Kyiv National University of Trade and Economics
Department of international economic relations

FINAL QUALIFYING PAPER
on the topic:
“Organization of HR Management in International IT Company”
(based on the data of Luxoft Inc., Kyiv)

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Київський національний торговельно-економічний університет
Кафедра міжнародних економічних відносин

ВИПУСКНА КВАЛІФІКАЦІЙНА РОБОТА

на тему:

«Організація управління персоналом в міжнародній IT компанії»

(на матеріалах Luxoft Inc., м. Київ)

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Київ 2018

Kyiv National University of Trade and Economics
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SUMMARY
TO THE FINAL QUALIFYING PAPER
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Student of the 2nd year, group 5a,speciality 073«Management», specialization«Foreign Economic Activity Management»	__________	Syrota Anastasiia
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Final qualifying paper: 97 p., Illustrations - 9, Tables - 21, annexes - 9, references - 70

The object of investigation is the process of formation the efficient HR organizations' strategy of the international IT enterprise.

The subject of investigation is theoretical, methodological and practical aspects of the development of efficient human resource management organization of the enterprise in the international IT industry.

Enterprise that is a basis for writing final qualifying paper is "Luxoft" Inc.

Purpose of final qualifying paper is to develop theoretical, methodological and practical recommendations for improving the effectiveness of human resources management strategies of the international IT enterprises.

Task: to define concepts and main instruments of human resources management of the international IT enterprise; to study methods of assessment of the effectiveness of human resources management of the enterprise; to research the criteria of assessment the human resources management effectiveness of the international enterprise; to provide organizational and economic characteristics of Luxoft Inc.; to analyze the peculiarities of human resources management organization on the Luxoft Inc.; to analyze the efficiency of human resources management organization of Luxoft Inc.; to identify the main gaps and directions of improving the human resources management of the enterprise;to develop effective human resources management strategy of the enterprise Luxoft Inc.; to evaluate the economic efficiency of the proposed measures.

Methods of investigation: There were used various research methods to solve the main tasks of the scientific paper, such as: the method of analogy, generalization, formalization; method of systematization and synthesis, grouping, classification; dialectical method of cognition, table and graphic methods of economic-statistical analysis, system and complex approaches, methods of forecasting.

In the introduction to the work the actuality and the practical value of the chosen topic are explained; the purpose and the urgency of its practical significance are formulated, the research object, the subject of research and its tasks are represented. Also methodological and theoretical part of the study, methods that were used in the work are descried.

In the first part of work "Theoretical Foundations of Human Resources Management on International Enterprise" the essence of HR Management and instruments for its realization on the international companyare defined. The classification of the indicators and criteria for assessing the effectiveness of HR Management on the international company is represented. The methodological approaches to evaluating the efficiency of the Human Resources of the international enterprise are identified.

In the second part of the work "The Research of HR Management Organization InLuxoft Inc.” the financial-economic and foreign economic activity of Luxoft Inc. is analyzed, the peculiarities of HR Management organization in Luxoft Inc. are determined. The assessment of the effectiveness of the HR Management organization in Luxoft Inc. is conducted.

In the third part of the work "Strategic Directions of Improvement HR Management Organization in Luxoft Inc.” the set of measures to increase the efficiency of HR management of Luxoft Inc. is developed. The strategy of enhancing the effectiveness of HR management in Luxoft Inc. is introduced. The impact of the recommended measures on financial results of the Luxoft Inc. in 2019-2021 years is forecasted as follows: decrease the employees’ turnover ratio by 30% year over year, increase the number of employees by 15% year over year, reduce the HR expenses by 20%, enhance the revenue of the company and the net income by over 200%.

Conclusions and proposals contains theoretical generalization and ascertain solutions to the given scientific problem, the essence of which is in the comprehensive study, assessment and effective HR management of in the researched company.

АНОТАЦІЯ

Сирота А. Організація управління персоналом в міжнародній ІТ компанії

Випускна кваліфікаційна робота на здобуття освітнього ступеня магістра за спеціальністю 073 "Менеджмент", спеціалізацією "Менеджмент зовнішньоекономічної діяльності". Київський національний торговельно-економічний університет, 2018.

У випускній кваліфікаційній роботі визначено сутність управління персоналом та інструменти її реалізації у міжнародній компанії. Представлена класифікація показників та критеріїв оцінки ефективності управління персоналом у ІТміжнародній компанії. Визначено методологічні підходи до оцінки ефективності людських ресурсів міжнародного підприємства.

Проаналізовано фінансово-економічну та зовнішньоекономічну діяльність Luxoft Inc, визначено особливості організації управління персоналом в Luxoft Inc. Проведено оцінку ефективності організації управління персоналом в Luxoft Inc..

Розроблено комплекс заходів щодо підвищення ефективності управління персоналом Luxoft Inc. Введена стратегія підвищення ефективності управління персоналом в Luxoft Inc. Прогнозований вплив рекомендованих заходів на фінансові результати компанії Luxoft в 2019-2021 роках.

Ключові слова: управління персоналом, ефективність управління персоналом, аутсорсингова ІТ компанія, конкуренція, конкурентоспроможність, зовнішньоекономічна діяльність.

ABSTRACT

Syrota A. Organization of HR Management in International IT Company

Final qualifying paper for obtaining a master's degree in specialty 073 "Management", specialization "Foreign Economic Activity Management". Kyiv National University of Trade and Economics, 2018.

In the final qualifying work the essence of HR Management and instruments for its realization on the international company are defined. The classification of the indicators and criteria for assessing the effectiveness of HR Management on the international company is represented. The methodological approaches to evaluating the efficiency of the Human Resources of the international enterprise are identified.

The financial-economic and foreign economic activity of Luxoft Inc. is analyzed, the peculiarities of HR Management organization in Luxoft Inc. are determined. The assessment of the effectiveness of the HR Management organization in Luxoft Inc. is conducted.

The set of measures to improve the efficiency of HR management of Luxoft Inc. is developed. The strategy of enhancing the effectiveness of HR management in Luxoft Inc is introduced. The impact of the recommended measures on financial results of the Luxoft Inc. in 2019-2021 years is forecasted.

Key words: HR management, efficiency of HR management, IT outsource company, competition, competitiveness, foreign economic activity.

CONTENTS

INTRODUCTION

Actuality of research. Nowadays in the world, the global competition becomes the basic component in the determination of the companies' business strategies since the industrial economy have transferred to the digital era and open-wide economy. At this age where total quality is of primary importance, the company's well-being can only be attained by the effective utilization of human resources.

Although many functional areas of an organization are engaged and contributed to the development and introduction of strategic-based business initiatives, HR management became the key leverage of the of today's business. This research will provide a correlation between human resource management and organizational effectiveness. Formation of sustainable and efficient HR management strategy is an important condition for the company's success in the world economic market. The effectiveness of HR management is determined by the wide range of factors that should be considered while developing the HR strategy.

One of the leading industries that implement modern and forward-thinking human resources management strategies is the IT sector. One of the leading international market-players in this industry is Luxoft Inc.

Overall, the IT sphere is a rapidly developing segment of Ukrainian economy, established due to the export nature of the market and the great number of talented engineers. Till recently, the majority of young talents in the industry were seeking for the career opportunities abroad, but a number of domestic companies were actually able to counter the issue and lead a new ambitious sector of economy sector. A fast growth of the domestic enterprises led to the need of implementing proper HR management strategies maximize the efficiency of available resources and to deal with a high degree of attrition, which still remains the primary obstacle for the industry development. HR management plays a significant role in managing people, the most valuable asset of the industry, as well as establishing beneficial workplace culture and environment. If implemented effectively, it can make a great contribution to the overall company performance level and the achievement of its goals and objectives.

The work of such foreign and domestic scientists R. Alami, M. Armstrong, C. Bailey, K. Baird, L. V. Balabanova, B. E. Becker, W. H. Bommer, J. Boudreau, P. M. Ramstad, C. Brewster, P. Cappelli, W. Cascio, C. L. Council, E. Farndale, G. R. Ferris, E. Flamholtz, D. E. Guest, C. Hendry, A. Pettigrew, J. R. Hollenbeck, P. V. Hom, M. Huemann, M. A. Huselid, D. Ulrich, C. J. Jabbour, B. Joseph, A. Walker, M. Fuller-Tyszkiewicz, R. S. Kaplan, D. P. Norton, I. V. Khodikina, W. G. Kim, R. A. Brymer, Y. I. Kovtun, R. Lansbury, Y. V. Mironova, O. V. Nagornaya, E. M. Mone, M. O'Connell, M. S. Kung, B. Pfau, I. Kay, T. O. Pozjueva, J. Purcell, A. J. Rucci, S. P. Kirn, R. T. Quinn, R. S. Schuler, S. Taylor, M. Thite, A. S. Tsui, R. Tubey, J. Rotich, A. Kurgat etc. shows the significant scientific contribution to theoretical and practical questions of the formation of the human resources strategy of the enterprises and assessment of of human resources management effectiveness. At the same time, there is a need for an analysis of theoretical and methodical and applied aspects of the development of human resources management, combining a comprehensive assessment of enterprises and a methodology for studying the effectiveness of human resources management of international IT enterprises, institutional foundations for the development of human resources management of IT enterprises, research of human resources strategy for the development of IT enterprises.

The **purpose of research** is to develop theoretical, methodological and practical recommendations for improving the effectiveness of human resources management strategies of the international IT enterprises.

The **tasks of research**:

- to define concepts and main instruments of human resources management of the international IT enterprise;
- to study methods of assessment of the effectiveness of human resources management of the enterprise;

- to research the criteria of assessment the human resources management effectiveness of the international enterprise;
- to provide organizational and economic characteristics of Luxoft Inc.;
- to analyse the peculiarities of human resources management organization on the Luxoft Inc.;
- to analyze the efficiency of human resources management organization of Luxoft Inc.;
- to identify the main gaps and directions of improving the human resources management of the enterprise;
- to develop effective human resources management strategy of the enterprise Luxoft Inc.;
- to evaluate the economic efficiency of the proposed measures.

The **object of research** is the processes of formation the efficient HR organizations' strategy of the international IT enterprise.

The **subject of research** is theoretical, methodological and practical aspects of the development of efficient human resource management organization of the enterprise in the international IT industry.

Research methods. There were used various research methods to solve the main tasks of the scientific paper, such as: the method of analogy, generalization, formalization for analysis of financial-economic indicators of the Luxoft Inc.; method of systematization and synthesis, grouping, classification for analysis the HR organization's efficiency of the company; dialectical method of cognition, table and graphic methods of economic-statistical analysis for comparative analysis of the company's indicators with indicators of its rivals; system and complex approaches, methods of forecasting for forecasting the profitability indicators of the company.

Theoretical and informational basis of the research consists of periodical and monographic editions, legislative base, fundamental provisions of economic theory, materials of international and Ukrainian scientific conferences, materials of leading human resources consultancy agencies, statistical materials of the UNESCO and leading auditing companies.

Practical value: the results obtained at work can be used to improve the human resources management effectiveness of enterprises of the international IT industry.

The final qualifying paper consists of three parts. The first part covers theoretical and methodological aspects of the essence and periodization of human resources management, its main instrument for realization, and approaches to assess the effectiveness. In the second one, the research and the diagnostics of the processes of formation and development of human resources management strategy of Luxoft Inc. is conducted. In the third, ways to improve the development of human resources management strategy of the enterprise of IT outsource industry are considered.

The final qualifying paper contains: 97 p ., Illustrations - 9, Tables - 21, appendices - 9, references – 70.

PART 1. THEORETICAL FOUNDATIONS OF HUMAN RESOURCES MANAGEMENT ON INTERNATIONAL ENTERPRISE

1.1 The Essence of HR Management and Instruments for its Realization on the International Company

Be it managing human capital, forging long-lasting partnerships, or enhancing competitiveness, international organizations globally are facing the necessity of permanent transforming its business activities. A big number of employers have begun to realize that the company's overall success is directly proportional to hiring and retaining well-qualified specialists. This highlights the need for Human Resource Planning and Management that became the key driver of the company's wellbeing.

The theory and practice of personnel management are based on the formation of a management theory as a science, which happened more than a hundred years ago, at the very beginning of the industrial revolution (fig. 1.1).

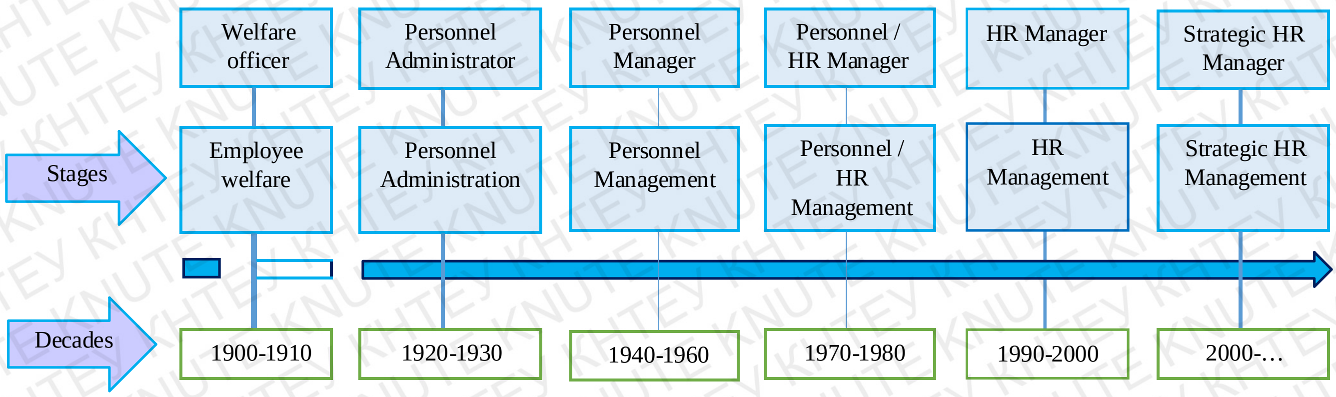

Figure 1.1 The Evolution of HR Management in the Organizations during 1900 – 2000 years

Source: created by author on the basis of [14, p. 13-27]

On the fig. 1.1 shown the stages of the HR management development in the organizations of the developed countries of the world.

Stage 1. Employee welfare. At the very beginning of the business and corporations' development, the management of the organization and the management of its personnel did not differ. Moreover, the key problems of the management science were related to the management of personnel. The most important issues in this stage in personnel management were ensuring the staff receives the appropriate wages and are secured on the manufactory. As businesses just developed, the demand in labor force was in great times lower that its supply, do there weren't necessity in the hiring or recruitment functions development [43, p. 33-35].

Stage 2. Personnel Administration. Upon this time period personnel functions were conducted by supervisors, managers, and early specialists (such as recruiters, trainers, welfare officers). In this stage were implemented into the world's personnel administration practice a job design, structured reward systems, specified selection approaches espoused by management. Personnel administration practice was refined particularly in the recruitment and placement of skilled employees [49, p. 62-69].

Stage 3. Personnel Management. This stage indicates the start of a specialized and more professional approach to personnel management. World War II had significant consequences for both those who went abroad and those who stayed behind, and especially for business, the economy, and the labor market. After the WW2 ending, the returning soldiers filled the labor market but in general, they had no manufactory specific skills. Thus, employers – impelled on by government initiatives and their own requirements for skilled employees in a revitalizing post-war economy – started to pay a great attention to training and professional development of personnel. Moreover, the quantitative school and behavioral science facilitated employee and management evaluation and development methods by suggesting such approaches as productivity measures, management planning, and control mechanisms, psychological testing and applications of the emerging employee motivation theories [18, p.34].

Stage 4-5. Personnel and HR Management. Upon the 1970s, a lot of organizations found themselves in turbulent business and economic environments, with severe competition from other organizations and emerging markets.

In contradiction to the existing and not effective in the current situation theories, the personnel science proposed new approaches, combining the ideas of the „excellence', leadership, and Total Quality Management theories. Personnel management became transferring into human resource management, aimed to change the approach of separated personnel functions from the business to strategic focusing on overall organizational effectiveness [38, p. 530]. In essence, human resource management replaces the definition „employees' to a „human resources' who are vital organizational „assets', possessing knowledge, skills, aptitudes, and future potential. Such transfer required integrated and corresponding management strategies (such as human resource planning, job design, effective hiring, and retention system, performance management, and rewards programs, occupational health and safety systems) in order to assure the achievement of organizational goals and objectives [36, p. 23-41].

According to S. Taylor [64, p. 120-134], this transmission from personnel management to human resource management symbolized not just new verbiage, but also a qualitatively new approach on the part of managers. In this time HR strategies were developed, new compensations and benefits policies were introduced, formal performance appraisal systems were elaborated, and competency frameworks were determined.

Stage 6. Strategic HR Management. According to A. Boudreau and M. Ramstad [18, p. 34; 19, p. 9-12] the increase of globalization in businesses as well as its consequences such as the shift to low inflation economies, widespread tariff decreases, and the rising in multilateral and bilateral free trade agreements caused the increase in the attention towards international HRM models. The high-speed development of communication and information technologies changes such as the digital revolution affected the adoption of strategic international and global HRM models introduced through completely innovative approaches to HRM strategies, structures, organizational cultures, and HRM practices [23, p. 34-48].

In order to explain the essence of the HR management, it is necessary to clarify its philosophy. Philosophy of the HR management – it is a philosophical and conceptual understanding of the nature of HR management, its emergence, connection with other sciences and directions of management science, understanding of the ideas and goals underlying the HR management. In particular, the philosophy of HR management considers the process of HR management from the logical, psychological, sociological, economic, organizational and ethical points of view [21, p. 203].

The essence of the philosophy of HR management is that with the proper organization of the process the quality of employees' working life must improve. It assumes that employees have the opportunity to meet their personal needs by working in an organization. In other words, the organization has to create conditions for fair, open, and trusting relationships, each employee can fully utilize his skills and play an active role in making important production decisions; workers receive adequate and fair compensation; organization guarantees a safe and healthy working environment.

The philosophy of HR management is an integral part of the organization's philosophy, its core. The philosophy of an organization should be understood as a set of internal organizational principles, moral and administrative norms and rules of staff relations, a system of values and beliefs perceived by all personnel and subordinated to the global goal of the organization. Compliance with the philosophy guarantees success and well-being in the relationships between the personnel and, as a consequence, the effective development of the organization. Violation of philosophical postulates leads to the development of conflicts between the administration and employees, a decrease in the efficiency of the organization's functioning, loss of its image, and can lead to bankruptcy since the staff is its main asset [29, p. 9-15].

There are six elements on which human resource management philosophy and practices are based [37, p. 374-380]:

1. Ownership. HR management has to be driven by the top management in the interests of the key stakeholders.

2. Organizational strategies form the basis for HR strategies, and there should be a strategic fit. An organization cannot have a strategic approach to managing the employees without a stated overall organizational strategy.

3. Considering employees as assets rather than liabilities. Under traditional personnel management philosophy, employees' training and development were usually seen as a cost that should be avoided whenever it possible. But in HR management the investment in people, like any other capital investment, is necessary for better returns in the future.

4. Receiving additional value from workers. If HR Management organized in the right way it is capable to obtain additional value from employees through human resource development and performance management systems.

5. Employee commitment. The organization can be successful only if all the employees are totally committed in the organizational mission, goals, and values.

6. Developing a strong organizational culture it is an advantage in stimulating employees' commitment. Building efficient communication, training, coaching, mentoring and performance management processes are effective tools for establishing a strong corporate culture.

In our times, the direction changed more towards strategic inititives in team working, organizational learning and competency-based HR management because of internationalization of the last one and the impact of globalization on human resource management, particularly in the developing world [56, p. 23-47].

The essence of strategic HRM lies in a process that implicates the application of different approaches to the elaboration of HR strategies and ensuring the vertical compliance with the overall business strategy in general and horizontal adjustment with one another in particular. These strategies identify intentions and plans related to the overall organizational goals (e.g. organizational efficiency), and to more specific aspects of people management, such as resourcing, learning and development, total rewards (or C&B) and employee relations.

Strategic HRM primarily centered on operations that distinguish the firm from its competitors [59, p. 22-36] or in other words, SHRM focuses on development or support company's competitive advantage. Strategic HRM has seven meanings [36, p. 32-39]:

- the utilize of planning;
- a coherent approach to the staff design and management;
- system based on an employment policy and workforce strategy;
- often underpinned by a ‘philosophy’;
- matching HRM activities and policies to some explicit business strategy;
- seeing the people of the organization as a strategic resource;
- achievement of competitive advantage.

Strategic HR management is an indispensable part of business strategy. Its primary focus is to obtain organizational objectives (fig. 1.2).

