, while 64% said it was adequate and only 3% said it was good.
- Data localisation requirements are the most prominent example of restrictive legislation in Russia.
- Many of the large enterprises in Russia, especially those in oil, metal and mining and government related industries, have internal policies that limit what types of cloud solutions can be used.
- But we do not argue that cloud services should be trusted blindly and with sanctions in place, many companies do not want any unnecessary risk exposure (for example, when the United States imposed sanctions on Venezuela, the tech company Adobe stopped providing its services to Venezuela).
- Companies need to make a cost-benefit analysis of how to use the cloud, and executives have shared with us that they have successfully turned to local cloud providers.

Alexander Monin, Baker McKenzie:

The Russian government has greatly expanded its offering of digital solutions in the last 12 months, but particularly Moscow stands out here. Moscow has really improved a lot in its digital public service offering, including the use of AI technology that helped in the management of the Covid pandemic.

One of the key issues is that new technology by default operates in areas that are not yet well regulated, therefore the government ultimately decides how to proceed.

A positive example is that of cross-border transaction during the pandemic: there are various technological solutions to sign documents remotely (such as Adobe Sign). The Russian Civil Code allows parties to do that electronically, which has proved highly beneficial.

But there is the opposite example as well: whenever there is an element of governmental approval involved in a process it can be more difficult. For example, you could do an M&A transaction and sign the deal remotely, but you would additionally need a notary (in person). As long as that is the case, one is still stuck in the “old way of working.”

Western countries sometimes make progress quicker here – in the State of Florida for example they have new digital solutions that enable one to sign an affidavit by video, which only takes a few seconds.

Ultimately, with the pandemic there has been a huge leap in regulation, saving hours of time for everyone involved and of course cost savings, but there is still progress to be made.

Timur Khamzin, SberSolutions:

Our industry (outsourcing) has benefited much from the jump forward in regulation that the crisis has triggered: we are now able to sign HR documents electronically, which has eliminated much of the paperwork and really helped in the management of remote work arrangements.

Sergey Khalyapin, Citrix:

Governmental services have fundamentally improved the last 12 months due to the increased opportunities of digital solutions. For example, getting one's driving license: almost the entire process is online now, and the 1 physical appointment that is required has an online registration and waiting times have become minimal. The same goes for the communication with tax offices.

Andrei Kutukov and Artur Gioev, Micro Focus:

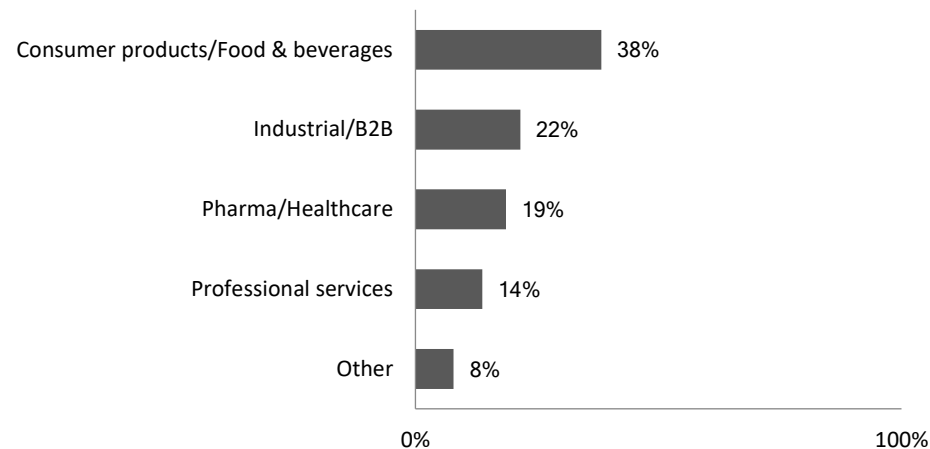
Using the cloud in Russia can be tricky in terms of regulations and what you can store as a company in a public cloud. Yet we still see this trend move forward strongly because the consumption model is just so much more convenient than that of traditional infrastructure. It will be a combination where less sensitive/less relevant data could be stored on the public cloud while the core data is going to be stored in the private cloud. And this model is increasingly used by the big cloud providers for their clients. Even software-as-a-service companies, for their top clients, provide a dedicated infrastructure. It is a private segment within their public cloud.

