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Small Businesses Neglect Risks of Pirated Software, Study Says

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Small and medium-sized companies may be overlooking potential business risks from using unlicensed software, which may add up to as much as $40,000 in damages a year, the latest study done for Microsoft by the International Data Corporation, or IDC, suggests.

Small and medium-sized businesses are accustomed to linking the use of pirated software with exclusively legal responsibility, which, though relatively rare, can be quite harsh in Russia (fines and possible imprisonment), but they often overlook the financial losses they may incur from using such software.

The authors of the study surveyed 401 IT managers in small to medium-sized companies with computer parks of anywhere between 10 and 250 personal computers in five districts of Russia.

Companies that use 80 percent or more unlicensed software on their computers are 30

percent more likely to experience a costly break in their workflow because of a critical failure of software installed on their computers.

The damages may be anywhere between $18,000 and $40,000, depending on the severity of the software failure, said Viktor Pratusevich, author of the study and head consultant at IDC Russia.

According to data by Microsoft's partners, small and medium-sized businesses spend about $5,000 a year on their software, and these companies' software budgets may range from $1,000 to $25,000.

So while the cost of a potential system failure due to the use of unlicensed software may sweep the entire budget of a small company clean, it is often overlooked as a factor in choosing licensed over pirated software.

"IT managers often have to minimize costs and ensure quick return of investments. Not having all the information about risk factors, they evaluate the relative cost of licensed and unlicensed software from the point of view of immediate profit, and put the company under unnecessary risk," Pratusevich said.

Today, the level of computer piracy in Russia is 67 percent and damages from it were estimated at $2.6 billion in 2009.

Microsoft did not disclose information on how much its market share has shrunk as a result of its software being used without a license, citing confidentiality.

A lot of Microsoft's work has shifted toward informing the market of the benefits of licensed software as a way of dealing with piracy in Russia, Denis Guz, head of Microsoft's department that promotes the use of licensed software, said at a news conference Thursday.

But success is not possible without a new approach to purchasing software, said Igor Borovikov, chairman of the board of directors at Softline and chairman of the IT committee at Opora Russia, a lobby for small and medium-sized businesses.

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