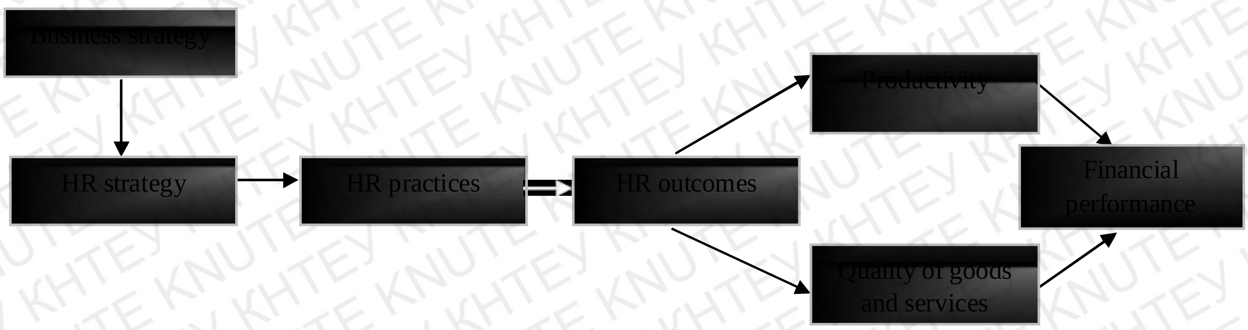

Figure 1.2. The Relationship Between Strategic HRM and Performance

Source: created by author on the basis of [34, p. 12-15]

A strategic approach to HR management preliminary encompasses qualitative changes in the sphere of work with personnel and employees' engagement to corporate life. It means the fact that within the traditional directions of work with personnel strategic aspects are gaining more and more importance. Integration with strategic technologies, planning personnel requirements, selecting, evaluating, training are the components of HR management strategies and acquire a new quality and a unified target orientation to achieve the strategic objectives of enterprise development [11, p. 337-400].

As a result of existing trends in the market, both in foreign and in the domestic scientific overviews, the following key trends of HR management in the XXI century are distinguished [13, p. 73-78]:

- New technologies are stimulating the development of personnel by increasing the competence of the workforce to support the competitiveness of the company;

- The value of skilled workers are enhancing as well as increasing the role of HR development programs including employee identification programs with managerial competencies and potential; talent development programs are growing;

- Attention to the account of individual characteristics and abilities of people, socio-psychological characteristics of the person will increase;

- The importance of information and communication technology in management, providing processing of a large amount of information required for making managerial decisions is increasing;

- the process of decentralization of HR management functions is continuing, which is increasing the control of the employees' work beyond management area - the role of remote hiring are spreading.

The main elements of the methodology of system management of personnel are the purpose, tasks, principles, instruments, and process of HR management. A special place in the system of personnel management is occupied by instruments - a way of influencing a colleague or an individual employee to achieve the goal, to coordinate his activities in the production process [20, p. 24-27]. At the same time, one or another method of influence, a certain set of operations and procedures in the process of formation and implementation of labor potential determine the technology of HR management [62, p. 23-30].

Under the instruments of HR management is understood a set of techniques, methods, forms, and methods of influencing personnel in the process of its hiring, use, development and dismissal in order to obtain the best results of work (tab. 1.1).

Table 1.1

The main instruments of HR management

HR management instrument	Description of HR management instrument
1	2
Instruments of personnel leasing	
Personnel Leasing	A form of temporary or timely involvement of the personnel, which enables to solve the problems of the enterprise in the conditions of change of priority directions of activity or while there is a need to reduce staff costs, but the necessity for labor remains.
Otsourcing	The business practice of hiring employees outside a company to perform services and create goods that traditionally were performed in-house by the company's own employees and staff. Usually done as a cost-cutting measure, it can affect jobs ranging from customer support to manufacturing to the back office.
Outstaffing	The process of using by one company another's company staff. The company-customer does not enter law relations with the staff of the organization that is providing outstaffing. At the same time hired workers undertake to fulfill a list of work that is specified in the contract.
Instruments of competency assessment and development	
Coaching	Instrument of direct learning the less experienced employee by a more experienced specialist in the process of their interaction. Effective tool of personal and professional development, which promotes the disclosure and implementation of the internal human potential, and improved on this basis, the effectiveness of labor.
Succession Planning	Process for defining and developing new leaders who will be able replace the existing ones in case of unpredictable factors. In business, succession planning entails developing internal people with the leadership potential and right competencies to fill key business leadership positions in the company.
360-Degree Leadership Assessment	Process in which employees receive confidential, anonymous feedback from the employee's manager, peers, and direct reports. Managers within organizations use 360 feedback surveys to get a better understanding of their strengths and weaknesses.
Thomas DISC Assessment	Assessment tool which provides an accurate insight into how employees behave at work, giving managers a greater level of certainty when recruiting, identifying where to maximize employee's learning and development budget and understanding where to boost morale to avoid staff turnover.
Instruments of recruiting and hiring	
Headhunting	Personnel agencies search highly skilled specialists of the highest level taking into account peculiarities of the customer, requirements to candidates, working environment, using direct search methods
Recruiting	Personnel agencies search for qualified mid-level specialists, taking into account the requirements for the personality and professional qualities of candidates, using existing candidates' bases and providing announcements in the media.

Continuation of tab. 1.1

1	2
Screening	Personnel agencies search for the support staff at the bottom links, taking into account formal characteristics: gender, age, education, work experience, etc. Personnel agencies receive Resumes of candidates and give them to the customer himself makes a decision on recruitment
Instruments of employee retention and engagement	
Internal Mobility	Internal mobility is a change of role that an employee may choose to engage in within the organization, shifting from one organizational unit to a different one, performing different activities.
Employer Branding and Internal Marketing	The process, the employer brand is the identity of a company as an employer of choice.
Information technology instruments	
Automatized business process management (BPM) systems	The process of involving the combination of modeling, automation, execution, control, measurement and optimization of HR activity flows, in support of enterprise goals, spanning systems, employees, customers and partners within and beyond the enterprise boundaries.

Source: created by author on the basis of [59, 65]

The main purpose of the HR management instruments is to streamline and enhance the effectiveness of the managerial process for staffing, which is achieved through the search and application of more effective methods of human resources management that help optimize the management process by the exclusion of certain types of activities or operations, in particular those that are not necessary for achieving the goal and solving managerial tasks [42, p. 2145-2152].

The personnel-technologies helping to minimize the costs of managing the personnel of an enterprise, which contributes to improving the efficiency of its use.

All HR instruments can be grouped into the following groups:

- Instruments of personnel leasing;
- Instruments of competency assessment and development;
- Instruments of recruiting and hiring;
- Instruments of employee engagement and retention;
- Information technology instruments.

While we consider the role of modern personnel-technology in shaping the company's labor potential, in modern practice, HR management in international companies is actively utilizing such HR instruments as coaching, personnel leasing, outsourcing, down shipping, recruiting, the staff consulting, staff auditing, re-engineering, etc [49, p. 64-69].

1.2 Classification of the indicators and criteria for assessing the effectiveness of HR Management on the international company

The effectiveness of HR management is the characteristics of quality, the utility of the process of human resources management in the enterprise; the ability to provide a triple effect in the form of economic benefits for the enterprise, improvement of the organization of production and labor and social benefits for employees.

All three components of the effectiveness of human resources management (economic, organizational, and social) are closely linked and interact with each other, although some of the benefits lie in organizational efficiency. Due to the precise organization of production and labor, and hence the better use of all production resources, the economic performance of the enterprise improves [58, p.120-126]. This creates the best financial opportunities for improving the quality of working life of staff, which is a manifestation of the social effects of management the staff. And if material, organizational, socio-psychological, moral and ethical and other conditions of work of staff improve, this necessarily reflects the further growth of both organizational and economic efficiency of personnel management (fig. 1.3)

1) Economic efficiency. The indicators of economic efficiency reflect the employees' performance results and the level of stated enterprise goals achievement.
   Economic methods of HR management include various ways of influencing staff by determining costs and outcomes (compensations and benefits, rewards, penalties, etc.).

2) Social efficiency. Indicators of social efficiency take into account the level of satisfaction of expectations and needs of employees, including non-material motivation, as well as the socio-psychological aspect of the enterprise. That is, the socio-psychological methods of personnel management include motivation, moral stimulation, and social planning.

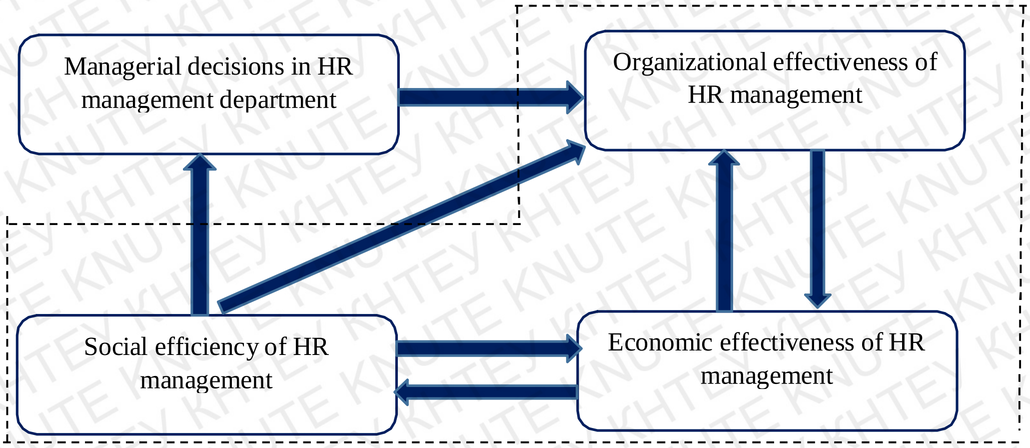

Figure 1.3 Scheme of interaction of the components of the effectiveness of HR management

Source: created by author on the basis of [13, p. 45-67]

3) Organizational efficiency. Indicators of organizational effectiveness reflect the organizational structure of the organization and its integrity. Organizational and administrative methods of personnel management include discipline, responsibility, authority, coercion, and standards of personnel [13, p. 56-81].

There are many classifications of evaluation criteria, but commonly the main criteria of the assessment of HR management effectiveness are divided into two groups: subjective and objective [17, p. 591-605].

Subjective criteria include:

- Level of cooperation between functional departments and HR department;
- Subjective assessment of Line Managers (LMs) of the effectiveness of HR department;
- The level of employees' trusts the HR department;

- The speed and efficiency of solving issues in the divisions;
- Assessment of the quality of services provided by the HR department to other units of the firm;
- Level of clients' (managers' and employees') satisfaction

Objective criteria include:

- The level of implementation of strategic management plans for staff
- Positive actions to achieve the goals of organizations
- The average time for performing tasks, orders, requirements;
- The ratio of HR department expenses and the number of HR specialists.

All indicators of the assessment of HR management can be grouped as follows [2, p. 251-254]:

1. Indicators of economic efficiency:
- indicators of efficiency of managerial capacity
- the cost of the recruitment program per employee
2. Level of employee satisfaction of:
- professional development
- rewards system
- career promotion
- working conditions
3. Indirect Performance Indicators:
- staff attrition
- quality of work
- absence rate
- number of complaints
- safety of work

Each indicator or a combination of them, in general, shows the effectiveness of the appropriate measures [12, p. 5-19].

4. Employees' engagement surveys:

- oral interview (interview)
- written survey (questionnaire)

The most commonly used methods of estimation are based on the analysis of statistical data.

1. Strategic Management

1.1 The Break-even Point

$$\text{The Break-even Point} = C_{hr} \,?\, AR, \qquad (1.1)$$

where

C_{hr} – HR related costs, USD;

AR – annual return, USD.

The indicator shows the comparison between costs invested in the development of an HR program to the overall return. In other words, the break-even point is reached when returns to-date are equal to investments [46, p. 117-119].

2. HR Management

2.1 HR Expense to Revenue Ratio

$$\text{HR Expense to Revenue Ratio} = C_{hr} \,?\, R, \qquad (1.2)$$

where

R – revenue, USD.

Ratio depicts the amount of HR expenses in overall revenue. This tool is useful for budgeting, as it allows to identify available funding costs for each fiscal year.

2.2 HR Expense to Operating Expense Ratio

$$\text{HR Expense to Operating Expense Ratio} = C_{hr} \,?\, OC, \qquad (1.3)$$

where

OC – total operation costs, USD.

This ratio shows the amount of HR expenses as a part of total operating expenses, which is an indication of the proportion of resources an organization invests in its HR function [53, p. 119, 221-243].

2.3 HR-to-Employee Ratio

$$\text{HR-to-Employee Ratio} = (\text{HR FTE ? FTE}) \text{ x } 100, \tag{1.4}$$

where

HR FTE – number of HR full time employees, persons;

FTE – full time employees, persons.

The HR-to-Employee ratio provide an information of the efficiency of HR staffing organization levels across and within organizations. It shows the number of HR staff per 100 employees supported by HR in the organization [48, p. 47-49].

3. Financial Management

3.1 Revenue per Full Time Employees (FTEs)

$$\text{Revenue per FTE} = \text{R ? FTE}, \tag{1.5}$$

This ratio evaluates the effectiveness and productive use of human capital because it links the time and effort associated with the firm's human capital to its revenue output. If the revenue-per-FTE ratio increases, it might indicate that more output is being produced per FTE.

However, if it increases due primarily to major declines in FTEs from involuntary staff reductions or increased outsourcing, this may be misleading. The metric can temporarily look like increased efficiency or productivity. If revenue is not sustained over time with the lower staff levels, then productivity and efficiency have not actually enhanced.

3.2 Earnings before investments and taxes (EBIT) per FTE

$$\text{EBIT per FTE} = \text{EBIT ? FTE}, \tag{1.6}$$

EBIT per FTE is a better measure of the efficiency and productive usage of human capital since it incorporates the operating costs involved in productivity improvements, like investments in IT. Increasing revenue, lowering expenses, reducing employees, and increasing worker productivity have a positive impact on this metric.

It can be improved further if you use Total FTE's vs Employee FTEs since Total FTEs incorporates the productivity contributions of the contingent element of your workforce.

3.3 Productivity

$$Productivity = R\ ?\ LH, \qquad (1.7)$$

where

LH – labor hours, hrs.

Describes the relationship between real output and the amount of labor time involved in its production.

3.4 Earnings before investments and Taxes per Human Capital Expense

$$EBIT\ per\ HC\ Expense = EBIT\ ?\ HC_{exp}, \qquad (1.8)$$

where

HC_{exp} – human capital expense, USD.

This ratio is the best of the four measures of human capital efficiency and productivity as it incorporates all human capital expenses, including compensation, benefits, talent development, outsourcing and contingents. Enhancing revenue, decreasing costs, and increasing organization productivity have a positive impact on this metric.

4. Staffing

4.1 Turnover Rate

$$Turnover\ Rate = (FTE_{sep}\ ?\ FTE_{avg}) \times 100, \qquad (1.9)$$

where

FTE_{sep} – number of FTEs separated, persons;

FTE_{avg} – average actual number of employees, persons.

The ratio depicts the percentage of employees' leaving the organization in a given time period. The Turnover can be categorized as Employer Intended and Employer Unintended, and the last one category are divided into Voluntary and All Others. The main goal for evaluating turnover is to identify the organization's risk of losing talent, and to define the ways of its mitigation. Therefore, it is important not only identify the overall turnover ratio but also separate Employer Intended and Employer Unintended turnover. In case is the Employer Unintended Turnover is higher than the first one, the specialized analysis on the HR organization should be provided and defined the functions' gaps to further improvements implementations. The Employer Intended leavings could be caused for poor performance, layoffs or job eliminations, acceptance of early retirement offers. Identifying Voluntary (resignation and retirement) separately from other Employer Unintended, like death, incarceration, job abandonment, refusal to accept new assignment, also helps to focus on the risk analysis [38, p. 530].

Turnover of New Hires and Failure to Start Rate are also good metrics for Staffing professionals to be assessing.

Other Turnover subgroups are sometimes required to other fields of analysis and decision making. For example, Turnover of Poor Performers could give an information regarding the effectiveness of the organization's Performance Management.

So, the reporting of overall turnover is no longer considered best practice. This indicator is inaccurate in informing and improving decision making. Currently, the more informative are Turnover Rates that focusing on key employee populations: Top Performers, New Hires, Poor Performers, Successors, High Potentials, Key Positions, High Risk Employees [55, p. 11-32].

4.2 Cost of Turnover

$$\text{Cost of Turnover} = C_{sep} + C_{v} + C_{rep}, \qquad (1.10)$$

where

C_{sep} – total costs of the FTEs' separation, USD; C_v

– costs of vacancy, USD;

C_{rep} – costs of replacement, USD.

The ratio indicates the average of direct monetary expenses related to a position that was vacant due to turnover and is refilled. Expenses include quitting pay, payables to temporary workers and contractors, overtime pay to other employees that covered this vacancy, and staffing costs for replacement hiring [55, p. 19].

This metric does not depict the overall effect from turnover on business, hence it excludes significant non-direct costs like loss of revenue, damage to customer relationships, and temporary or long-term productivity as well as performance differentials.

4.3 Cost per Hire

$$\text{Cost per Hire} = C_{ext} \ ?\ FTE_{ext}, \qquad (1.11)$$

where

C_{ext} – total costs related to external hire, USD;

FTE_{ext} – number of external hires, persons.

The ratio depicts the average cost incurred with an external hire.

Total costs are the sum of all direct expenses (such as advertising, hiring, agencies' commission, search firms, employee referral programs, onboarding and travel for applicants and interviewers) spent for attracting and hiring employees.

Some organizations also include in total costs relocation expenses, interviewer commission, and staffing department operating expenses. If the HR interviewers have other responsibilities like internal hiring or generalist duties, then pay would need to be pro-rated for the time involved in external recruiting.

4.4 Retention

$$\text{Retention Rate} = FTE_{empl} \ ?\ FTE_{o}, \qquad (1.12)$$

where

FTE_{empl} – number of employees in the selected group employed, persons;

FTE_{o} – number of employees in the selected group originally, persons.

The ratio shows the effectiveness of an organization’s retaining program on key employees.

5. Talent Management

5.1 Training Spend Rate

$$\text{Training Spend Rate} = (T \ ?\ OC) \times 100, \qquad (1.13)$$

where

T – training costs spent, USD.

The Training Spend Rate shows the relative importance of training expenses in comparison to other operating and human capital activities. These data are comparing to the specific targets of the organization since various factors determine the optimal rate for every organization.

5.2 Average Training Spend

$$\text{Average Training Spend} = T \ ? \ FTE_t, \qquad (1.14)$$

where

FTE_t – number of full-time employees, participated in training, persons.

The index depicts the monetary investment in training at an individual level. The costs contain all direct training costs such as materials, trainer compensation, associated travel, logistics, and other.

6. Total Rewards

6.1 Annual Base Salary Increase

$$\text{Annual Base Salary Increase} = (S_t \ ? \ S_c) \times 100, \qquad (1.15)$$

where

S_t – targeted base salary spend after increase, USD;

S_c – current base salary spends, USD.

The ratio shows the percentage enhancement in salaries base from one-time period to another, for example year over year, or quarter over quarter (different quarters within same year or same quarter within different years).

We have identified the most common HR effectiveness indicators. Since the HR Management is still unifying to the one global set of benchmarks, currently every company uses different kits of benchmarking.

Of course, the HR organization's efficiency can not be measured by HR indicators only, as this department (as it was disclaimed in the Part 1.1 of this work) are affecting the overall organization. To analyze the overall HR organization's effectiveness, it is also necessary to calculate and scrutinize such indicators as profitability ones.

1.3 Methodological Approaches to Evaluating the Efficiency of the Human Resources of the International Enterprise

Each production enterprise is functioning in order to produce the products demanded by consumers of an acceptable quality level for affordable prices. An enterprise exists due to the equivalent exchange with the external environment. For sold products, the company receives the appropriate funds for the payment of personnel, the purchase of material, energy and other resources, the restoration of facilities production and development [52, p. 192-195].

The activity of a production enterprise makes sense if its income exceeds current expenses. It follows that an increase in incomes, and consequently in profit, is one of the important goals of the company's operation.

In the process of production, the enterprise uses a wide range of resources: land, water, materials, energy, money, information, machines, and mechanisms, human resources, etc. The efficiency of utilizing all of these resources, the aggregate performance of an enterprise directly depends on the competence of managers and the quality of personnel management [37, p. 376-380].

The economic performance of an enterprise is influenced by the place location, climatic conditions, current legislation, quality of material and technical base, market situation, attitude (favor or vice versa) of local self-government bodies, etc. Therefore, in a pure form, it is impossible to determine the extent of the impact of personnel management on the final indicators of the efficiency of the operation of the enterprise.

Main factors of the effectiveness of management of the organization of the organization on the basis of kinship are divided into three groups [58, 119-121]:

- Quality of human capital;
- The ability of the subjects of personnel management to effectively use and multiply aggregate human capital (quality management);
- Costs for personnel management.

The measuring of the human resource effectiveness is thought to be like a way to enhance performance of employees and efficiency of the organization. The effective human resource system should be the base for implementation of organizational strategy to achieve the targets.

During all stages of the HR management development there were many approaches of the HR efficiency measurement. Some methodologies are applied and now, and some were not applicable due to new technologies development (tab. 1.2).

Table 1.2

HR Efficiency Measurement Approaches

Measurement Approach	Example Measures	Primary Appeal
Efficiency of HRM Operations	Cost-per-hire, time-to-fill, training costs, HR-to-Employee Ratio	Clear currency-value calculations. The logic of cost-savings is easily related to accounting. The standardized nature of approach simplified benchmarking comparisons.
HR Activity and 'Best Practice' Indexes	Human Capital Benchmarks Human Capital Index	HR practices are connected with familiar financial results. Data from many organizations provide reliability. Implies there may be methods or combinations that generally increase profits or sales.
HR Dashboard or HR Scorecard	How the organization or HR function meets goals of 'Customers, Financial markets, Operational excellence, and Learning'	The vast plenty of HR measures can be categorized. The 'Balanced Scorecard' concept is familiar to business leaders. The software enables users to customize the analysis.
Causal Chain	Models link employee attitudes to service behavior to customer responses to profit.	Good logic connecting employee variables to financial results. Important for organizing and analyzing different data elements.