6. Summary of executive survey

We include here all questions from the Russia Digitalisation Survey held in February 2021 as a general reference, providing a quick overview of all questions. The findings are based on replies from 101 respondents.

Please note: for better readability, we round-up survey results to full percentage points. This may result in small rounding error. Example: 50.5% is rounded to 51%, 49.5% is rounded to 50% and when adding the 2 figures together there is the misconception that the total is higher than 100% (rounded 51% + rounded 50% = 101%).

In what industry or sector does your company operate?



Survey (2)

What stage of digital transformation has your company reached in Russia?

■ Feb 2021 ■ Feb 2020 ■ Feb 2019

Disrupting. We have deployed a wide portfolio of well-targeted digital transformation initiatives, which are disrupting and challenging the industry and delivering strong business results.



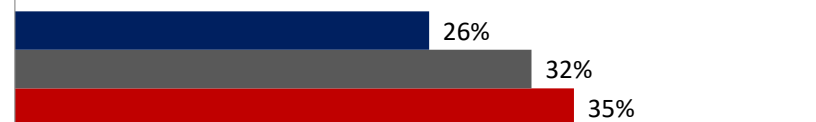
Leading. We have a portfolio of key digital transformation initiatives under way and delivering significant business results, following a well-defined digital transformation strategy with close attention from top management.



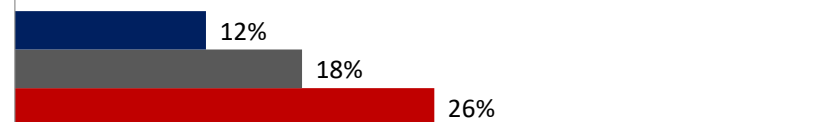
Engaging. We have launched some corporate-wide digital transformation programmes, which are starting to deliver tangible business results.



Planning. We have some siloed digital transformation initiatives, accompanied by the development of a corporate-wide digital strategy with senior executive sponsorship.



Considering. We have some siloed digital transformation initiatives and pilots, and are considering formalizing them into enterprise-wide projects with executive sponsorship.

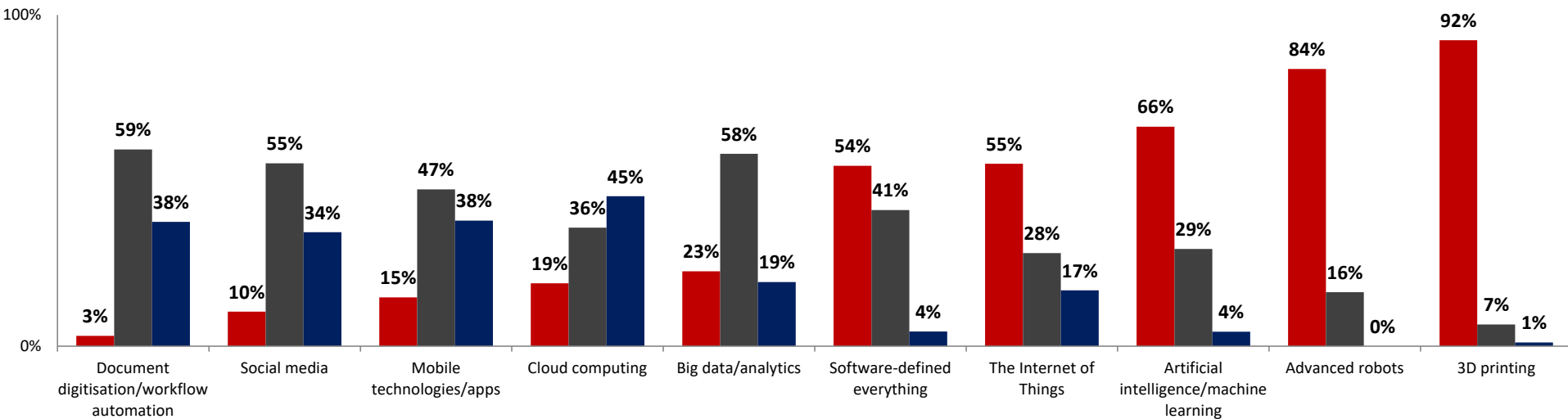


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Survey (3)

How extensively has your company deployed the following digital technologies in CEE?