Source: created by author on the basis of [19]

The first approach defines measures focusing on efficiency. These measures are usually displayed in 'input-output' ratios such as the turnover ratio, turnover costs, cost per hire, and compensation budgets compared to total expenses (e.g. R. Fitz-Enz, 1995). These approaches are reliable since they link HR processes with the accounting results (dollars) and can show the qualitative deliverables of HR operations in cost reductions, particularly when compared to other organizations.

This is a commonly meaningful motivator for HR outsourcing. Many applications of Six-sigma to HR are focused on such criteria to identify opportunities to increase costs or speed [9, p. 779].

On the basis of this measurement system were proposed different methodologies including return of investment methodology investigated by Fitz-Enz, human resources accounting (HRA) system proposed by Flamholtz, and the methodology of behavioral costing by Cascio and Boudreau.

The concept underpinning the HRA is that the people in a company (the human resources) represent a certain value that can be compared to other resources. HRA implies accounting for people as human assets where it can be used as a tool to measure human resources and as a management tool [33, p. 391-407].

Early HRA research involved the continued development of concepts and models for measurement, valuation and accounting for human resource cost and value, with several models emerging. But each has its own limitations and no one model has proved to be more valid than any other.

This approach was highly-interested in mid-70th in USA and other developed countries, but there was no any agreed theory of how to depict human capital in balance sheets and how human capital should be measured.

There are a lot of limitations and criticism of HRA. These include the dehumanization of people where they cannot be viewed as physical assets. Similarly, there is a political reason for labor to remain without absolute value as this might generate claims and higher rewards for work with different skill levels. And in certain industry sectors, the effort to conduct HRA might be questionable amid high staff turnover rates, especially in volatile markets. From a process point of view, the lack of a clear-cut procedure in allocating costs and value, the lack of empirical evidence to support its use as a management tool and some vagueness regarding exactly how the value should be presented in the financial statement all represent significant problems for its wider adoption and use.

Legislatively, it is not clear how tax laws recognize humans as assets, nor is there an accepted method of valuation, confounded further by the abstract, qualitative nature of people where bias might influence objectivity and preciseness that cannot be viewed in monetary terms.

Return of investment methodology investigated by R. Fitz-Enz methodology of measuring the bottom-line effect of employee performance. In order to meet the challenges of today's fast-paced business environment, it is better to take a more strategic approach for HR practices using the fundamental performance measure of ROI [34].

The R. Fitz-Enz said that the relationship of human capital investments to profitability (HCROI) can be counted by the following formula:

$$HCROI = (R - (C_{hr} - C_{c\&b})) \ ?\ C_{c\&b}, \qquad (1.16)$$

where

R – revenue, USD;

C_{hr} – HR costs, USD;

$C_{c\&b}$ – pay and benefits costs, USD.

The methodology of behavioral costing which is measuring the financial impact to HR activities proposed by L. Cascio and A. Boudreau is evaluating the financial impact of HR functions and measures the economic consequences of employees' behavior such as absenteeism, turnover, employee attitudes and employee training [23, p. 23-47].

One of the major disadvantages of these types of measures is that they are not absolutely HR measures at all, they are rather business efficiency ratios that can be applied to control overhead costs in almost any staff function.

Such efficiency-focused systems can eliminate the value of talent management and development. Concentrating on cost minimization can decline more-costly decision alternatives that are the better value. For example, cost-per-hire can be diminished by lowering the number of selection activities, but this way may well lessen efficacy and consequent workforce performance.

Efficiency-based measures alone, no matter how ‘financially’ attractive, cannot display the talent value and the HR effectiveness. Finally, they centered nearly completely on the HR function, and not the decisions made within the rest of the organization.

The next approach is the ‘HR Activity and Best-Practice Indexes’, which directly estimates the relationship between the human resource activities including compensations and benefits, team performance, valid selection, training and development, and changes in financial outcomes including profits and shareholder value creation [15, p. 67-82; 56, p. 227-248].

The approach strives to directly connect the second-to-bottom box, or in other words, HR practices to one element of the top box - financial measures of strategic success.

To prove this concept there were a lot of researches provided and some results revealed significantly strong associations between particular HR activities and financial results, which have been used to justify investments in those activities. However, most of the existing researches cannot prove on 100 percent that investing in HR activities causes superior financial outcomes [22, p. 743-770].

The other disadvantage of this approach is the utilization of one description of HR practices to represent an entire organization when in actuality HR methods and practices diversify remarkably across divisions and geographic locations.

This fact could partially explain the reason for the HR outcomes inconsistent reporting by managers in the same organization. Moreover, this approach typically estimates and measures the only existence of practices, but not the level of their implementation and operability [16, p. 782-798]. Even when there is an actual relationship, the utterly copying tother companies' best practices may fail to differentiate the organization's competitive position.

The third approach represents HR ‘scorecards’ or ‘dashboards,’ inspired by R. Kaplan and D. Norton [44, p. 77-82], who had suggested to add measures of ‘customer’ (such as customer satisfaction, market share), ‘internal processes’ (such as cycle time, quality and cost), along with ‘learning and growth’ (systems, organization procedures and people that contribute to competitive advantage) to traditional financial measures. HR scorecards consist of measures intended to align and design patterns into each of the four perspectives.

The balanced scorecard (BSC) is a tool aimed to coordinate the organizational strategy by utilizing a combination of financial and non-financial measures. This is the main methodology used in HR department development and efficiency evaluation [41, p. 117-119]. It is designed to translate vision and strategy into objectives and measures across four balanced perspectives: financial, customers, internal business process and learning & growth. It gives a framework ensuring that the strategy is translated into a coherent set of performance measures.

Such approaches connect HR measures to the overall business concept and can provide links between HR measures and strategic or financial outcomes.

The current scorecards created on data warehouses enable users to deploy a potentially large display of variables, customized to the individual organizations' preferences. For example, HR training expenses could be divided by locations, courses, diversity categories, and associated with attitudes, performance, and turnover.

Based on the BSC many companies are elaborating key performance indicators (KPIs) that are used as a quantitate effectiveness measure of performance.

According to each perspective of the Balanced Scorecard, a number of KPIs can be used such as:

- ✓ Financial: Cash flow, Return on Investment (ROI), Financial Result, Return on capital employed, Return on equity;
- ✓ Customer: Delivery Performance to Customer – by Date, Delivery Performance to Customer – by Quality, Customer satisfaction rate, Customer Loyalty, Customer retention;
- ✓ Internal Business Processes: Number of Activities, Opportunity Success Rate, Accident Ratios, Overall Equipment Effectiveness;

✓ Learning & Growth: Investment Rate, Illness Rate, Internal Promotions, Employee Turnover, Gender/Racial Ratios.

But there are disadvantages to such a method. HR scorecards are usually limited by transferring HR to measuring only the ‘learning and growth’ category, or by applying the four categories only to the HR function, calculating HR function financials, customers (HR client satisfaction surveys), operational efficiency (the yield rates of recruitment sources) and learning and growth (the qualifications of HR professionals). Both of these misleading resulting in estimation systems with little link to organizational outcomes.

The causal-chain approach is based on the causal-chain analysis with a strong focus on estimating the specific links between HR management programs and individual characteristics and business process and outcomes. One of methodology within with approach is a multiple constituency (MC) method suggested by Anne S. Tsui [66, p. 37-75].

The essence of the multiple constituency concepts is in the trilateral approach to measuring the efficiency of the HR department. Tsui says that the HR department activities are in large part responses to the requirements and expectations of a diverse set of constituents. But these constituents usually have different expectations and apply different indicators for the department's effectiveness evaluation. An important criterion for effectiveness is the extent to which the constituencies' necessities and expectations are satisfied by the HR department.

This approach proposes tangible data and frameworks that allow to truly estimating the intermediate connections between human capacity (in these case store associate attitudes and business results (such as store revenues). As a result, the causal-chain analysis comes closest to depicting all the linking elements and evaluating HR effectiveness to the overall business. The shortcoming is that all causal chains simplify reality. It's important to have a logical framework that can reveal the new paths as they emerge.

Conclusions to the Part 1

The essence of strategic HRM lies in a process that implicates the application of different approaches to the elaboration of HR strategies and ensuring the vertical compliance with the overall business. A strategic approach to HR management preliminary encompasses qualitative changes in the sphere of work with personnel and employees' engagement to corporate life. Integration with strategic technologies, planning personnel requirements, selecting, evaluating, training are the components of HR management strategies and acquire a new quality and a unified target orientation to achieve the strategic objectives of enterprise development. Under the instruments of HR management are divided to the such as instruments of personnel leasing, instruments of competency assessment and development, instruments of recruiting and hiring, instruments of employee retention and engagement, and information technology instruments.

The criteria for evaluation the HR management effectiveness can be grouped by subjective and objective criteria, by areas of the impact on the business (economic, social, organizational), and by HR management functions (HR management, financial management, staffing, talent management, and total rewards).

The main methodologies for evaluation of human resources management effectiveness are: Efficiency of HR management operations (financial approach), HR activity and ‘best practice’ indexes approach, HR scorecard approach, and causal chain approach. Each of the approaches has its advantages and disadvantages.

On the basis of the first approach were created different methodologies including return of investment methodology investigated by Fitz-Enz, human resources accounting (HRA) system proposed by Flamholtz, and the methodology of behavioral costing by Cascio and Boudreau.

On the basis of HR scorecard approach were elaborated such methodologies as ‘Balanced Scorecard’ by R. Kaplan and D. Norton. And finally, the causal-chain approach shown in a multiple constituency (MC) method suggested by Anne S. Tsui.

PART 2. THE RESEARCH OF HR MANAGEMENT ORGANIZATION IN LUXOFT INC.

2.1. Analysis of Financial-Economic and Foreign Economic Activity of the Luxoft Inc.

Financial reporting shows the main peculiarities and tendencies of any business entity's activity. Financial reporting is a kind of methodology that allows the corporation and key stakeholders to define problem points in an enterprise, set the regularity and causes of their occurrence, and outline ways to eliminate these suspicious significances [28, p. 1972-1990].

The necessity for an analysis of financial statements explains the following issues:

- How to achieve the goals without loss in the current activities?
- How to manage the property of an enterprise to improve the performance of the current period?
- What are the priorities of the sources of asset formation?
- How sustainable is the development of the enterprise?
- How high is the business rating in business communities?

There are a lot of types of financial reporting. Such types as GAAP and IFRS is often utilized by international corporations. Since Luxoft Inc. has been listing on the New York Stock Exchange (NYSE) from 2013, the main approach for financial reporting for this company is GAAP. The company's financial year (FY) starts from the 1 April of the previous year and ends on 31 March this year [8, p. 17].

To analyze the financial situation were decided to utilize Form 1 (Balance Sheet) and Form 2 (Financial Statements). The following methods of financial analysis were used to show the dynamics of the company's development for the recent five years (from 2013 to 2017):

- Horizontal reporting (Balance sheet)

- Vertical accounting analysis (Balance sheet)
- Calculation of key indicators of the financial condition of the enterprise
- Analysis of the dynamics of financial stability indicators
- Analysis of types of financial stability
- Dynamics of elements of the enterprise's income
- Analysis of the dynamics of indicators of profitability of the enterprise

Thus, let's consider the financial situation of the Luxoft LLC in the period 2013-2017 starting from a horizontal analysis of the assets of the enterprise (Annex C, tab. C.1; fig. 2.1)

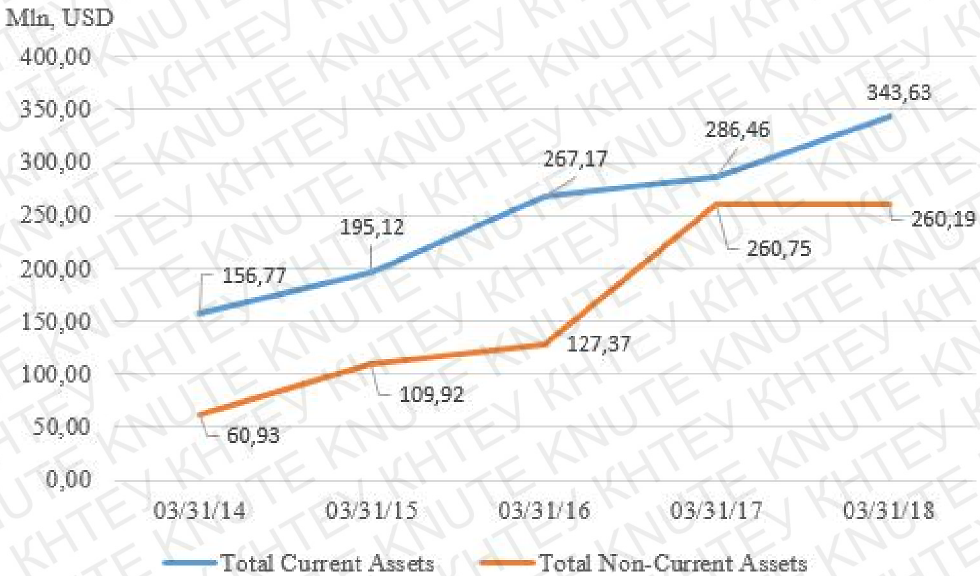

Figure 2.1 Dynamics of Changes in the Value of Assets for Luxoft Inc. during 2014 – 2018 Financial Years

Source: created by author on the basis of [Annex C, tab. C.1]

The fig. 2.1 brightly illustrates the stable increase of total assets (from $217,7M in 2013 (FY14) to $603,82M in 2017 (FY18)) as well as the steady predominance of current assets over non-current ones. The enhancement of total assets indicates an increase in the potential of an enterprise to generate profits for owners, since the amount of assets taking part in the production, investment, and financial process is increasing. The fact that current assets are higher than long-term assets, can be explained by the company's specialization which is a provision of the IT-outsource services. If the company was engaged in manufacturing process, the non-current assets should be higher than current.

The leverage of current assets' growth is the increase of the cash as well as net receivables.

From the *Annex C, tab. C.1,* we can see that total amount of the net receivables growing from $111,23M in FY14 to $227,43M in FY18 or by $116,20M in absolute comparison. The main part of it is the trade account receivables. This could be a negative tendency which alarms on the possibility of insolvency of buyers, their bankruptcy, the increase in sales, the existence of marketing problems, or the irrational policies that the company conducts in relation to its buyers. However, it is not appropriate to perceive it as only a negative factor, because if the debt is normal rather than overdue, it will not create financial difficulties for the company, which will be manifested in the lack of financial resources, additional financial expenses, profit reduction and the risk of non-repayment of debts. It can also be evidence of a more lenient policy by the company in order to expand sales markets. The amount of provision for doubtful accounts at Luxoft is slightly increased for these five years (from $0,65M in FY14 to $1,23M in FY18), but its specific weight in the total receivables is too small and stable (0,53% in 2017 (FY18)) to talk about possible threatens to the company.

Increasing the share of absolute and highly liquid assets is evidence of an increase in current solvency and a stable financial position of a company. Particularly positive is the absolute increase (+$66,86M from FY14 to FY18 or by + 178,29%) of cash and cash equivalents. The most significant enhancement shown in FY16 in comparison to FY15 the absolute increase was $62,96M and percentage comparison – 138,10%! This can be explained by the high activity of the company in FY16-FY17 in the other companies' acquisitions and the high increase in goodwill in FY17 in comparison to FY16 (from $30,29M in FY16 to 76,92M in FY16 or by 153,95%).

Also, there is an enhancement in the non-current assets YOY from $60,93M in FY14 to $260,19M in FY18. The largest absolute increase was recorded in 2017 due to the increase in goodwill (by 153,95% in percentage comparison to FY16) and intangible assets (by 176.08% in percentage comparison to FY16), indicating the high activity in the mergers and acquisitions field and the speed expansion of the enterprise. During this period the following companies such as Insys, IntroPro, Symptavision, Pelagicore, and SME were purchased. The slowdown in absolute and percentage growth from FY17 to FY18 (absolute enhancement on $11,99M or by 15,59% in comparison to FY17) is explained by reduction the number of acquisitions from five to only two companies (Unafortis and DerivIT) due to ongoing period of merging the formerly acquired companies.

The next analysis will be conducted on a horizontal structure of liabilities of Luxoft Inc. for 2014 – 2018 financial years (Annex D, tab. D.1; fig. 2.2).

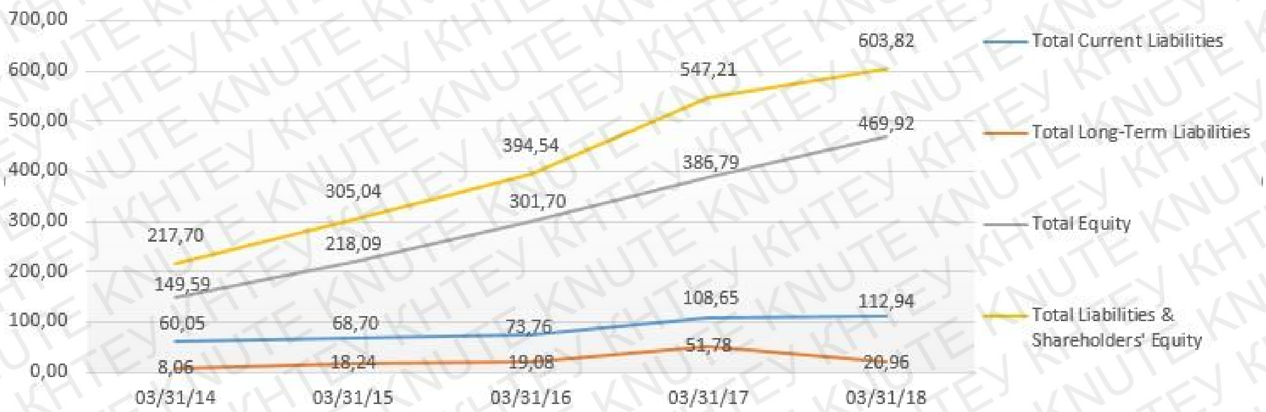

Figure 2.2 Dynamics of Changes in the Value of Liabilities for Luxoft Inc. during 2014 – 2018 Financial Years

Source: created by author on the basis of [Annex D, tab. D.1]

The fig. 2.2 shows the dynamics of changes in the value of liabilities for the five recent years.

Equity is the major part of total liabilities and the fig.2.2 shows its stable growth year over year (YOY) (absolute increase YOY is as follows: $68,50M on FY15, $83,61M on FY16, $85,09M on FY17, and $83,13M on FY18). This fact shows, firstly, the self-sufficiency of the corporation, secondly, the high financial sustainability of the business, and thirdly, the high attractiveness of the corporation for lenders.

Also, there is a steady predominance of short-term liabilities over long-term liabilities year-over-year as well as their stable growth.

Short-term liabilities have grown from $60,05M in FY14 to $112,94M in FY18 and the most significant increase was in FY17 in absolute and percentage comparison to FY16: by $34,89M and 47,30% respectively.

The main factors of its growth were increase of accounts payable (from $8,27M in FY16 to $24,40M in FY17 or by 195,04%) and accrued expenses (from $27,36M in FY16 to $38,51M in FY17 or by 40,75%).

In FY18 the situation has stabilized and is shown even a deceleration in the growth of both the accounts payable and accrued expenses (absolute growth – $1,56M and $11,08 accordingly).

Other articles including notes payable / short term debt, customer advances, income taxes payable, and other current liabilities remained stable or shows normalized growth over these five years.

This tendency is explained by the high company's activity in mergers and acquisitions because Luxoft Inc. buys not only assets but also liabilities of other companies.

The long-term liabilities have shown a significant increase till FY17 (in percentage comparison: FY15 to FY14 – 126,3%, FY16 to FY15 – 4,61%, FY17 to FY16 – 171,38%).

In FY18 was a significant decrease by 59,52% in comparison to FY17 and it was mostly affected by changes in Deferred Income Tax (reduced by $6,08M or by 35,96% in comparison to FY17) and Other Liabilities (diminished by $24,74M or by 71,01% in comparison to FY17). Also, these two factors leveraged the previous-years' increase.

Further, is conducted a vertical analysis of assets and liabilities of the company for 2014-2018 financial years (App.F, G, fig. 2.3).

As already noted, the company's own capital is mainly formed from current assets. In 2014, the assets of the company consisted of 27,99% of non-current assets and 72,01% of current assets. The most important elements of current assets were total receivables and cash. The major part of non-current assets was the property, plant, and equipment. [31, p. 231-237]

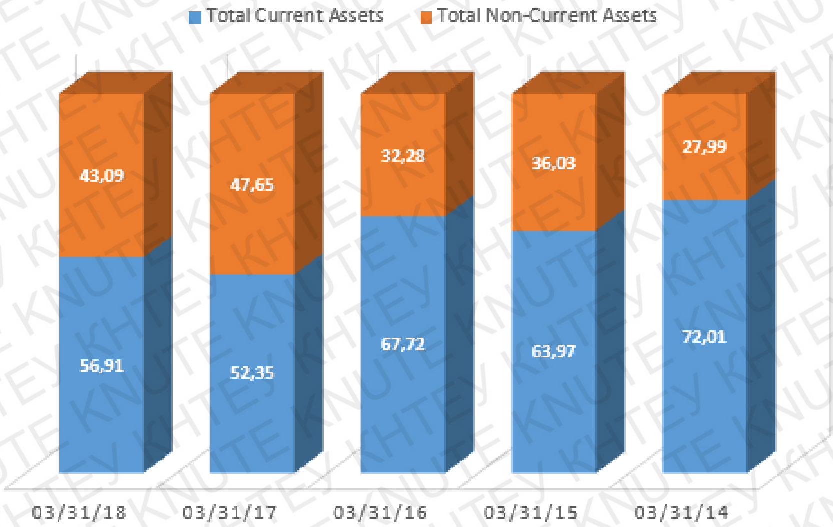

Figure 2.3 The Dynamics in Percentage of Assets in Luxoft Inc. during 2014 – 2018 Financial Years, %

Source: created by author on the basis of [Annex F, tab. F.1]

As of 2015, the assets formed from 36,03% of non-current assets and 63,97% of current assets. The most important elements of current assets were total receivables and cash. The major part of non-current assets was the intangibles.

As of 2016, the assets of the company consisted of non-current assets of 32,28% and 67,72% of current assets. The most important elements of current assets were total receivables and cash. The major part of non-current assets was the property, plant, and equipment.

As of 2017, the assets of the company formed from non-current assets of 47,65%. The remaining 52,35% belonged to current assets. The most important elements of current assets were still total receivables and cash. The major part of non-current assets was the goodwill and intangibles.

As of 2018, the assets of the company consisted of non-current assets of 43,09%. The remaining 56,91% belonged to current assets. The most important elements of current assets were total receivables and cash. The major part of non-current assets was the goodwill and intangibles.

Regarding the percentage structure of the company's liabilities, they consist of 69-78% of equity, the company has a little percentage of long-term liabilities (3-9%) and there are also short-term liabilities (19-28%) (fig. 2.4).

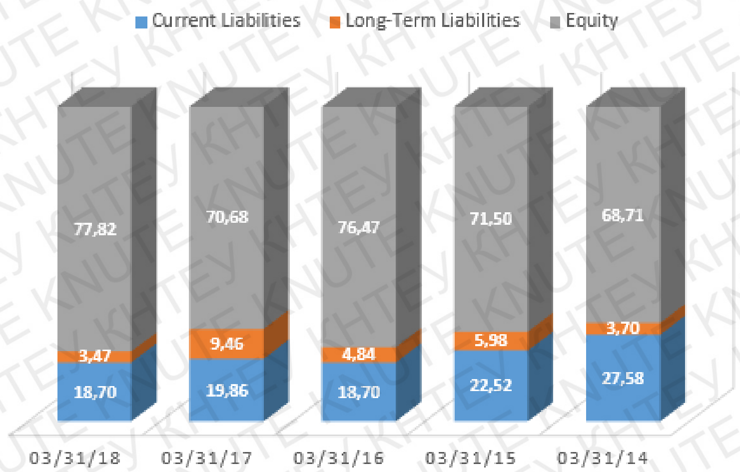

Figure 2.4 The Dynamics in Percentage of Liabilities in Luxoft Inc. during 2014 – 2018 Financial Years, %

Source: created by author on the basis of [Annex G, tab. G.1]

The share of equity was high, and it was formed by additional paid-in capital and retained earnings.

Let's also consider the financial condition of the company for 2014-2018 financial years in more detail. Firstly, we need to assess the company's ability to pay for its debts in time or in other words, calculate and analyze its liquidity indicators (tab. 2.1).

Absolute Liquidity Ratio (in other words, Cash Ratio) shows the extent to which readily available funds can pay off current liabilities. Statutory indicators for this ratio measures from 0,2 to 1. As far as we can see from the tab. 2.1, the Luxoft Inc. is able to cover its short-term liabilities by only its cash from 62% in 2014 to 147% in 2016, and

92% in 2018. This is a very good tendency because it means that the company is more liquid and can more easily fund its debt.

Current Ratio is depicting the capacity of a firm to meet its current obligations by current assets. Statutory indicators for this ratio measures from 1,0 to 3,0. The dynamics of this ratio for the company shows the positive growth [34].

Table 2.1

Liquidity Indicators of Luxoft Inc. during 2014-2018 Financial Years

№	Indicators	Description	03/31/14	03/31/15	03/31/16	03/31/17	03/31/18
1.1	**Absolute Liquidity Ratio (Cash Ratio), N**	Cash and cash equivalents / Curr Liabilities	0,62	0,66	1,47	1,01	0,92
1.2	**Current Ratio, N**	Curr Assets / Current Liabilities	2,61	2,84	3,62	2,64	3,04
1.3	**Quick Ratio, N**	(Curr Assets – Inventory) / Curr Liabilities	2,53	2,82	3,60	2,61	3,01
1.4	**Operational Solvency Ratio, N**	Cash and cash equivalents / (Operation Expenses Total / 360)	39,78	37,22	68,42	55,02	44,37
1.5	**Solvency Ratio, %**	(After Tax Net Profit + Depreciation) / (LT Liabilities + ST Liabilities) *100%	108,10	72,64	127,46	80,27	100,38

Source: developed by author on the basis of [Annex A, tab. A.1]

The Quick (or Acid Test) Ratio evaluates the liquidity of a company by showing its ability to pay off its current liabilities with quick assets. Statutory indicators for this ratio measures from 0,7 to 0,8. As far as we can see, Luxoft Inc. has enough quick assets to cover its total current liabilities, so the company will be able to cover its obligations without having to sell off any long-term or capital assets [63, p. 217-231].

Solvency ratio is often utilized to assess an enterprise's ability to meet its debt and other obligations. This ratio determines whether a company's cash flow is sufficient to meet its short-term and long-term liabilities. The lower a company's solvency ratio, the greater the probability that it will default on its debt obligations.

The next analysis will show of the state and structure of capital (tab. 2.2). The ratios calculated in the tab. 2.2 are opposite to the liquidity ratios, as they measure the long-term solvency of a company.

Financial Autonomy Ratio indicates what part of the assets the company is able to finance at the expense of its own financial resources. Statutory indicator should be more than 0,5 and the company's indicators shows the positive tendency during the recent five years.

The Debt Ratio measures a company's ability to pay off its liabilities with its assets and its statutory indicator should be less than 0,5. The tendency in Luxoft Inc. is positive as the Debt Ratio indicators lessening year over year.

Table 2.2

Indicators of the State and Structure of Capital for Luxoft Inc. during 2014 – 2018 Financial Years

№	Indicators	Description	03/31/14	03/31/15	03/31/16	03/31/17	03/31/18
2.1	**Coefficient of security by own working capital, Number (N)**	(Equity - Non Curr Assets)/Non Curr Assets	1,46	0,98	1,37	0,48	0,81
2.2	**Financial Autonomy Ratio, N**	Equity/Total Liabilities	0,69	0,71	0,76	0,71	0,78
2.3	**Debt Ratio, N**	(Total Liabilities - Equity) / Total Liabilities	0,31	0,29	0,24	0,29	0,22
2.4	**Financial Leverage Ratio (Debt-to-Equity), N**	Equity/(Total Liabilities - Equity)	2,20	2,51	3,25	2,41	3,51
2.5	**The Coefficient of Maneuverability of Equity, N**	(Equity - Non Curr Assets) / Equity	0,99	0,98	0,98	0,96	0,97
2.6	**Accounts Payable to Accounts Receivable Ratio, N**	Accounts Payable / Accounts Receivable	0,22	0,33	0,30	0,42	0,27

Source: developed by author on the basis of [Annex A, tab. A.1]

Debt-to-Equity (Financial Leverage) Ratio is used for estimating a company's financial standing and measuring the company's ability to repay its obligations. Statutory indicators for this ratio are more than 1,0 – 1,5. Since 2013 (FY14), Financial Leverage Ratio of the Luxoft Inc. has grown from 2,20 in FY14 to 3,51 in FY18.

The Coefficient of Maneuverability of Equity shows the portion of equity which can be utilized to finance current assets, and which part is aimed at financing non-current assets [57, p. 92]. The normalized point is more than 0,5. As far as we can see, this coefficient has been almost unchanged during the recent five years and lies between 0,99 in FY14 and 0,97 in FY18.

Since the point of the indicator of the Ratio of Payables to Receivables in 2013-2017 is less than 1, this means that the company assigns more funds to the formation of accounts receivables than gets financial resources in the form of accounts payable. Since the share of overdue accounts receivables is only 0.53% and remains almost unchanged over the past five years, the total accounts receivables in the company are based foremost on attracting customers and increasing loyalty to the company, as Luxoft Inc. is dependent on its key customers who form a significant part of its sales of services. In the aggregate, the company's ten largest clients accounted for 73.7%, 66.0% and 57.6% of its sales of services respectively in FY16, FY17, and FY18.

The next analysis conducted to measure the company's business activity (tab. 2.3).

Table 2.3

Business Activity Indicators for Luxoft Inc. during 2015 – 2018 Financial Years

№	Indicators	Description	2014	2015	2016	2017	2018
3.1	**Current Assets Turnover Ratio, N**	Sales Revenue / Average Current Assets	2,99	2,96	2,82	2,84	2,88
3.2	**Inventory Turnover Ratio, N**	Cost Revenue / Avg Inventory	81,35	95,29	248,74	215,41	173,66
3.3	**Accounts Receivable Turnover Ratio, N**	Sales Revenue / Avg Accounts Receivable	4,12	4,32	4,59	5,12	4,78

Source: developed by author on the basis of [Annex A, tab. A.1; Annex B, tab. B.1]

Current Assets Turnover Ratio measures the efficiency of utilizing the current assets of the enterprise (cash, inventory, inventory, receivables). The value of the indicator refers to the number of circulations the current assets made during the year. An increase in the point of the indicator implies that the company needs fewer resources in order to maintain the current level of activity. This leads to the deliverance of part of the financial resources that can be used to intensify current activities [45, p. 761-763].

The inventory turnover coefficient shows how many rotations per year the inventory has made, in other words, how many times the inventory has transferred its value to finished products. The tendency during the recent years determines rapid increase of turnover from 2013 (FY14) to 2014 (FY15) and a mild reduction starting from 2014 (FY15) to 2016 (FY17). This is the negative fact which could mean the relative increase in production stocks and work in progress or a decrease in demand for finished products.

The accounts receivable turnover ratio shows how many times the debtors repay their obligations to the company. The enhancement of this indicator causes a positive effect on the company.

The next one will be provided an analysis of profitability indicators of the company (tab. 2.4).

Table 2.4

Profitability Indicators for Luxoft Inc. during 2015 – 2018 Financial Years

№	Indicators	Description	2014	2015	2016	2017	2018
4.1	**Return on Equity (ROE), %**	Net Income / Avg Equity*100%	35,48	34,35	27,03	18,20	13,31
4.2	**Normalized Return on Equity (before tax) (NROE), %**	Net Income Before Tax/Avg Equity*100%	41,29	39,70	31,69	20,48	14,66
4.3	**Return on Assets (ROA), %**	Net Income/Avg Assets *100%	27,89	24,16	20,08	13,30	9,91
4.4	**Return On Revenue (Net Profit Margin), %**	Net Income/Revenue *100%	12,56	12,13	10,80	7,97	6,29
4.5	**Return On Sales (Operating Margin), %**	Operating Income (EBIT)/Revenue *100%	17,49	15,30	12,23	8,75	6,63
4.6	**Operating Expense Ratio (OER), %**	Operating Expenses / Gross Operating Income (EBIT) *100%	4,23	5,54	7,18	10,43	14,09
4.7	**Return on Investment (ROI), %**	Net Profit (after Interest and Tax) / Cost of Investment *100%	20,25	19,65	16,24	10,80	8,41

Source: developed by author on the basis of [Annex A, tab. A.1; Annex B, tab. B.1]

Profitability analysis used to evaluate the capacity of a company to produce income (profit) relative to revenue, balance sheet assets [30, p. 72-75; 31, p. 228-232].

Return on Equity indicates how efficiently management is utilizing a company's assets to generate profits. As far as we can see from the dynamics, the ROE during the four years has a positive value but negative dynamic. It has changed from 34,35 in 2013 (FY14) to 13,31 in 2016 (FY17), which means that company has problems in the prioritized assets using.

Return on Assets determines how effective the company is in converting the money invested into net income. The higher the ROA number, the better, because the company is earning more money on less investment. The situation with this ratio in the Luxoft Inc. is the same to its dynamics of the ROE index. The dynamics during the 2013 (FY14) to 2016 (FY17) is negative, but the index is still having a positive value.

In contradiction to the ROE and ROA, the Operation Expense Ratio is growing in the Luxoft Inc year over year, which means that the company is providing a cost-ineffective policy that affecting its outcomes.

2.2. The Peculiarities of HR Management Organization in 'Luxoft' Inc.

Luxoft Inc. is an outsource provider of innovative IT and technical solutions to multinational companies worldwide. Its services and solutions include strategic consulting, custom software development services, and digital solution engineering. The company's highly-potential delivery model combined with a highly-educated workforce enables Luxoft Inc. to constantly innovate upwards on the technology field in order to successfully address digital challenges.

Currently, Luxoft Inc. management pursues a (Line of Business) LoB-centric approach to managing its company. The company's management efforts are focused on three lines of business: Financial Services (other name is Excelian Services), Automotive and Transport as well as Digital Enterprise.

The company serves large multinational corporations and for the FY18 a significant part of its sales was from Fortune Global 500 companies. The major part of these sales was from clients located in Europe (60.5%), on the second position was clients from North America (34.1%), and 5.4% - from clients in other geographies.

The company's long-lasting rapports with numerous international clients usually lead to transformational actions, where Luxoft Inc. replaces a portion of the customer's entire IT team and cooperates directly with the internal end-user instead of simply expanding the client's IT department.

Luxoft Inc. widely utilizes Agile methodology involving the delivery of software at frequent iterations by cross-functional geographically distributed teams which are often working remotely across the world and in various time zones. This methodology helps to diminish time-to-market and reduce development costs for the clients.

Luxoft Inc. is the employer for more than 12,8K employees across 42 cities in 21 countries within five continents, with its operating headquarters office in Zug, Switzerland (Tab. 2.5)

Table 2.5

Dynamics of Headcount Changes in Luxoft Inc. during 2014 – 2018 Financial Years

Location	Financial Year-End Date, persons					Absolute comparison, persons			
	03/31/14	03/31/15	03/31/16	03/31/17	03/31/18	03/31/15	03/31/16	03/31/17	03/31/18
Ukraine	3 589	3603	3399	3818	3775	14	-204	419	-43
Russia	2 313	2364	2633	2778	2668	51	269	145	-110
Poland	834	1261	1921	2051	1991	427	660	130	-60
Romania	394	948	1674	1844	1665	554	726	170	-179
US	137	282	409	975	851	145	127	566	-124
UK	96	299	379	371	325	203	80	-8	-46
Other locations	156	427	672	929	1623	271	245	257	694
Total	7519	9184	11087	12766	12898	1665	1903	1679	132

Source: developed by author on the basis of [8, p. 128]

Luxoft Inc. has delivery centers located primarily in Central and Eastern Europe (CEE), including Bulgaria, Poland, Romania, Russia, Ukraine. Also, the company has delivery centers in Australia, Canada, Germany, Malaysia, India, Mexico, Singapore, South Africa, Sweden, the United Kingdom, the United States, and Vietnam. This tendency can be explained with a significant number of highly-educated IT professionals in these countries, and the location of current and potential client offices, which are settled in Europe and North America. Such global delivery model allows the company to ensure all-time customer service with agility, logistical, and time zone convenience as well as the cost advantage of having the fewer dedicated on-site personnel. This delivery mode l also works as a powerful recruitment locomotive promoting the increase of the company's business by providing access to numerous emerging markets worldwide and allowing filling bottlenecks in talent supply.

Talking about such significant differences between CEE region and other locations as well as its headcount (HC), there are a few reasons:

- Availability of a highly-qualified workforce

The CEE region demonstrates a great number of highly-educated and qualified IT professionals with strong technical skills. There is a high proportion of students pursuing higher education in the areas of applied mathematics, data science, physics, and engineering.

Ukraine. According to the Gartner Report, ‘more than 50% of Ukrainian developers are located in Kiev and secondary cities including Kharkiv, Lviv, Dnipro, Odessa, and Vinnytsia, hence Luxoft Inc. has its offices in Kiev, Odessa, and Dnipro. A significant supply and decreasing demand imply labor rates attractively low in Ukraine, especially due to the fall of the Ukrainian currency by 75% against most Western currencies since 2014’ [14]. So, the Luxoft Inc. engineering headcount as of March 31, 2017, in Ukraine amounted to 3344 engineers (other 431 employees are administrative staff, management, and other) [25, 69].

Russia. The United Nations Educational, Scientific, and Cultural Organization (‘UNESCO’) considers 28% of all graduates in Russia receive degrees in the field of science and technology [68]. The company's engineering headcount as of March 31, 2017, in this country, amounted to 2008 engineers (other 660 employees are administrative staff, management, and other). Russia's software export industry is worth $6Bl a year and grows at an 11% CAGR [14]. Approximately 75% of Russian engineers speaking English fluently and the labor expenses in secondary cities such as St. Petersburg, Omsk, and Novosibirsk can be up to 20-30% lower than in Moscow or any of European cities [61].

Romania. The company's engineering headcount as of March 31, 2017 in Romania demonstrated an 11,8% year over year increase and amounted to 1624 engineers. Such headcount can be explained by the fact that this country is heavily investing in the development of technology parks. A big part of Romanian IT specialists has an advanced level of English and other European languages including French, German, and Spanish, which is a highly-attractive matter for the company's clients. For example, 27% of IT workers speak French, and, in total, Romania offers 2.7M French speakers. Moreover, Romania's political stability has improved as an established member of the EU, and service exports continue to grow at above 10% per year which are also a strong leverage for clients [54].

Poland. During the fiscal year, 2017 Luxoft increased the number of its IT specialists there by 7,1% year over year, which now exceeds 1800 employees. Over 450 companies have now located delivery centers in Poland, and the service export economy has grown at an 18% CAGR since 2009. Krakow is the largest cluster of delivery centers, with 30K workers, Warsaw and Wroclaw both offer around 20K workers, and Lodz has further 10K employees [14]. Smaller secondary cities include Katowice, Lublin, Bydgoszcz, Posnan and Szczecin. Also, the government made studying a foreign language (most often English) mandatory for children aged five and over.

- Government support for an IT industry

The CEE region's government support of the IT industry is one of the reasons for the constant increase of the Luxoft Inc. employees in this region.

The Russian government declared a number of initiatives aimed to support IT growth with a focus on the overall country's modernization and innovation. One of such initiatives includes the governmental provision the qualified Russian IT companies with significant tax benefits through a decreased social contribution charge rate program. As a participant of this program, Luxoft Inc. has saved $9,5M in the FY17 and $11,8M in the FY18 [27].

Since 2012, the Romanian administration rose a governmental aid program to support investments boosting regional development to utilize new technologies and creating working places. In the FY14, the subsidiary Luxoft Professional Romania ('Luxoft Romania') began a participant of the mentioned state aid program and received a 40% reimbursement from the Romanian government of the total salary costs of newcomers during a period of 24 months starting on their respective hiring dates. To become a part of this program, Luxoft Romania undertook to do the following [54]:

- make an investment in equipment, furniture, and licenses of approximately $0,4M, during FY14 and FY15, and to maintain the investment for a period of five years thereafter;

- hire 250 workers during FY14 and FY15 and keep the new working places for a period of five years after the first payment of the state grant related to each new working place

- pay to the state budget, in the course of five years from the completion date of the investment, social tax payments of approximately $13,1M, as stated in the business plan submitted by Luxoft Romania to the Romanian government.

The Special Economic Zones (SEZ) in Poland is districts in the country where investors may set-up and operate a company under preferential conditions including an exception from the corporate income tax. The Luxoft Inc. subsidiary in Poland conducts a part of its operational activities in the territory of Krakow SEZ. Its profit generated from operations in the SEZ is non-taxable within the amount of tax credit calculated based on eligible expenses [50].

Furthermore, during the FY16, the company received an award from the Polish Agency of Foreign Investments which provides for a monetary subsidy of 8,688 PLN to Luxoft Inc. for each individual hired in Poland over the next five years' subject to certain conditions. During the FY18, the company received a payment in the amount of

$0.5M due to this award. Moreover, in Poland, the law provides for a personal income tax benefit in part of employment income provided by an application of a deemed cost deduction (but not greater than PLN 85528 for each individual). This discount has resulted in the personal income tax savings of $4.1M in the FY17 and $4.6M in the FY18.

- Increasing popularity of near-shoring

Since the offshoring model has been rapidly developing, in the IT outsourcing industry comprehended the rise of near-shoring engaging outsourcing to countries with cheaper labor costs within geographical and/or time zone closeness to the clients' sites. Due to the locations nearness, cultural connection, low travel costs, minimal (or even zero of) time zone difference, and highly-qualified labor with the low costs, the near-shoring approach is one of the best resolutions for such industries, as it improves interaction between clients and delivery teams as well as decreases time-to-delivery and risks [14].