■ Not used ■ Limited use: isolated initiatives ■ Extensively: fully integrated into core business operations

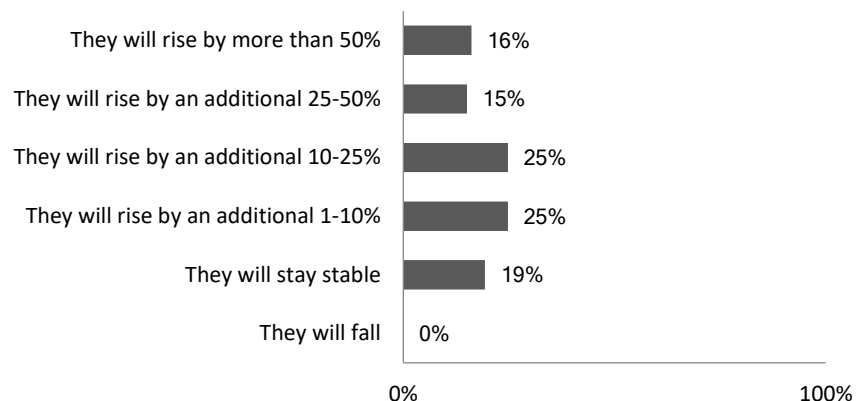


**What proportion of your firm's revenue in Russia is coming from digital channels
and how do you expect this to change over time?**

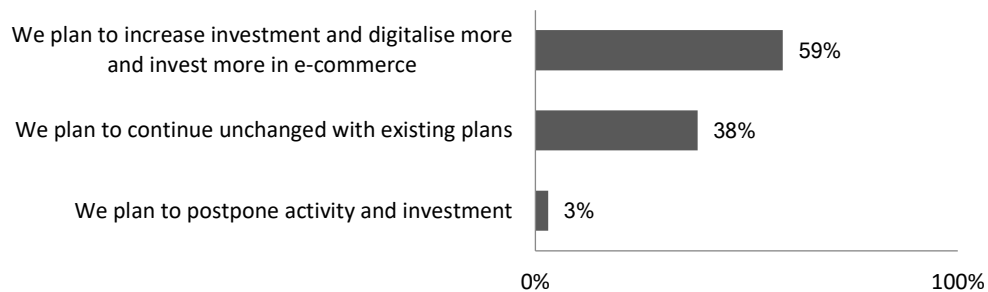
■ 0-19% of total revenue ■ 20-39% of total revenue ■ Over 40% of total revenue



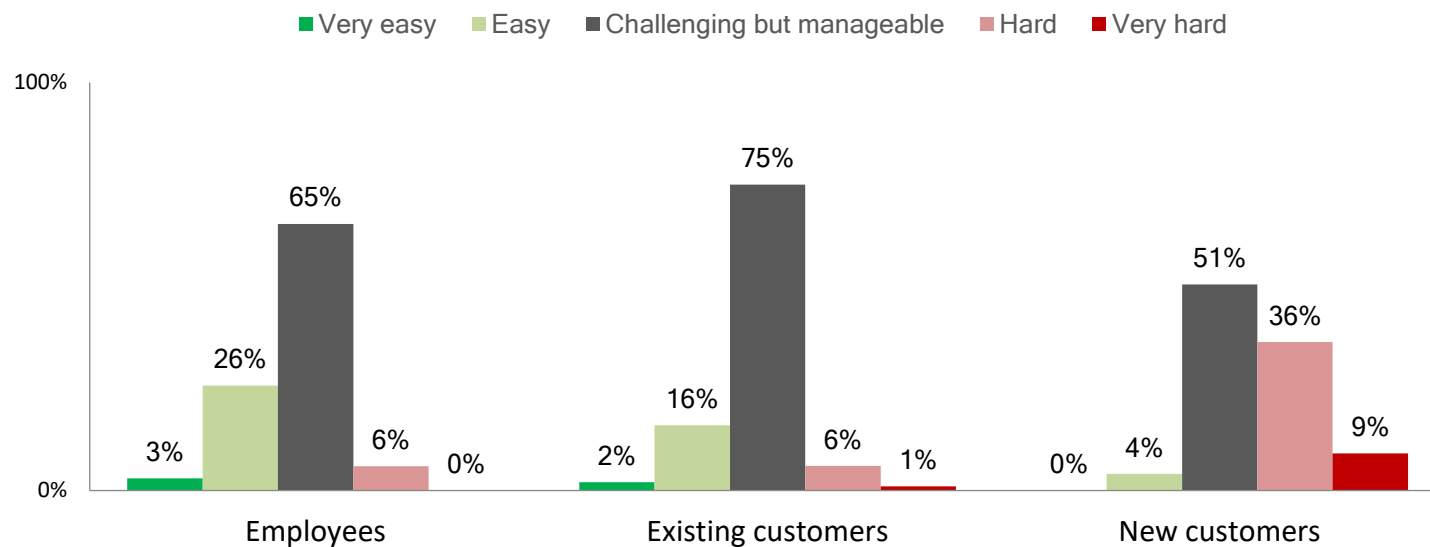
In terms of %-growth, what do you expect for your e-commerce/digital sales in Russia in 2021 vs. 2020?