As it was mentioned before, the Luxoft Inc. widely applies such human resources allocation approach leading to increase the part of employees offered by CEE. Other popular nearshoring locations for clients in the North America include Mexico, for clients in the Asia Pacific region - Malaysia, India, Singapore, and Vietnam.

The HR structure of Luxoft Inc. is as follows (fig.2.6).

Luxoft Talent Acquisition and Management (TAM) organization includes Recruitment, HR Development, Employer Branding, and Professional Training Center (PTC).

Recruitment Department is responsible for search and selection of personnel at Luxoft to include stages of defining of staff needs, engagement in all activities related to supply of candidates for Luxoft vacancies (conduction of interviews, testing, making decisions on the candidate), ensuring proper speed of staffing and so on.

Since 2014, Luxoft Inc. launched ‘Luxoft: Global Upgrade’ program aimed to broadcast its workforce across relocation hubs in certain key geographies. Since the

Global Upgrade was finished in 2015, the Luxoft has extended its recruitment efforts to a global scale using the processes and the relationships established while during the mentioned program execution. During FY17, Luxoft has placed over 700 professionals in key geographies such as Mexico, Poland, Romania, and the United Kingdom.

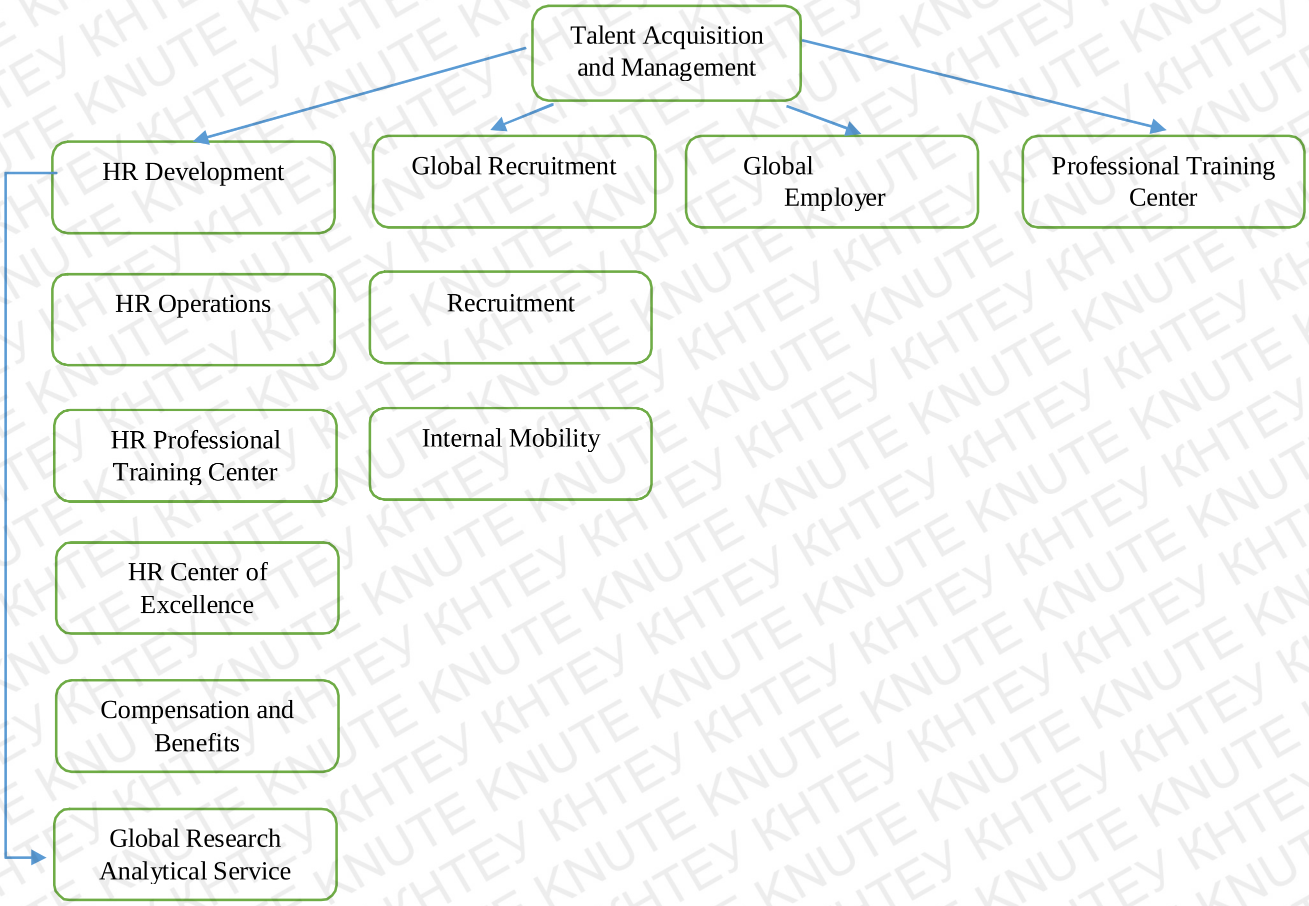

Figure 2.6 HR Organization at Luxoft Inc.

Source: developed by author on the basis of [4, p. 123; 5, p. 126; 8, p. 128]

As of March 31, 2018, the company had a dedicated HR staff of 526 people including 250 recruiters and researchers. During the fiscal year ended March 31, 2018, the Luxoft hired on average more than 500 IT professionals each month [8, p. 67].

Internal Mobility (IM) – is a Recruitment tool for building employees' career path, providing professional development and job security. It's a process of an employee's transfer from his/her current position to another one (vertically or horizontally) or to the same position in another department, project or location within the Company.

Its basic principles include:

- IM may be initiated by either a manager or an employee, as long as eligibility criteria are met
- IM facilities the search for an optimal job and fit in the company

An employee may transfer within his or her current location or to any Luxoft office around the world.

HR Development (or HR Operations) areas of responsibility [35, p. 27-38]:

- Support in the implementation of the HR practices and programs
- HR administrative responsibilities
- Human capital curator and change agent, by aligning management expectations with business objectives
- Monthly reports on HR metrics
- IM support

As the main Luxoft Inc. source of revenue are its high-potential accounts (HPA), the company's strategy aimed to strengthen its relationships and maximally simplify the delivery of its products and services to clients. During fiscal 2018 the company has started executing on a series of steps designed to decrease its customers' concentration, diminish in vertical concentration, enhance geographic presence in the U.S. and the Asia Pacific, entry into new verticals, augment the global sales force, grow global delivery centers and acquire attractive HPAs.

As of FY18, the company's on-shore headcount was approximately 14% of total delivery personnel. Luxoft Inc. continues to limit its exposure to any geography to no more than 30% of the engineering headcount in the mid-term and 25% in the long term. That is why, as of March 31, 2018, the headcount in Ukraine was 30% compared to 31% in the prior year, in Russia was 17%, compared to 19% in the prior year and all other geographies have less than 25% of the overall engineering personnel, in-line with its mid-term target. The company continuing decreasing staff concentration in Ukraine by accelerated hiring in other regions. The company also plans to further expand its global delivery model in APAC and North America as it is aligning with its sales strategy.

In order to meet the growing demand for the company's engineering services and deep domain expertise, Luxoft Inc. opened new delivery centers in Eindhoven, Berlin, Bangalore, and Tianjin and continues to employ a number of on-site IT professionals in Canada, Germany, Singapore, Switzerland, the United Kingdom, and the United States.

HR Center of Excellence (HR CoE) – is responsible for designing and developing new processes, as well as global programs and policies [32, p. 391-403]. They receive information and feedback from HR Operations and cooperate with them for all changes and initiatives. They are also responsible for HR Internal Systems and Tools as well as support an integration of newly acquired companies by Merger and Acquisition (M&A) manager.

Compensation and Benefits – this unit regulates bonuses and compensation data ownership (salaries, bonuses, history of changes of compensation, etc.), unifies titles and roles of employees as well as provides transparency in career path.

This department of the company closely cooperates with such executive consulting organizations as Mercer and Hay Group.

Employer Branding – is the process of promoting Luxoft as the employer of choice to a desired target group, one which a company needs and wants to recruit and retain. The process facilitates the company's ability in attracting, recruiting, and retaining perfect employees – referred to as Top Talent in recruitment – and helps secure the attainment of the company's business plan.

Professional Training Center – is the unit aimed to strengthen technology excellence and deep industry focus of Luxoft by training and development of bright minds, top engineering talents and effective managers.

Education on the basis of Luxoft Training is an opportunity for career and professional growth for each employee of Luxoft.

Since the company's mission lies in critical custom software development and support, product engineering, and technology consulting, one of the main company's task is the continuous development of its workforce in order to remain a successful market player. The company elaborates talents through a combination of professional training (technical) and mentoring programs (soft skills training) with the participation of high-tech professionals and industry experts. Each new hire needed to pass a specialized on-boarding training curriculum that covers methodology and industry standards, technologies and tools, management and communication skills, software engineering processes, and domain knowledge.

All types of training are available for each of the employees, but its attendance should be previously agreed with the employees' line or direct manager.

For these purposes, Luxoft has its own training system called LuxTalent system. Each new employee is placed on a probation period for up to six months. During this time, new hires become part of a mentoring, monitoring, coaching and motivational program. Each employee is assigned to an HR Partner responsible for project evaluation, performance appraisal, and planning of professional development of the new hire. Additionally, each employee experiences a performance appraisal session at least once a year to measure technical performance, teamwork skills and possession of the core competencies required for his or her respective role within the company.

The Luxoft Inc. has four training centers in Russia, three in Ukraine, one in Romania, one in Bulgaria, four in Poland, two in the UK, two in Germany, two in the United States, one in Vietnam, one in Malaysia, one in Mexico and one in India that conduct more than 3K training sessions per year and host over 15,8K specialists (including the organization's personnel and external students) for general training courses and client-specific education programs. The company typically conducts between 200 and 300 resident training sessions per month with an average of 10 students per group, and fulfills nearly 1,8K additional training requests per month via our e-learning system via LuxTalent and E-learning library.

2.3 Assessment of the Effectiveness of the HR Management Organization in Luxoft Inc.

As Luxoft Inc is an international company with its presence in 42 cities in 21 countries within five continents and has a complex HR Management organization which applies a wide variety of innovative approaches, it is important to analyze its impact on the overall company's well-being.

To measure the HR management impact on the overall company, firstly we should shape the company's strategical principles [10]:

- Elaborate new opportunities and service offerings within the company's lines of business;
- Leverage domain practice expertise to win new business;
- Provide a managed and cost-effective delivery model;
- Attract and retain top-quality talent;
- Selectively proceed strategic acquisitions and the development of strategic partnerships.

As it was discussed before, current HR organization in the company aimed to support the company's risks mitigation by providing HR strategy aligned with the overall business strategy [11].

So, the effectiveness of the HR management of the company can be measured by its efficiency in the overall company's risks mitigation (prevention). According to the information, analyzed in 2.1 and 2.2, such company development risks can be highlighted:

1. The great concentration of the revenue from a limited number of clients. This fact that these clients could refuse the Luxoft Inc. services provision or failure by such clients to pay for the company's services would materially negatively affect the company's results of operations. The company is dependent on its key clients for a significant portion of its sales of services. The company's largest clients, Deutsche Bank, and UBS, which together accounted for 52.3%, 43.3% and 34.7% of the Lusoft Inc.

sales of services in the FY16, FY17, and FY18 respectively, starting from FY17 began a restructuration policy that has affected to Luxoft Inc. as they should decrease the number of employees worked on its projects. This fact requires from HR management to continually decrease the top ten client share concentration in the Luxoft revenues strategically, and develop a high-potential retention plan for the employees cut down from the clients' projects.

2. The company's year over year rapid growth may tighten its limited resources, and the company may fail to manage this growth that could cause a material unfavorable effect on the quality of its services and client support. As it was researched in part 2.1, Luxoft Inc. revenue grew from $398,3M in FY14 to $906,8M for the FY18. As of March 31, 2018, the company employees 12,898 personnel, as compared to 12,766 personnel as of March 31, 2017. In case the company's growth will continue, it is expected significant demands on its management and administrative, operational and financial infrastructure. Such sustainable expansion raises the challenges the company face in offering its services in the following areas:

– recruiting and retaining sufficiently skilled IT professionals, as well as marketing and management personnel;
– training and supervising the company's personnel to maintain Luxoft Inc. high standards of quality;
– borrowing adequate short-term funds to finance rapid growth;
– developing financial and management controls;
– preserving the company's culture and values and its entrepreneurial environment.

3. The ability to attract new staff as well as retain and motivate its existing personnel is the key fact of success in the industry where Luxoft Inc. operates.

The company depends on lateral hires to provide it with skilled professionals because the company's business model does not provide for the hiring and training of a large number of junior personnel. Competition for skilled IT professionals in the markets in which the company operates are intensively rising, and, accordingly, the retaining or hiring costs increasing too. If the company's competitors will be able to increase the educational level of their workforce, or if clients and prospective clients become more price-sensitive and choose lower-cost suppliers with a cheaper labor force, Luxoft Inc. may lose its competitive advantage notwithstanding the relatively high educational level of the company's workforce.

So, depending on mentioned company's risks, the effectiveness of HR management of Luxoft Inc. should be determined on its ability to provide effective and rationalized compensations and benefits (C&B) policy, ensure high rates of the employee engagement and satisfaction with the work content, maintain attractive and stable employer brand as well as provide intensive personnel development in order to keep the employees' turnover ratio low.

We will calculate the main indicators of the efficiency of HR management based on the data of the Luxoft Inc. on the example of 2018 fiscal year (FY18) (Tab. 2.6, Annex H, tab. H.1).

Organizations ratios links the human capital efforts with the overall company's results. They determine the effectiveness of the human resources management and human capital performance.

Revenue per full-time employees (FTE) indicates the total amount of revenue collected during an organization's fiscal year divided by the number of employees. This ratio shows how the time and effort associated with the firm's human capital impacts the Luxoft Inc. revenue output. The ratio enhancement depicts the increase in efficiency and productivity because more output is being produced per employee. If the ratio decreases, it indicates less efficiency and productivity. As far as we can see, the ratio increasing year over year and the productivity enhanced from $52 980 per employee in FY14 to $70 300 per employee in FY18 or by 32,69% in total. However, it is still lower than the global index [1].

Organizations ratios links the human capital efforts with the overall company's results. They determine the effectiveness of the human resources management and human capital performance.

Table 2.6

The Efficiency Ratios of HR Management in Luxoft Inc. during 2014 – 2018 Financial Years

HR Efficiency Measurement Ratios	Financial Years					**The average global ratios**
	31/03/2014	31/03/2015	31/03/2016	31/03/2017	31/03/2018	
Organizational Ratios, thousands of USD:						
Revenue per FTE Ratio	52,98	56,68	58,69	61,54	70,30	168,35
Revenue per Delivery Engineer	62,57	66,31	69,97	72,79	83,62	--
EBIT per FTE Ratio	7,97	8,65	6,85	4,86	4,26	9,86
HR Department Ratio, points:						
HR-to-Employee Ratio	3,07	2,87	4,78	4,12	4,08	1,58
HR Expense Ratios, %:						
HR Expenses to Revenue Ratio	24	25	26	27	27	--
HR Expenses to Operations Expenses Ratio	28	29	30	30	28	1,20
Employment Ratio, %:						
Turnover Rate	21,97	33,48	21,14	26,96	54,98	14,00
Employment Ratio, %:						
Annual Salary Increase	5,37	6,54	7,40	8,52	10,21	3,00
Salary to Operating Expense	35,87	45,54	25,27	27,13	30,18	45,00

Source: developed by author on the basis of [1, 40]

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Revenue per full-time employees (FTE) indicates the total amount of revenue collected during an organization's fiscal year divided by the number of employees. This ratio shows how the time and effort associated with the firm's human capital impacts the Luxoft Inc. revenue output. The ratio enhancement depicts the increase in efficiency and productivity because more output is being produced per employee. If the ratio decreases, it indicates less efficiency and productivity. As far as we can see, the ratio increasing year over year and the productivity enhanced from $52 980 per employee in FY14 to $70 300 per employee in FY18 or by 32,69% in total. However, it is still lower than the global index [1].

As the Luxoft Inc. is an IT outsource company, the employees in companies of this industry are conditionally divided to two groups: Cost Center and Profit Center. To the Cost Centers referred departments that support the overall business processes such as Administration, Marketing as well as HR and Recruitment. The Profit Centers consists of Engineering and Development departments which generating goods and services transferred to the company's revenue. Considering this fact, the revenue per full-time employee's ratio should be adjusted with taking into account only Profit Centers in order to understand the real human capital influence to the company's revenue and growth.

The Profit Centers consists of Engineering and Development departments which generating goods and services transferred to the company's revenue. Considering this fact, the revenue per full-time employee's ratio should be adjusted with taking into account only Profit Centers in order to understand the real human capital influence to the company's revenue and growth.

That is why, we turning to the Revenue per Delivery Engineer ratio that links the efforts and time spent by IT professionals and the company's Revenue. This ratio is also continuously increasing year over year from $62 570 in FY14 to 83 620 in FY18 or by 33,64 % in total.

The next human capital efficiency ratio is EBIT per full-time employee. In contradiction to revenue per FTE ratio, which has only one factor (revenue), EBIT per FTE shows the impact of adjusted employees' value (excluding its costs) on the company's profit. From the table 2.6 we can see that this indicator is decreasing year over year, which is the negative tendency and it can be explained by inefficient compensations and benefits (C&B) policy, weak performance management and business processes organization as well as high amounts of the cost-per-hire. Every of these factors are linked one to each other and in combination very negatively impact on the overall company's performance [40].

HR Department ratios show the effectiveness of the company's HR department's organization and the efficiency of HR specialists. HR-to-Employee ratio depicts the percentage of HR specialists in the entire company's headcount. From the dynamic, we see that this ratio increases year over year, which could mean that the effectiveness of HR organization within the Luxoft Inc. is diminishing. It could be explained by the high volumes of Luxoft Inc. acquisitions for the last five years which demands from the company a bigger pool of the HR specialists to ensure the smooth and fast acquired companies' integration into the Luxoft family.

HR Expense to Operations Expense ratio shows the amount of HR expenses as a percentage of total operating expenses, which is an indication of the number of dollars the organization invests in its HR function. The global indicator is 1,20 %, while the company's ratio is 28% in FY18. This situation can also be explained with the high role of HR specialists in the company, especially in newly-acquired companies' integration.

One of the main indicators of human capital management of every company is a turnover ratio. Every organization strives to minimize its index and commonly, it is the main purpose of HR function extinction – to lessen to zero the employees' turnover within the company [40].

Unfortunately, Luxoft Inc. has a negative tendency in enhancement the employees' turnover ratio which indicates HR function incapability to retain personnel in the company. Talking about the normative standards it will be incorrect to compare the global employees' turnover index with the particular company as there are a huge difference between the turnover ratio in various industries. In IT companies the average ratio of employees' turnover in 2017 was one of the highest among all industries – 20%. The difficulty with retaining tech talent is high-demand and increasing compensation within the industry: as employers and offers get more competitive, top talent is more eager to quit and refer on new opportunities. According to LinkedIn data, almost half (49%) of departing technical employees take another job within the IT sector.

This theory is also supported by the next ratios – annual salary increase and salary to operations expenses. Annual salary increase in Luxoft Inc. are comparatively higher than the global ratio of salary increase, and it is growing year over year as the IT industry becomes more and more challenging. Despite this fact, the percentage of salary expenses in the overall operations expenses remained lower than the global index. This means that the company is not efficiently utilizing its expenses and the compensation and benefits (C&B) policy should be reconsidered further.

Now, we'll try to compare the Luxoft Inc. HR efficiency ratios with its main rival – EPAM Systems Inc. (tab. 2.7).

Table 2.7

The Comparison of the Efficiency Ratios of HR Management in EPAM Systems Inc. and Luxoft Inc. during 2015 – 2018 Fiscal Years

HR Efficiency Measurement Ratios	EPAM Systems Inc.				Luxoft Inc.			
	2014	2015	2016	2017	2014	2015	2016	2017
Organizational Ratios, thousands of USD:								
Revenue per FTE Ratio	51,74	49,80	51,83	55,87	56,68	58,69	61,54	70,30
Revenue per Delivery Engineer	61,74	56,86	59,07	63,07	66,31	69,97	72,79	83,62
EBIT per FTE Ratio	6,16	5,78	5,65	6,71	8,65	6,85	4,86	4,26
HR Expense Ratios, %:								
HR Expenses to Revenue Ratio	22	24	23	22	25	26	27	27
HR Expenses to Operations Expenses Ratio	25	28	26	25	29	30	29	28
Employment Ratio, %:								
Annual Salary Increase	3,01	4,54	6,63	7,75	6,54	7,40	8,52	10,21
Salary per Operating Expense	70,91	70,15	71,82	72,12	45,54	25,27	27,13	30,18

Source: developed by author on the basis of [7]

EPAM Systems Inc. – a leading global provider of software product development and digital platform engineering services to clients located around the world, primarily in North America, Europe, Asia and Australia. In contradiction to Luxoft Inc., EPAM

Systems Inc. has lower concentration of the clients within one area and more efficient delivery model.

Considering the Organizational Ratios, despite the fact that Revenue per FTE ratios and Revenue per Delivery Engineer ratios EPAM Systems Inc. has lower than Luxoft Inc. during the 2017 – 2014 years, the mostly adjusted organizational index – EBIT to FTE in EPAM Systems Inc. is higher than at Luxoft which means that EPAM provides more rationalized policy regarding the performance management, C&B, and business process management.

HR Expenses Ratios are almost equal in EPAM and Luxoft, but EPAM maintains the indexes a 1 – 2 % lower than Luxoft.

More interesting data, we could find out from the employment ratios: the annual salary increase ratio at EPAM Systems Inc. is lower than in Luxoft Inc., but the percentage of salary expenses in the total operations expenses are higher in two times than the Luxoft Inc. ratios, which shows that EPAM Systems Inc. is providing more generous C&B policy. Unfortunately, there are no data to research its employees' turnover ratio, so it is hard to compare its C&B policy impact to the overall company's success.

So, there were find out that the most crucial problems that HR organization at Luxoft Inc. facing are high employees' turnover rates (that increasing year over year), weak performance management and business processes organization as well as inefficient C&B policy.

Currently, HR management of Luxoft Inc. struggling to support the overall business strategy especially in building a well-managed and cost-effective delivery model as well as retaining top-quality talent.

As far as we can see out of its annual reporting, the HR management efforts and costs are primarily concentrated on the integration of the newly-acquired companies and lowering concentration of the company's employees in CEE with the aim to develop more strategic partnership in North America and APAC (Asia-Pacific Region).

Conclusions to the Part 2

Having analyzed the financial and economic performance of Luxoft Inc. during 2013 – 2017 calendar years (or according to the company's accounting principles, which begins every financial year from the 31 March of the previous calendar year, and the US GAAP methodology, 2014-2018 financial years) we can make a conclusion that it has high indicators of solvency, this means that the enterprise has a low financial risk and can pay the debts to the debtors. High ratios of financial stability indicate the sufficient level of financial independence of the enterprise. Analysis of turnover ratios shows a decrease of these indicators during the analyzed period. Decrease in profitability ratios in 2013-2017 indicates overaccumulation of assets and difficulties with newly-acquired companies.

Analysis of human resources management of the Luxoft Inc. shows that the company has a very differentiative labor structure all around the world, but the biggest share of its employees are located in CEE because of the high concentration of the clients in this area, low labor costs, favorable governmental policy. However, the company's business strategy strives to lessen the concentration of labor in one location to 30%.

In the process of assessment of existing human resources of the company, were calculated the efficiency of HR management and compared results with the global trends and its main rival – EPAM Systems Inc. The analysis depicted such problem in the HR organization of the Luxoft Inc.: high employees' turnover rates (that increasing year over year), weak performance management and business processes organization as well as inefficient C&B policy.

PART 3. STRATEGIC DIRECTIONS OF IMPROVEMENT HR MANAGEMENT ORGANIZATION IN LUXOFT INC.

3.1. Development of a Set of Measures to Increase the Efficiency of HR Management of Luxoft Inc.

After conduction the financial-economic analysis and analysis of the effectiveness of human resources management of Luxoft Inc. in FY14 – FY18, we can highlight the problems posing the greatest threat to the enterprise and the effective functioning of the staff (tab. 3.1):

Table 3.1

The Main Problems of the HR Management of Luxoft Inc. in 2014 – 2018 Financial Years

Problems	Reasons
High employee turnover ratio	Projects cut downs and weak retaining measures
	Unfair compensation policy
	Work content
Human capital underperformance	Inefficient business process management organization
	Low rates of employee engagement
	Low communication between the departments

Source: developed by author on the basis of [Annex H, tab. H.1; tab. 2.6; tab. 2.7]

So, the main two problems that currently HR management in Luxoft Inc. is unable to cope with were determined. This is the high employee turnover ratio and human capital underperformance. Also, in the Part 2 of this work were defined and explained the main reasons which caused such problems.

Reasons for high employee turnover ratio are firstly, great dependence on the Top 5 company's clients, which began to change its internal business strategies and caused to employees' and costs' reductions in projects the Luxoft Inc. provided. The weak retaining measures and inability to 're-sell' the redundant workforce to another client through its Internal Mobility affects the company's Employer Brand and its attractiveness for the potential employees [2, p. 253].

The reason of the unfair compensation policy lies in the unformed compensations and benefits (C&B) policy as it is currently developing. Since the Luxoft Inc. is an IT outsource company, for a long time there were no necessity to build C&B department and develop a unified compensation tariff grid because every company's client set each price for the outsource employees' work. But nowadays with the rapid growth of the rivals in the IT outsource markets, it became a great problem to unify the remuneration package, so that be a competitive on the market.

The reason for the work content lies in the specificity of the products and services the company provide.

The second main problem of the company is the human capital underperformance or in other words, its return on investment. The first reason of this problem is the inefficient business process management organization. It preliminary lies in the high bureaucracy within the company caused by inefficient working procedures. Two other reasons (low employee engagement rate and low communication between departments) are linked one with each other. The low interaction between departments explained by the work content on each project for the clients. For example, the company's Financial Line of Business, which serves several banks and financial organizations to include UBS and Deutsche Bank (Top 2 accounts in the company), demands a high-security for the work. That is why the employees working on these projects, are on the restricted territory and has difficulties in the communication with other company's departments because of the client's requirements.

The low rates of employee engagement are explained by the inefficient prioritization in HR budget utilization. As in the other organizations, the Luxoft Inc. executive management allocates the funds into HR budget for the following:

- Health insurance
- Employer branding

- Sports activities
- Corporate parties
- Consultancy services of outside agencies

For the past five years the overall scenario of HR budget forecasting and utilization remained the same and was not re-considered. During the last five years, the changes in the HR budget in such budget items as sports activities, corporate parties, and employer branding were linked to the amount of employees and there were any qualitative changes.

Since we have determined the main company's problems and their reasons in the human resources that slow down the company's development, the next step is to evaluate the company's HR management capabilities and weaknesses. With regard to this, the SWOT-analysis is as follows (tab. 3.2):

Table 3.2

The SWOT-Analysis Matrix of the Human Resources Management in Luxoft Inc.

Strengths	Weaknesses
- Highly-qualified staff; - Retention program; - High volume of acquisition of the new companies and entering into new markets year over year; - Well-known employer brand; - Soft-skills training - Advanced Professional Training Center; - Preparing strong base of potential employees; - Strong social responsibility; - Ongoing digital transformation; - Number of clients enhances.	- The high concentration of the human resources in CEE region; - Unbalanced number of employees assigned to HR Specialists (HR Partners) throughout the locations; - Unfair HR budget allocation throughout the locations; - Weak collaboration between strategic departments; - No work-life balance; - Lack of unified C&B policy.
Opportunities	**Threats**
- Cheap labor force within operating locations; - Governmental subsidiaries in CEE; - New markets expansion;	- Project cut downsizes due to the clients' requests resulting in increasing employee turnover ratio; - Increase of tax and salary tax payments in particular locations; - Strained governmental situation between Russia and Ukraine – two largest company's locations; - Sanctions against Russia; - Competitors can afford higher salaries.

Source: developed by author on the basis of [8, p. 115-128]

Having analyzed the activity of Luxoft Inc. a standard SWOT matrix was constructed and the following conclusions were formulated:

- The field of company's Strengths and Opportunities

Taking into account such competitive advantages in the market as the presence of a strong base of IT specialists (as at 31.03.2018 there were 79% of employees having Master's or equivalent degree or higher in company, along with 75% of employees, who had experience in the industry for more than 5 years), rapid growth of clients, as well as a growing number of newly-acquired companies by Luxoft Inc., also, a strong employer brand - all these facts provides the company with all the essentials for the company's rapid entry into other markets.

Another strong side and opportunity is the widespread development of corporate social responsibility over the last few years. Since 2017, the charity incubator initiative has been launched but this initiative is not working smoothly due to given the low level of funds allocated and the low awareness of employees about this initiative.

The company also has a fairly large number of educational programs designed to develop personnel, retain staff, and create a pool of potential employees. In Luxoft there are both programs for raising the technical level of knowledge and soft-skills training programs such as BRIDGE mentoring program and Leadership Academy. Moreover, the company provides succession planning initiatives such as PPM University aimed to develop future company's leaders.

At the same time, the company has an initiative of students' attraction and growing its own personnel – the program for juniors.

- The field of the company's Strengths and Threats:

Luxoft Inc. has a rather strong position in the markets, so it is necessary to pay attention to the staff at the company to increase the number of highly skilled candidates for positions in the company and enhance retention measures in the company to reduce personnel turnover.

Such a factor as the impossibility to compete with other companies in the compensation rates can be replaced by the introduction of the various types of non-material motivation - training, team building, corporate parties, the formation of a solid corporate culture.

Such a threat as a high concentration of the company's profits from a small number of clients is now balanced by the high activity of the company in entering new markets and increasing the number of new customers.

The company is currently struggling to resolve the threat of aggravation of political relations between Ukraine and Russia, as well as the threat of deterioration in doing business in Russia through political and economic blockade, by introducing a strategy to reduce the concentration of labor force in one country to 30% in the short-term, and up to 20% in the long run.

- The field of the company's Weaknesses and Opportunities.

The weakness of the company is the lack of the unified C&B policy, resulting in differentiation of the-same-weight-specialists between projects and increasing dissatisfaction with work in the company. The weak communication between strategically important units, as well as the low level of intervention of HR Partners in the affairs of the units negatively affect the development of the company.

The significantly different number of employees assigned to the HR Partners in various locations creates a threat of lack of HR presence in the work process of employees, as well as reduces the effectiveness of the HR Partner.

In this case, HR management needs to create a unified C&B policy as well as unified HR budget allocation scenario, adjust the collaboration between various departments, and also support the creation of projects for cooperation between different departments.

- The field of the company's Weaknesses and Threats.

The company must pay special attention to the updating of units, the review of the functions performed by the HR employees and the increase of staff development opportunities in order to reduce staff turnover, as there is the possibility of absorbing the company's employees in the market by its rivals. Taking into account the fact that the company's business in some regions is uneven, it is necessary to highlight the most problematic locations with a high employees' turnover ratio and to develop special measures for the selected locations. It is also important to develop a unified C&B policy and to improve existing employee retention measures. Moreover, HR specialists need to regularly conduct mood monitoring and pay special attention to the problems of employees. The recent research shows, companies that pay a lot of attention to employees have lower staff turnover ratios than others.

HR management should also elaborate a broad non-material motivation scenario. These scenarios need to be changed annually and designed to strengthen the corporate spirit of the company and cooperation between departments.

So, after provision the SWOT-analysis of the human resources on the Luxoft Inc. and scrutinizing the outcomes, the next steps should be conducted. The next steps are elaboration of appropriate HR efficiency improvement measures that are aligned with the overall company's strategy. For this case, better fits the model of Balanced Scorecard suggested by R. S. Kaplan and D. Norton (tab. 3.3).

Table 3.3

HR Balanced Scorecard for Luxoft Inc.

BCS perspective	**Organizational strategic goal**	**HR strategy**	**HR management tasks**
1	**2**	**3**	**4**
Financial perspective	**Increase profit and revenue**	Enhance employee performance	Assessment of personnel performance
	Cost reduction / optimization	Optimize personnel cost	Adjust C&B policy
			Adjust administration costs
		Decrease Employees' Turnover	Improve retention toolkit
			Provide risks and value prediction measures

Continuation of the tab. 3.3

1	**2**	**3**	**4**
Customer perspective	**Customer satisfaction**	Enhance internal customer satisfaction	Internal Customer Satisfaction Index
Internal processes prospective	**Process improvement**	Facilitate the implementation of performance improvement projects	Total performance improvement projects registered
			Total performance improvement projects completed

	Effective asset management	Improve recruitment process	Decrease cost-per-hire
Learning and Growth Perspective	**Promote high-performance work culture**	Employees' development and training	Training programs launching
			Assessment of training effectiveness
			Succession planning
			Outside training activities
	Increase employee engagement	Corporate engagement activities	Elaborate corporate engagement activities scenario annually (unified and with regard to locations' specificities)
			Conduction of the staff engagement surveys
	Improve industrial relation	Employer brand	Participation in conferences, organizations, etc.
		CSR activities	Promote activities of the company's CSR hub

Source: developed by author on the basis of [8, p.123-128; 45, p. 77-79]

‘The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals’ [44, p. 79-81].

The Balanced Score Card is a multidimensional framework that gives top managers a fast but comprehensive view of the business. The BSC enables us to look at the business from four important perspectives:

– *Financial*: To satisfy shareholders, what are the financial objectives that need to be accomplished?
– *Customers*: To achieve financial objectives, what are the customer needs must serve?
– *Internal Process*: Which internal processes the organizations should excel to satisfy shareholders and customers?
– *Learning and Growth:* How should organizations develop and modernize to obtain the objectives?

So, this approach helps companies to systematize and the overall business strategies with the strategies of every department (in this case – HR department).

From this table the following HR strategies could be highlighted:

- Enhance Employee Performance
- Optimize Personnel Cost
- Decrease Employees' Turnover
- Enhance Internal Customer Satisfaction
- Facilitate the implementation of performance improvement projects
- Improve recruitment process
- Employees' Development and Training
- Corporate Engagement Activities
- Employer Brand
- CSR Activities

Every of these strategies had its tasks that necessary to complete in order to attain the positive result. Currently, Luxoft Inc. are working on the major part of these strategies, but there are gaps that should be filled or there are strategies that should be changed due to its inefficiency.

3.2 The Strategy of Enhancing the Effectiveness of HR Management in Luxoft Inc.

In the part 3.1 were highlighted the initial problems of HR management in the Luxoft Inc. as well as determined the areas of HR functions shat should be improved. In order to elaborate the efficient strategy to enhance the HR management effectiveness, firstly we need to prioritize current issues and its ways for improvement (tab 3.4)

Table 3.4

Ranking of Proposed Solutions for the Development of Project for Improvement the HR Organization in Luxoft Inc.

Proposed projects	Effect for the enterprise	Period for completion	The necessity in additional funds	Complexity of introduction	Σ, points
Decrease employees' turnover	High	Medium-term	Low	Complex	10
Improvement of employee communication – creation of social work platform	Middle	Short-term	Average	Complex	9
Company's culture	Middle	Medium-term	Average	Complex	8
The creation of unified C&B policy	High	Long-term	High	Very complex	6

Source: developed by author on the basis of [tab. 3.3]

For the article ‘Effect for the enterprise’: ‘High’ - 3 points, ‘Middle’ - 2 points, ‘Low’ - 1 points;

For the article ‘Period for completion’: ‘Long-term’ (more than 3 years) - 1 point, ‘Medium-term’ (2-3 years) - 2 points, ‘Short-term’ (up to 2 years) - 3 points;

For the article ‘The necessity in additional funds’: ‘High’ - 1 point, ‘Average’ - 2 points, ‘Low’ - 3 points;

For the article ‘Complexity of introduction’: ‘Very complex’ - 1 point, ‘Complex’ - 2 points, ‘Simple’ - 3 points.

So, as far as we can see from the tab. 3.4, currently, the most important project is the decrease of the employees' turnover.

In order to correctly organize the overall project management flow, the tool such as HR Strategy Process Map will be applied (Appendix H). This map contains of four stages: Development of HR project, Budgeting, Action Plan, and Analysis of Outcomes.

Stage 1. Development of HR project

Information we have available for the development of HR project is business strategy – to enhance the overall company's profitability.

Activities: On this stage the main goals are to determine how much HR strategy aligns with the company's strategy and identify the main gaps in the HR strategy. For this were completed financial-economic analysis of the Luxoft Inc. and HR management benchmarking of the company, analyzed outcomes. Than were provided SWOT-analysis and built BCS (balanced scorecard) in order to determine the gaps in the HR management.

As a result: we received an outcome – the problem areas in the company's HR management.

Stage 2. Action plan elaboration and budgeting

On the second stage, we have identified the most important ways of improvement among others and choose the project for implementation through the conduction of the project ranking. The most important project currently is decreasing the employees' turnover.

Based on the experience of other companies in the IT outsource industry and current HR trends were decided under this initiative to do the following:

1. Improve onboarding process

1.1 Development and launch of employees' handbook:

1.1.1 The marketing department and HR discuss the content of the employees' handbook (*1 week*);

1.1.2 The marketing department in collaboration with HR and Process Management departments creates three types of employees' handbook model (2 *months*);

1.1.3 The expert group evaluates all three models and makes the decision on the final version (*1 week*);

1.1.4. The final digital version of the employees' handbook is placing on the LuxTalent (the special system of Luxoft Inc. for employee professional development) and the paper version is ordering and printing (*2 weeks*).

1.2 Clear and regular communication in the first three months between employee, manager, and HR Partner:

1.2.1 HR Partner conducting two-times in month one-to-one meeting or call (Skype for Business tool) with the new hire (*2 times per month*);

1.2.2 HR Partner conducting interactive mood monitoring (MM) (1.5-week and 1.5-month) with the correct communication of this method to the employee and the feedback session to his manager on the MM outcomes – everything is processing in the internal HR system (HRIS) (*1.5-week and 1.5-month after the new employee joining the company*);

1.2.3 Conduct the employees' feedback about the company, manager, and overall situation in the HRIS before the completion of the probation period and schedule the meeting to discuss the essential problems of onboarding process (*3 month after the new employee joining the company*).

2. Improve employee engagement in the company:

2.1 Conduct corporate parties in the company:

2.1.1 HR directors from all regions on the meeting are presenting the consolidated annual calendar of parties for every location with regard to peculiarities of every country and discuss the main parties for every location and the common ones for the overall company (*2 weeks*);

2.1.2 HR Partners elaborate the unified strategy for celebrating such common parties as New Year party (the last Friday of each Year) and Luxoft Day party (the 14th June each Year) and define the budget for each of these parties (*2 weeks*);

2.1.3 Provide an employee survey all around the company to define the preferences for party conduction and scenario as well as elaborate the finalized strategy and budgets (*2 weeks*);

2.1.4 Conduct parties within estimated deadlines and budgets (*the New Year Party – the last Friday of each Year and the Luxoft Day – 14th June each Year*);

2.1.5 Perform post-party employee satisfaction survey, process the outcomes in HRIS, and analyse results to elaborate the strategy for the next year (*1 month*);

2.2 Conduct teambuildings and activities to enhance employees' loyalty and business process engagement:

2.2.1 Provide employee survey on their preferences on types of teambuildings (*1 week*);

2.2.2 Each HR Partner with the Delivery Manager should determine teambuildings' calendar for each line of business and project with regard to conduction teambuildings from 2 to 3 times during the year and discuss which types of teambuildings should be covered by company's budget or by clients' budget (*3 weeks*);

2.2.3 Conduct teambuildings and gather employees' feedback in HRIS to count all mistakes;

2.3 Define and improve the atmosphere inside the teams and projects:

2.3.1 HR department and Directors conduct the meeting with Delivery Managers to discuss the most appropriate ways for team spirit enhancement (*2 weeks*);

2.3.2 HR department orders a few tools for improvement the team spirit – assessment games, and testing them by themselves (2 *weeks*);

2.3.3 Every HR Partner prepares the heatmap and Risk and Value analysis on each of assigned teams and schedule the appointments for the teams with the most dangerous atmosphere to provide team audits and assessment games for defining problems and recommending improvements (5 *months*);

2.3.4 The results on the provided measures are collected and processed in the HRIS (*after every meeting – during the 5 months*).

Stage 3. Action plan completion

1. Improve onboarding process

The overall process for the development and launch of employees' handbook will take 3 months. In this period the model of the handbook will be determined and created as well as the orders in locations will be placed. The cost for ordering, printing, and delivering employees' handbooks to all locations are provided in the tab. 3.5.

Table 3.5

Cost for Printing the Employees' Handbooks for Luxoft Inc. by Locations

Location	Number of employees in 2017, n	Estimated number for Employee Handbooks, n	Price for Employee Handbooks, $	Total Price, $
Ukraine	3775	376	5,50	2068,00
Russia	2668	267	7,50	2002,50
Poland	1991	200	8,00	1600,00
Romania	1665	167	7,80	1302,60
United States	851	85	10,14	861,90
United Kingdom	325	33	9,80	323,40
Other Locations	1623	162	3,15	510,30
Total	12898	1290	-	8668,70

Source: developed by author on the basis of [62; 69; 70]

As far as we can see from the tab. 3.5, the total cost for the printing the new employee handbooks is **8668,70$**. All costs were provided in USD and were calculated with regard to current prices for book printing in such locations: Ukraine, Russia, USA, UK, Poland, Romania, India, China, and Vietnam – as these locations are the biggest ones and there are an opportunity for sheeping the products to the near places. The amounts of the employees' handbook for every location were calculated as the 10% from the headcount to the 2017 year.

2. Improve employee engagement in the company

The overall pre-party process will take 1,5 months and the overall post-party process of analyzing the outcomes will take 2 months. Within this timeframe the HR department will determine the appropriate party scenario for each party. The approximate budget for an employee for these parties is shown in tab. 3.6.