Regarding your plans for digitalisation in 2021:

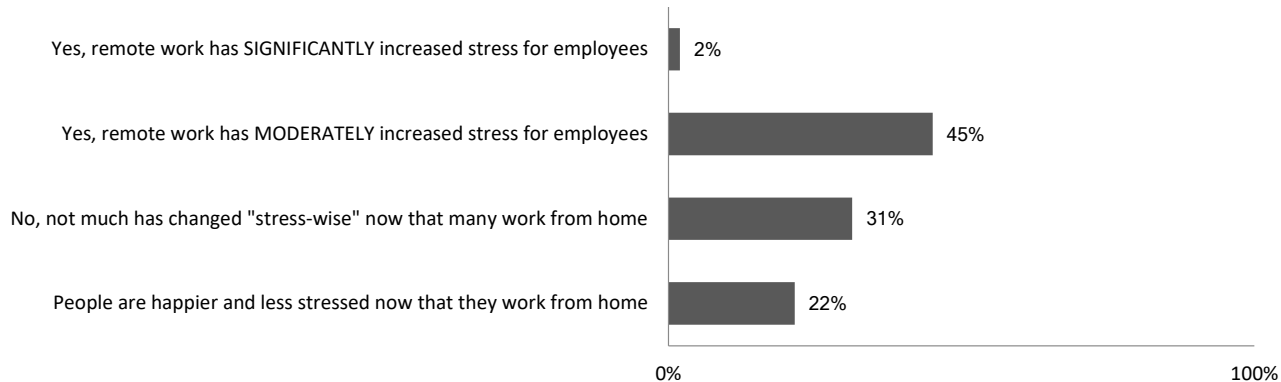


How hard is it to build relationships, relying mostly on digital means of communication, with: 1) existing employees, 2) existing customers, 3) with potential customers?

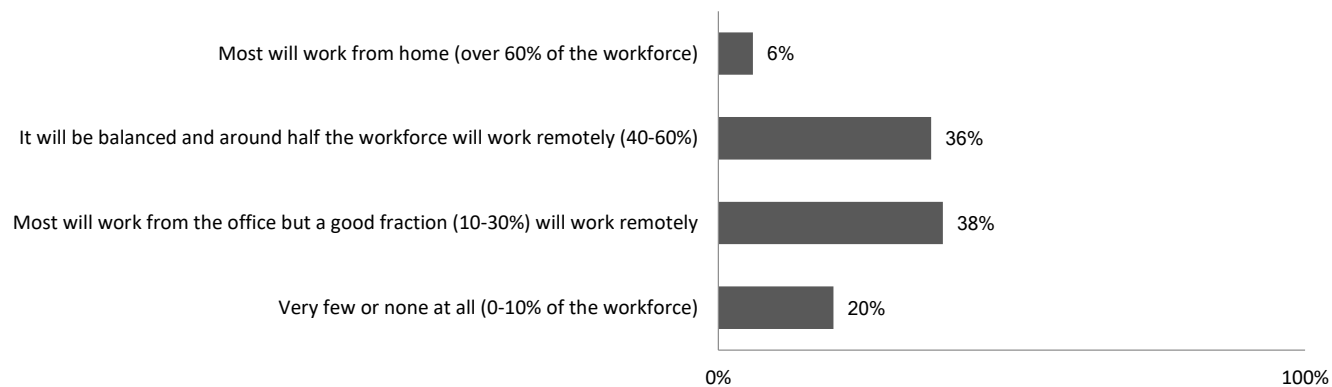


Survey (7)

Have remote work arrangements put additional stress on your employees (do you see lower employee satisfaction scores, or more burn-outs etc.)?

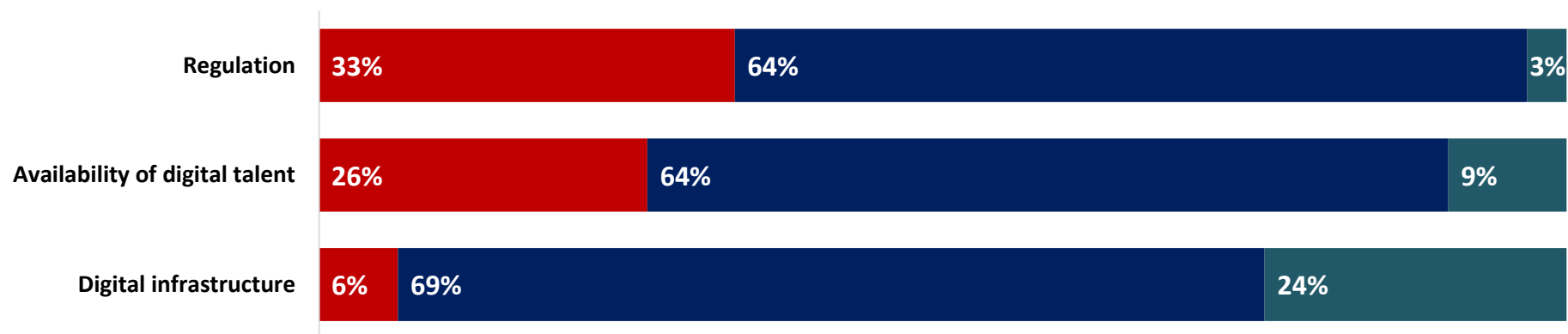


What percentage of your total workforce do you expect to continue to work remotely in an average week AFTER the health crisis is over?

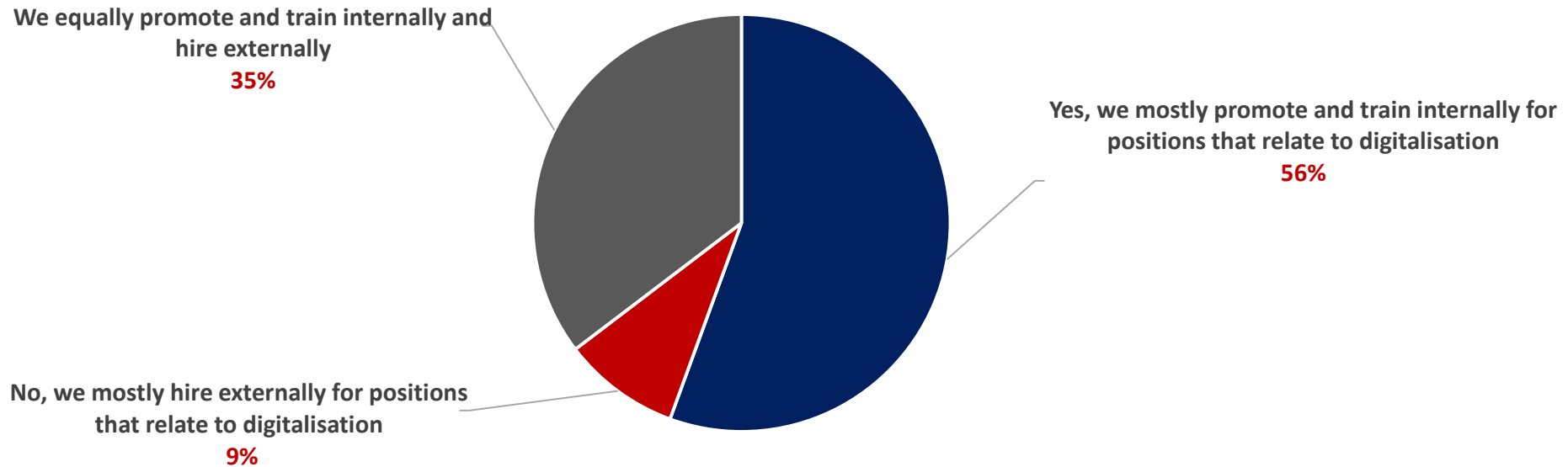


How well does the business environment in Russia support your digital transformation?

■ Problematic in important respects ■ Adequate ■ Good



Do you use existing staff to run your digital business?



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