Table 3.6

Cost for Corporate Parties for Luxoft Inc. by Locations

Location	Number of employees in 2017, n	Cost for New Year Party conduction per person, $	Cost for Luxoft Day Party conduction per person, $	Total Cost, $
Ukraine	3775	30	17	177 425
Russia	2668	40	25	173 420
Poland	1991	40	25	129 415
Romania	1665	40	25	108 225
United States	851	100	75	148 925
United Kingdom	325	100	75	56 875
Other Locations	1623	60	45	170 415
Total	12898	-	-	964 700

Source: developed by author on the basis of [62; 69; 70]

As far as we can see from the tab. 3.6, the total cost for the parties conduction is **964 700$**. All costs were provided in USD and were calculated with regard to current prices for catering and well-being in such locations.

Teambuildings and activities to enhance employees' loyalty and business process engagement were decided to conduct in the bite-sized format. It means that the activity calendar will be conducted for every location with regard to 6 small activities per quarter or 2 small activies per month during the year. This is related to activies that will be covered by the company's HR budget. Since the Luxoft Inc. is outsource IT company, which provide the services for various clients, every project assigned to each client has it own sponsored budget where is also the item for teambuildings.

Such bite-sized approach will be more practical and economy than the usual format of teambuildings.

The budget for each activity is determined in such measures for every location (tab. 3.7).

From the tab. 3.7, the total cost for the teambuildings conduction is **52 800$**. All costs were provided in USD and were calculated with regard to current prices for catering and well-being in such locations.

Table 3.7

Cost for Teambuilding Activities for Luxoft Inc. by Locations

Location	Times per year for teambuildings, N	Cost for one teambuilding conduction, $	Total Cost, $
Ukraine	24	200	4 800
Russia	24	250	6 000
Poland	24	250	6 000
Romania	24	200	4 800
United States	24	500	12 000
United Kingdom	24	500	12 000
Other Locations	24	300	7 200
Total	-	-	52 800

Source: developed by author on the basis of [62; 69; 70]

The provision of team audits and assessment games for every project is the most complicated stage of the project as it requires the great professional skillset and competencies, a lot of motivation and patience as well as stability and good relations with all Delivery Managers from every HR Partner. The overall process will take approximately 6 months and the costs will include the bying of assessment games.

Luxoft Inc. has an agreement with the Thomas International for performing unlimited DISC assessments during the year, which can be utilized in team audits.

Assessment games aimed to reveal the undetermined by DISC assessment problems and can help to find the possible solutions of conflicts between the team members. They also help to strengthen the team spirit. Such games were decided to choose: Hear the Color, Dixit, The Island, The Mafia. The cost of each game is 40$ for each location. Consequestnly, the overall costs for 42 locatios are 4*40*42 = **6 720$.**

So, the overall costs of HR project will be as follows (tab. 3.8).

According to the table 3.8, the overall estimated annual costs for the proposed HR project to improve the HR organizations' efficiency is **1 032 888 $**.

Table 3.8

The Budget for HR Project in Luxoft Inc. during the 2019 Financial Year, USD

Location	Cost for the Employee Handbook	Cost for the corporate parties	Cost for teambuildings	Cost for assessment games	Total Cost
Ukraine	2 068	177 425	4 800	480	184 773
Russia	2 002	173 420	6 000	800	182 222
Poland	1 600	129 415	6 000	640	137 655
Romania	1 302	108 225	4 800	160	114 487
United States	861	148 925	12 000	1120	162 906
United Kingdom	323	56 875	12 000	320	69 518
Other Locations	510	170 415	7 200	3200	181 325
Total	8 668	964 700	52 800	6720	1 032 888

Source: developed by author

As it was already noted, the HR expenses in Luxoft Inc. will increase year over year (YOY) by **1 032 888 $** in planned 2018 year (for Luxoft Inc. it will ve 2019 financial year), and by **1 026 168 $** in the next three years – 2019, 2020, 2021 (FY20, FY21, FY22). The difference between these costs is the cost for assessment games – **6 720 $**, since these games are not necessarily to buy each year.

Stage 4. Analysis of outcomes

The final analysis of real outcomes will be conducted by the end of the 2018 financial year. The main aim of the project was to reduce the employees' turnover rate by 55% each year.

3.3 Forecasting the Impact of the Recommended Measures on Financial Results of the Luxoft Inc. in 2019-2021 Years

The main goal of the analysis of the efficiency of the HR organization is to identify the objective opportunities for the most rational utilization of the company's human capital with the aim of achieving business goals and to determine the optimal measures and instruments for HR management for a promising period. Therefore, the calculations usually use forecast data on the links between HR ratios, HR costs and the company's revenue (profits).

In Part 3.2 we have developed a strategy for the improvement of Luxoft Inc. HR organization. We have suggested concentrating on reducing the employees' turnover ratio by improving the onboarding process and enhancing the employee engagement. In the part of the onboarding process, we plan to develop and launch the specialized manual for the newcomers with the all useful information in order to ensure fast and smooth employee's integration to the company and therefore increase the performance ratio as well as secure the company's employer brand and reduce 1-year employee attrition. In the part of employee engagement were recommended to unify the scenario for corporate parties, introduce bite-sized team-building system as well as regularly provide team audits to assess the current situation in every team for conflicts and possible attrition mitigation. Our goal is to reduce the employees' turnover by 30% year over year and to enhance the productivity per employee. So let's calculate the changes in employee headcount for Luxoft Inc. in FY19-FY22 (2018 – 2021) (tab. 3.9).

Table 3.9

The Forecast of Employee Indexes in Luxoft Inc. for 2019-2022 Financial Years

Indexes	Plan	Forecast		
	31/03/2019	31/03/2020	31/03/2021	31/03/2022
Overall number of employees, N	12471	14341	16492	18966
Growth rate, %	15,00	15,00	15,00	15,00
Employees left the company, N	4487	3612	2907	2340
Turnover rate, %	38,49	26,94	18,86	13,20

Source: developed by author on the basis of [tab. 2.5; tab. 2.6; tab. 3.8]

During the calculations we supposed that the turnover rate will reduce by 30% year ober year – since this is the aim of our proposed project. The headcount growth we took from the officially stated company's strategy [8, p. 89]. It shoud be 15% year over year till 2021 year.

From the table 3.9 we can see forecasted changes in the overall employee headcount and in the nimber of employees who left the company during the fiscal year.

So, as far as we can see, the turnover rate in 2021 year (FY22) should be 13,20% or, in other words, to come to the normative point as it was mentioned in Part 2 [40]. Moreover, the number of employees leaving the company should also decrease from 5948 employees in 2017 (FY18) to 2340 employees in 2021 (FY22).

The next step will be finding out the links between the company's Revenue and the nuber of employees in the company, we will calculate the correlation between such indicators to reveal the strength of such links.

So, the correlation between the changes in the company's Revenue and the number of company's employees is 0,97. It means that the company's revenue is very sensitive to the changes in the number of employees of the company. It also shows that we are on the right way to improve not only the HR organizations' efficiency but also the overall company's business strategy.

Since we revealed the dependency between the number of employees and the company's revenue, let's calculate the forecasted financial results for 2018-2021 years (FY19-FY22) (tab. 3.10).

In the table 3.10 we supposed that the decrease of the turnover ratio will cause **the 20% of HR cost savings for hiring employees**. Also, calculated the HR expenses for 2018 year (FY19) as the simple forecast (extrapolation method) – **20% of hiring costs** + **1 032 888$ -** the additional sum of money needed for the project completion.

The HR expenses for the next periods – 2019 (FY20), 2020 (FY21), and 2021 (FY22) were calculated as the simple forecast to previous years – **20% of hiring costs** + **1 026 168$ -** the additional sum of money needed for the project completion.

Table 3.10

The Forecasted Financial Results for Luxoft Inc. during 2019 – 2022 Financial Tears, Mln USD

Indexes	Current	Plan	Forecast		
	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022
Revenue	906,77	1 003,85	1 214,80	1 453,38	1 713,02
Gross Profit	338,89	379,49	449,26	528,16	614,03
Cost of Revenue	567,87	624,35	765,53	925,20	1 098,97
HR expenses	241,24	219,67	238,29	248,50	252,79
Other operating expenses	37,57	40,92	44,58	48,56	52,89
Operating income	60,08	118,90	166,40	231,11	308,37
Other income	2,71	-4,73	-8,79	-14,33	-20,94
EBIT	62,79	114,17	157,61	216,78	287,43
Income tax	7,63	20,42	31,92	47,60	66,31
Net income	57,01	93,76	125,68	169,19	221,12

Source: Created by author on the basis of [Annex B, tab. B.1; tab. 3.9]

Take a note, that the sums for 2018 (FY19) and 2019-2021 (FY20-22) are differ by **6 720$ -** this is the overall cost for employee assessment games which is not necessarily to buy each year.

The other indicators were calculated utilizing the extrapolation method.

As far as we can see, the revenue will increase for the next 4 years significantly in comparison to the previous 5 years (fig. 3.1).

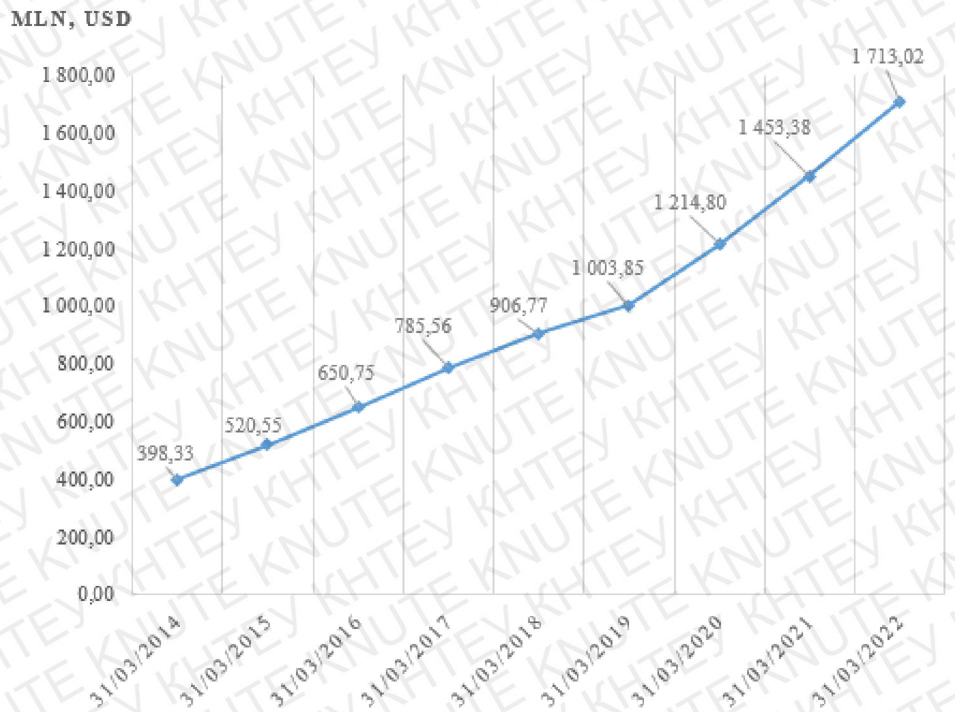

Figure 3.1 The dynamics of the revenue growth in the Luxoft Inc. during 2013-2021

From the fig. 3.1 we see that forecasted revenue in 2021 will higher by 89%, which is one of the desired outcomes of the overall business strategy of Luxoft Inc [8, p. 93].

This also shows that the HR strategy to enhance its organization's efficiency was chosen correctly and all activities are provided in a timely manner.

Also, from the tab. 3.10 we see that such indicators as gross profit, operating income, EBIT, and net income are growing accordingly. The main financial result here is the net income, which has changed from $57M in 2017 (FY18) to $221M in 2021 (FY22) or by over 287% during the 4 years.

This can be explained by the decrease in the HR expenses, which enabled the company to save money without the negatite impact on the worforce performance.

For the more careful analysis of the forecasted outcomes the HR benchmarking analysis and the profitability analysis should be conducted (tab. 3.11 and 3.12).

Table 3.11

The forecast of the profitability indicators analysis for the Luxoft Inc. during the 2018-2021 years

Indicators	2018	2019	2020	2021
Return On Revenue (Net Profit Margin)	9,34	10,35	11,64	12,91
Return On Sales (Operating Margin)	11,37	12,97	14,92	16,78
Operating Expense Ratio (OER)	7,75	6,65	5,64	4,89

Source: Created by author on the basis of [tab. 2.4; tab. 3.10]

In the table 3.11 are shown the positive tendency to increasing the profitability indicators which means that the company are healthy and effectively return its activity to the revenue.

The operating profit margin in 2013-2017 calendar years (FY14-FY18) depicted the negative tendency, but situation will change due to implemented HR project and decrease in the HR expenses by 20%.

From the table 3.11 it is shown that the net profit margin has also a positive tendency and depicts that on the 1$ spent there will be from 9,34$ in 2018 (FY19) to 12,91$ in 2021 (FY22) return. This could also mean in the Luxoft Inc. situation, that the company began to utilize costs more carefully and thoroughly.

The next analysis of forecasted results will be conducted on the HR efficiency ratios in order to define the overall effectiveness of the HR department in the Luxoft Inc. during the 2018 – 2021 forecasted period (tab. 3.12).

Table 3.11

The Forecast of the Efficiency Ratios for HR Management in Luxoft Inc. during 2019 – 2022 Financial Years

HR Efficiency Measurement Ratios	Financial Years				Absolute growth, n			Growth rate, %		
	Plan	Forecast								
	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2020	31/03/2021	31/03/2022	31/03/2020	31/03/2021	31/03/2022
Organizational Ratios:										
Revenue per Delivery Engineer, $	80,50	84,71	88,12	90,32	4,21	3,42	2,20	5,23	4,03	2,49
EBIT per FTE Ratio, $	9,16	10,99	13,14	15,15	1,83	2,15	2,01	20,04	19,61	15,29
HR Expense Ratios:										
HR Expenses to Revenue Ratio, $	21,88	19,62	17,10	14,76	-2,27	-2,52	-2,34	-10,36	-12,83	-13,69
HR Expenses to Operations Expenses Ratio, $	24,82	22,73	20,33	18,00	-2,09	-2,40	-2,34	-8,44	-10,55	-11,48
Employment Ratio:										
Turnover Rate, %	38,49	26,94	18,86	13,20	-11,55	-8,08	-5,66	-30	-30	-30

Source: Created by author

In the table 3.12 are measured such HR efficiency indicators as: revenue per delivery engineer, EBIT per FTE ratio, HR expenses to revenue ratio, HR expenses to operations expenses ratio, and turnover rate.

Revenue per Delivery Engineer is the ratio that links the efforts and time spent by IT professionals and the company's revenue. This ratio had been continuously increasing year over year from $62 570 in FY14 to 83 620 in FY18 or by 33,64 % in total. But the point is that despite the fact of the positive growth tendency, the ratio remained low in comparison to the world's normatives and the company's main rivals (Part 2 of this work). This is the first and one of the main issues of the HR management improvement that the project aimed to address. From the tab. 3.12 we also see the positive tendency of this index growth. This index changed from 80,50$ per engineer in 2018 to 90,32$ per engineer. Perhaps, the growth rate shows the slowing down which can be an alarm for changing the new HR strategy to another one. Since the IT sphere are growing too fast it is necessary for its HR dapertments to be abreast of the newest trends and be the pioneers in such innovations integrations.

The next human capital efficiency ratio is EBIT per full-time employee. In contradiction to revenue per FTE ratio, which has only one factor (revenue), EBIT per FTE shows the impact of adjusted employees' value (excluding its costs) on the company's profit. From the table 3.12 we can see that this indicator began to increase year over year, which in contradictory to the previous-years results is the positive tendency and it can be explained by inculcated improvements to the employee engagement and consequesntly – performance management as well as reduction of costs in the cost-per-hire by 20%.

HR Expense to Operations Expense ratio is an indicator of the number of dollars the organization invests in its HR function. The global indicator is 1,20 %, while the company's ratio was 28% in 2017. Perhaps, the situation is expected to change in the further 4 years and the forecasted ratio will be from 24,82% in 2018 (FY19) to 18,00% in the 2021 (FY22).

Conclusions to the Part 3

Based on the previous analysis of the efficiency of HR organization in Luxoft Inc. were defined the main problems in managing and motivating human resources of the company, which negatively impacts the overall business results. It was decided to decrease the employee turnover rate to increase profits in the future. For this, an HR strategy was developed for the IT company to ensure such outcomes.

The first stage of developing the strategy for improving the HR organization's eficicency of the company is determination of the overall company's business strategy goals of well-being in the international market. The overall business strategy of the Luxoft Inc. is to increase revenue, development of new clients and markets as well as improve its performance management.

Among the main strategic goals of the HR department of Luxoft Inc. are the following:

- Reduce the employees' turnover rate by 30% year over years during the 4 yeasr (2018 – 2021);
- Decrease the cost per hire by 20% and increase the company's headcount by 15% year over year;
- Increase the revenue per delivery engineer rate;
- Improvement of the onboarding process for the newcomers and the employee engagement process to increase the employees' loyalty to the company.

Analysis of the company's resource base, SWOT-analysis, and the Balanced Scorecard analysis confirmed the feasibility of introduction of proposed HR project.

It was decided to create the HR Strategic Project Map to define aech stages for the project elaboeation and implementation into the company. It is planned to divide the HR organizations'efficiency improvement project to two parts: improve onboarding process and improve employee engagement initiatives.

Within the onboarding process enhancement initiative were proposed to develop and launch of employees' handbook and to adjust clear and regular communication in the first three months between employee, manager, and HR Partner. Within the employee engagement process were decided to conduct corporate parties in the company, provided teambuildings and activities to enhance employees' loyalty and business process engagement as well as define and improve the atmosphere inside the teams and projects through the provision of team audits and assessment games.

The company needs **1 032 888 $** in order to perform such a project in the planned period – 2018 calendar year (FY19) and **1 026 168 $** in the next three years – 2019, 2020, 2021 (FY20, FY21, FY22). The difference between these costs is the cost for assessment games – **6 720 $**, since these games are not necessarily to buy each year.

We predict that employees' turnover ratio will reduce by 30% year over year, the HR expenses will reduce by 30% year over year due to diminishing the costs per hire, and the employees' headcount of the company will increase by 15% year over year.

Consequently, the company's revenue will increase by 89% till 2020 and the net profit of the company will increase accordingly. The profitability indicators will also enhance which means that the company become healthy and effectively return its activity to the revenue.

The net profit margin ratio will show also a positive tendency and depict that on the 1$ spent there will be from 9,34$ in 2018 (FY19) to 12,91$ in 2021 (FY22) return. This could also mean in the Luxoft Inc. situation, that the company began to utilize costs more carefully and thoroughly.

Revenue per Delivery Engineer index will also change from 80,50$ per engineer in 2018 financial year to 90,32$ per engineer in forecasted 2022 financial year. Perhaps, the growth rate according to the predication will show the slowing down which can be an alarm for changing the new HR strategy to another one. Since the IT sphere are growing too fast it is necessary for its HR departments to be abreast of the newest trends and be the pioneers in such innovations integrations.

CONCLUSIONS

According to the results of the study, the following conclusions can be drawn:

It is determined that the HR management is the area of science and practical activities aimed to provide the organization with high-quality staff capable of performing the work functions assigned to it, and its optimal use. HR management is an integral part of the organization's quality management systems.

It is investigated that the HR organizations' efficiency indicators can be grouped in different ways: by subjective and objective criteria, by areas of the impact on the business (economic, social, organizational), and by HR management functions (HR management, financial management, staffing, talent management, and total rewards).

The main methodologies for evaluation of HR organizations' efficiency: Efficiency of HR management operations (financial approach), HR activity and 'best practice' indexes approach, HR scorecard approach, and causal chain approach. Each of the approaches has its advantages and disadvantages.

Object of research is the process of formation the efficient HR organizations' strategy of the international IT enterprise.

Having analyzed the financial performance of Luxoft Inc. during 2013-2017, we can make a conclusion that it has high indicators of solvency, this means that the enterprise has a low financial risk and can pay the debts to the debtors. High ratios of financial stability indicate the sufficient level of financial independence of the enterprise. Analysis of turnover ratios shows a negative tendency of these indicators during the analyzed period. Periods of accounts receivable turnover and borrowed capital turnover also have a positive trend. Decrease in profitability ratios in 2013-2017 indicates. The investigated company should search for alternative sources of optimization of HR organization of the enterprise and improve its labor policy.

Analysis of human resources management of the Luxoft Inc. shows that the company has a very differentiative labor structure all around the world, but the biggest share of its employees are located in CEE because of the high concentration of the clients in this area, low labor costs, favourable governmental policy. However, the company's business strategy strives to lessen the concentration of labor in one location to 30%.

In the process of assessment of existing human resources of the company, were calculated the efficiency of HR managemen and compared with the global trends and its main rival – EPAM Systems Inc. The evaluation showed the negative tendency in growing the employees' turnover rate, and low revenue per employee, which means that the Luxoft Inc. has to improve the existing HR management strategy.

There was developed a strategy for improving the HR organization's efficiency of the company in order to support the overall company's business strategy goals for well-being in the international market.

Among the main strategic goals of the HR department of Luxoft Inc. are the following:

- Reduce the employees' turnover rate by 30% year over years during the 4 yeasr (2018 – 2021);
- Decrease the cost per hire by 20% and increase the company's headcount by 15% year over year;
- Increase the revenue per delivery engineer rate;
- Improvement of the onboarding process for the newcomers and the employee engagement process to increase the employees' loyalty to the company.

Analysis of the company's resource base, SWOT-analysis, and the Balanced Scorecard analysis confirmed the feasibility of introduction of proposed HR project.

It was decided to create the HR Strategic Project Map to define aech stages for the project elaboeation and implementation into the company. It is planned to divide the HR organizations'efficiency improvement project to two parts: improve onboarding process and improve employee engagement initiatives.

Within the onboarding process enhancement initiative were proposed to develop and launch of employees' handbook and to adjust clear and regular communication in the first three months between employee, manager, and HR Partner. Within the employee engagement process were decided to conduct corporate parties in the company, provided teambuildings and activities to enhance employees' loyalty and business process engagement as well as define and improve the atmosphere inside the teams and projects through the provision of team audits and assessment games.

The company needs **1 032 888 $** in order to perform such a project in the planned period – 2018 calendar year (FY19) and **1 026 168 $** in the next three years – 2019, 2020, 2021 (FY20, FY21, FY22). The difference between these costs is the cost for assessment games – **6 720 $**, since these games are not necessarily to buy each year.

Consequently, the company's revenue will increase by 89% till 2020.

The project aimed to reduce turnover ratio by 30% year over year, the HR expenses aimed to reduce by 30% year over year due to diminishing the costs per hire, and the employees' headcount of the company aimed to increase by 15% year over year.

Consequently, the company's revenue will increase by 89% till 2020 and the net profit of the company will increase accordingly. The profitability indicators will also enhance which means that the company become healthy and effectively return its activity to the revenue.

The net profit margin ratio will show also a positive tendency and depict that on the 1$ spent there will be from 9,34$ in 2018 (FY19) to 12,91$ in 2021 (FY22) return. This could also mean in the Luxoft Inc. situation, that the company began to utilize costs more carefully and thoroughly.

Revenue per Delivery Engineer index will also change from 80,50$ per engineer in 2018 financial year to 90,32$ per engineer in forecasted 2022 financial year. Perhaps, the growth rate according to the predication will show the slowing down which can be an alarm for changing the new HR strategy to another one. Since the IT sphere are growing too fast it is necessary for its HR departments to be abreast of the newest trends and be the pioneers in such innovations integrations.

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Annex A

Table A.1

Consolidated Annual Balance Sheet of Luxoft Holding Inc. during 2014 – 2018 Financial Years, mln USD*

Article	31/03/14	31/03/15	31/03/16	31/03/17	31/03/18
1	2	3	4	5	6
I. Current Assets					
Cash & Equivalents	37,50	45,59	108,55	109,56	104,36
Short Term Investments	--	0,00	--	--	--
Cash and Short Term Investments	37,50	45,59	108,55	109,56	104,36
Accounts Receivable - Trade, Gross	79,28	103,57	131,28	145,30	188,22
Provision for Doubtful Accounts	-0,65	-1,30	-0,08	-0,44	-1,23
Accounts Receivable - Trade, Net	104,50	136,54	147,29	159,32	220,30
Receivables - Other	6,72	6,99	6,41	5,56	7,13
Total Receivables, Net	111,23	143,53	153,69	164,87	227,43
Inventories - Work In Progress	4,72	1,45	1,60	2,81	3,73
Total Inventory	4,72	1,45	1,60	2,81	3,73
Restricted Cash - Current	--	--	0,00	4,00	0,07
Deferred Income Tax - Current Asset	1,03	1,86	--	--	--
Other Current Assets	2,30	2,69	3,33	5,22	8,04
Other Current Assets, Total	3,32	4,55	3,33	9,22	8,11
Total Current Assets	**156,77**	**195,12**	**267,17**	**286,46**	**343,63**
II. Non-Current Assets					
Buildings – Gross	8,12	--	14,63	19,47	19,94
Land / Improvements – Gross	5,28	--	5,28	5,28	5,28
Machinery / Equipment – Gross	34,79	--	72,09	89,78	104,93
Construction in Progress – Gross	0,29	--	1,27	0,54	1,20
Other Property / Plant / Equipment – Gross	0,37	--	0,89	0,65	0,66
Property / Plant / Equipment, Total – Gross	48,85	--	94,16	115,71	132,00
Accumulated Depreciation, Total	-22,40	0,00	-48,08	-66,14	-79,26
Property / Plant / Equipment, Total – Net	26,45	34,73	46,07	49,57	52,74
Goodwill, Net	11,35	29,25	30,29	76,92	88,91
Intangibles – Gross	37,24	--	74,09	165,91	172,94
Accumulated Intangible Amortization	-16,23	--	-30,31	-45,48	-66,57
Intangibles, Net	21,01	41,79	43,78	120,43	106,37
Deferred Income Tax – Long Term Asset	0,00	1,52	3,17	3,42	4,35
Restricted Cash – Long Term	--	--	0,00	1,40	2,78
Other Long Term Assets	2,12	2,64	4,07	9,01	5,05
Other Long Term Assets, Total	2,12	4,16	7,24	13,83	12,17

Continuation of the Table A.1

1	2	3	4	5	6
Total Non-Current Assets	**60,93**	**109,92**	**127,37**	**260,75**	**260,19**
Total Assets	**217,70**	**305,04**	**394,54**	**547,21**	**603,82**
III. Current Liabilities					
Accounts Payable	10,58	9,70	8,27	24,40	25,96
Accrued Expenses	15,36	19,86	27,36	38,51	49,59
Notes Payable / Short Term Debt	20,48	1,33	0,46	0,63	0,86
Customer Advances	1,95	9,84	5,05	3,82	4,11
Income Taxes Payable	8,97	17,38	22,53	21,28	22,92
Other Payables	1,80	9,67	8,59	17,98	7,21
Other Current Liabilities	0,93	0,92	1,50	2,03	2,30
Other Current liabilities, Total	13,64	37,81	37,67	45,10	36,53
Total Current Liabilities	**60,05**	**68,70**	**73,76**	**108,65**	**112,94**
IV. Long-Term Liabilities					
Total Long Term Debt	0,00	0,00	0,00	0,00	0,00
Total Debt	20,48	1,33	0,46	0,63	0,86
Deferred Income Tax – Long Term Liability	2,81	3,86	5,51	16,91	10,83
Deferred Income Tax	2,81	3,86	5,51	16,91	10,83
Minority Interest	0,03	0,03	0,03	0,03	0,03
Other Long Term Liabilities	5,22	14,35	13,54	34,84	10,10
Other Liabilities, Total	5,22	14,35	13,54	34,84	10,10
Total Long-Term Liabilities	**68,11**	**86,95**	**92,84**	**160,42**	**133,90**
V. Equity					
Common Stock	--	0,00	0,00	0,00	0,00
Common Stock, Total	--	0,00	0,00	0,00	0,00
Additional Paid-In Capital	83,39	89,17	107,48	133,19	155,46
Retained Earnings (Accumulated Deficit)	67,47	130,62	200,87	263,51	320,52
Treasury Stock - Common	--	--	-2,67	-6,03	-3,42
Other Comprehensive Income	-1,28	-1,70	-3,98	-3,89	-2,64
Other Equity, Total	-1,28	-1,70	-3,98	-3,89	-2,64
Total Equity	**149,59**	**218,09**	**301,70**	**386,79**	**469,92**
Total Liabilities & Shareholders' Equity	**217,70**	**305,04**	**394,54**	**547,21**	**603,82**

* The company's financial year (FY) starts from the 1 April of the previous year and ends on 31 March this year [8, p. 17]

Annex B

Table B.1

Consolidated Income Statement of Luxoft Holding Inc. during 2014 – 2018 Financial Years, mln USD*

Article	31/03/14	31/03/15	31/03/16	31/03/17	31/03/18
1	2	3	4	5	6
Net Sales of Services	398,33	520,55	650,75	785,56	906,77
Revenue	398,33	520,55	650,75	785,56	906,77
Cost of Revenue (exl depreciation & amortization)	229,54	293,96	379,33	474,98	567,87
Gross Profit	168,79	226,59	271,42	310,58	338,89
Selling / General / Administrative Expenses, Total	95,95	128,95	171,71	213,72	241,24
Depreciation & Amortization	34 669,00	16,83	23,81	34,85	42,67
Impairment-Assets Held for Use	--	--	0,00	5,29	8,24
Other Unusual Expense (Income)	0,92	1,17	-3,68	-12,02	-13,34
Total Operating Expense	339,35	440,91	571,17	716,82	846,69
Operating Income	58,98	79,64	79,58	68,75	60,08
Interest Income (Expense), Net-Non-Operating, Total	-3,60	-8,09	0,00	-1,37	1,15
Gain (Loss) on Sale of Assets	-0,10	-0,07	-0,04	-0,23	-0,49
Other Non-Operating Income (Expense)	0,66	1,50	2,82	3,36	2,05
Income Before Income Taxes	55,94	72,98	82,36	70,50	62,79
Income Tax (Expense) Gain	4,71	9,83	12,11	7,87	7,63
Net Income After Taxes	51,23	63,15	70,25	62,64	55,15
Net Income Before Extraordinary Items	51,23	63,15	70,25	62,64	55,15
Extraordinary Item	--	--	--	--	1,86
Total Extraordinary Items	0,00	0,00	--	--	1,86
Net Income	51,23	63,15	70,25	62,64	57,01
Income Available to Common Excluding Extraordinary Items	51,23	63,15	70,25	62,64	55,15
Income Available to Common Stocks Including Extraordinary Items	51,23	63,15	70,25	62,64	57,01
Basic Weighted Average Shares	32,13	32,79	32,95	33,28	33,70
Basic EPS Excluding Extraordinary Items	1,59	1,93	2,13	1,88	1,64
Basic EPS Including Extraordinary Items	1,59	1,93	2,13	1,88	1,64
Diluted Net Income	51,23	63,15	70,25	62,64	57,01
Diluted Weighted Average Shares	32,24	33,11	34,09	34,00	34,25
Diluted EPS Excluding Extraordinary Items	1,59	1,91	2,06	1,84	1,61
Diluted EPS Including Extraordinary Items	1,59	1,91	2,06	1,84	1,66
Other Unusual Expense (Income), Supplemental	--	-1,33	--	--	--
Non-Recurring Items, Total	--	-1,33	--	--	--
Total Special Items	1,02	-0,10	-3,64	-6,50	-4,61
Normalized Income Before Taxes	56,96	72,88	78,72	64,00	58,18
Effect of Special Items on Income Taxes	0,09	-0,01	-0,53	-0,73	-0,56
Income Taxes Excluding Impact of Special Items	4,79	9,81	11,57	7,14	7,07

Continuation of the Table B.1

1	2	3	4	5	6
Normalized Income After Taxes	52,17	63,06	67,15	56,86	51,10
Normalized Income Available to Common	52,17	63,06	67,15	56,86	51,10
Basic Normalized EPS	1,62	1,92	2,04	1,71	1,52
Diluted Normalized EPS	1,62	1,90	1,97	1,67	1,49
Amortization of Intangibles, Supplemental	4,07	--	9,75	15,30	21,09
Depreciation, Supplemental	8,88	16,83	14,07	19,54	21,59
Rental Expense, Supplemental	17,52	21,57	23,69	22,05	25,83
Stock-Based Compensation, Supplemental	1,42	5,78	18,20	28,98	28,97
Advertising Expense, Supplemental	1,39	2,28	2,94	3,32	2,88
Audit Fees	--	--	0,85	1,11	1,53
Audit-Related Fees	--	--	0,06	0,02	0,00
Tax Fees	--	--	0,02	0,01	0,13
All Other Fees	--	--	0,00	0,00	0,00
Gross Margin	42,38	43,53	41,71	39,54	37,37
Operating Margin	14,81	15,30	12,23	8,75	6,63
Pretax Margin	14,04	14,02	12,66	8,97	6,92
Effective Tax Rate	8,41	13,47	14,70	11,16	12,16
Net Profit Margin	12,86	12,13	10,80	7,97	6,08
Normalized EBIT	59,90	79,47	75,90	62,01	54,98
Normalized EBITDA	72,85	96,31	99,71	96,86	97,65
Current Tax - Domestic	0,44	1,00	--	--	--
Current Tax - Foreign	5,81	9,99	--	--	--
Current Tax - Total	--	--	12,67	11,26	9,91
Current Tax - Total	6,25	11,00	12,67	11,26	9,91
Deferred Tax - Domestic	--	--	--	--	-2,28
Deferred Tax - Foreign	-0,75	-0,47	--	--	--
Deferred Tax - Total	-0,80	-0,70	-0,56	-3,40	--
Deferred Tax - Total	-1,54	-1,17	-0,56	-3,40	-2,28
Income Tax - Total	4,71	9,83	12,11	7,87	7,63
Interest Cost - Domestic	--	--	--	0,01	0,03
Service Cost - Domestic	--	--	--	0,46	0,62
Prior Service Cost - Domestic	--	--	--	0,00	0,13
Actuarial Gains and Losses - Domestic	--	--	--	-0,62	1,30
Domestic Pension Plan Expense	--	--	--	-0,15	2,09
Defined Contribution Expense - Domestic	16,30	20,61	31,28	42,82	56,88
Total Pension Expense	16,30	20,61	31,28	42,67	58,97
Total Plan Interest Cost	--	--	--	0,01	0,03
Total Plan Service Cost	--	--	--	0,46	0,62

*The company’s financial year (FY) starts from the 1 April of the previous year and ends on 31 March this year [8, p. 17]

Annex C

Table C.1

Horizontal Analysis of Assets of Luxoft Inc. During 2014-2018 Financial Years*

Article	Volume, mln USD					Absolute Comparison, N				Growth Rate, %			
	31/03/14	31/03/15	31/03/16	31/03/17	31/03/18	31/03/15	31/03/16	31/03/17	31/03/18	31/03/15	31/03/16	31/03/17	31/03/18
Current Assets:													
Cash and Short Term Investments	37,50	45,59	108,55	109,56	104,36	8,09	62,96	1,01	-5,20	21,57	138,10	0,93	-4,75
Total Receivables, Net	111,23	143,53	153,69	164,87	227,43	32,30	10,16	11,18	62,56	29,04	7,08	7,27	37,95
Total Inventory	4,72	1,45	1,60	2,81	3,73	-3,27	0,15	1,21	0,92	-69,28	10,34	75,63	32,74
Other Current Assets, Total	3,32	4,55	3,33	9,22	8,11	1,23	-1,22	5,89	-1,11	37,05	-26,81	176,88	-12,04
Total Current Assets	**156,77**	**195,12**	**267,17**	**286,46**	**343,63**	**38,35**	**72,05**	**19,29**	**57,17**	**24,46**	**36,93**	**7,22**	**19,96**
Non-Current Assets:													
Property / Plant / Equipment, Total - Net	26,45	34,73	46,07	49,57	52,74	8,28	11,34	3,50	3,17	31,30	32,65	7,60	6,39
Goodwill, Net	11,35	29,25	30,29	76,92	88,91	17,90	1,04	46,63	11,99	157,71	3,56	153,95	15,59
Intangibles, Net	21,01	41,79	43,78	120,43	106,37	20,78	1,99	76,65	-14,06	98,91	4,76	175,08	-11,67
Other Long Term Assets, Total	2,12	4,16	7,24	13,83	12,17	2,04	3,08	6,59	-1,66	96,23	74,04	91,02	-12,00
Total Non-Current Assets	**60,93**	**109,92**	**127,37**	**260,75**	**260,19**	**48,99**	**17,45**	**133,38**	**-0,56**	**80,40**	**15,88**	**104,72**	**-0,21**
Total Assets	**217,70**	**305,04**	**394,54**	**547,21**	**603,82**	**87,34**	**89,50**	**152,67**	**56,61**	**40,12**	**29,34**	**38,70**	**10,35**

* The company's financial year (FY) starts from the 1 April of the previous year and ends on 31 March this year [8, p. 17].

Horizontal Analysis of Liabilities of Luxoft Inc. during 2014 – 2018 Fin

Article	Volume, mln USD					Absolute Comparison, N			
	31/03/14	31/03/15	31/03/16	31/03/17	31/03/18	31/03/15	31/03/16	31/03/17	31/03/1
Current Liabilities									
Accounts Payable	10,58	9,70	8,27	24,40	25,96	-0,88	-1,43	16,13	1,56
Accrued Expenses	15,36	19,86	27,36	38,51	49,59	4,50	7,50	11,15	11,08
Notes Payable / Short Term Debt	20,48	1,33	0,46	0,63	0,86	-19,15	-0,87	0,17	0,23
Other Current liabilities, Total	13,64	37,81	37,67	45,10	36,53	24,17	-0,14	7,43	-8,57
Total Current Liabilities	**60,05**	**68,70**	**73,76**	**108,65**	**112,94**	**8,65**	**5,06**	**34,89**	**4,29**
Liabilities:									
Total Debt	20,48	1,33	0,46	0,63	0,86	-19,15	-0,87	0,17	0,23
Deferred Income Tax – Long Term Liability	2,81	3,86	5,51	16,91	10,83	1,05	1,65	11,40	-6,08
Minority Interest	0,03	0,03	0,03	0,03	0,03	0,00	0,00	0,00	0,00
Other Liabilities, Total	5,22	14,35	13,54	34,84	10,10	9,13	-0,81	21,30	-24,74
Total Long-Term Liabilities	**8,06**	**18,24**	**19,08**	**51,78**	**20,96**	**10,18**	**0,84**	**32,70**	**-30,82**
Equity:									
Additional Paid-In Capital	83,39	89,17	107,48	133,19	155,46	5,78	18,31	25,71	22,27
Retained Earnings (Accumulated Deficit)	67,47	130,62	200,87	263,51	320,52	63,15	70,25	62,64	57,01
Treasury Stock - Common	0,00	0,00	-2,67	-6,03	-3,42	0,00	-2,67	-3,36	2,61
Other Comprehensive Income	-1,28	-1,70	-3,98	-3,89	-2,64	-0,42	-2,28	0,09	1,25
Other Equity, Total	-1,28	-1,70	-3,98	-3,89	-2,64	-0,42	-2,28	0,09	1,25
Total Equity	**149,59**	**218,09**	**301,70**	**386,79**	**469,92**	**68,50**	**83,61**	**85,09**	**83,13**
Total Liabilities & Shareholders' Equity	**217,70**	**305,04**	**394,54**	**547,21**	**603,82**	**87,34**	**89,50**	**152,67**	**56,61**

*The company’s financial year (FY) starts from the 1 April of the previous year and ends on 31

Vertical Analysis of Assets of Luxoft Inc. during 2014 – 2018 Financ

Article	Volume, mln USD					Percentage, %			
	31/03/14	31/03/15	31/03/16	31/03/17	31/03/18	31/03/15	31/03/16	31/03/17	31/03/18
Current Assets:									
Cash and Short Term Investments	37,50	45,59	108,55	109,56	104,36	14,95	27,51	20,02	17,28
Total Receivables, Net	111,23	143,53	153,69	164,87	227,43	47,05	38,95	30,13	37,67
Total Inventory	4,72	1,45	1,60	2,81	3,73	0,48	0,41	0,51	0,62
Other Current Assets, Total	3,32	4,55	3,33	9,22	8,11	1,49	0,84	1,68	1,34
Total Current Assets	**156,77**	**195,12**	**267,17**	**286,46**	**343,63**	**63,97**	**67,72**	**52,35**	**56,91**
Non-Current Assets:									
Property / Plant / Equipment, Total - Net	26,45	34,73	46,07	49,57	52,74	11,39	11,68	9,06	8,73
Goodwill, Net	11,35	29,25	30,29	76,92	88,91	9,59	7,68	14,06	14,72
Intangibles, Net	21,01	41,79	43,78	120,43	106,37	13,70	11,10	22,01	17,62
Other Long Term Assets, Total	2,12	4,16	7,24	13,83	12,17	1,36	1,84	2,53	2,02
Total Non-Current Assets	**60,93**	**109,92**	**127,37**	**260,75**	**260,19**	**36,03**	**32,28**	**47,65**	**43,09**
Total Assets	**217,70**	**305,04**	**394,54**	**547,21**	**603,82**	**100,00**	**100,00**	**100,00**	**100,00**

*The company's financial year (FY) starts from the 1 April of the previous year and ends on 31

Vertical Analysis of Liabilities of Luxoft Inc. during 2014 – 2018 Fina

Article	Volume, mln USD					Percentage, %			
	31/03/14	31/03/15	31/03/16	31/03/17	31/03/18	31/03/14	31/03/15	31/03/16	31/03/17
Current Liabilities:									
Accounts Payable	10,58	9,70	8,27	24,40	25,96	4,86	3,18	2,10	4,46
Accrued Expenses	15,36	19,86	27,36	38,51	49,59	7,06	6,51	6,93	7,04
Notes Payable / Short Term Debt	20,48	1,33	0,46	0,63	0,86	9,41	0,44	0,12	0,12
Other Current liabilities, Total	13,64	37,81	37,67	45,10	36,53	6,27	12,40	9,55	8,24
Total Current Liabilities	**60,05**	**68,70**	**73,76**	**108,65**	**112,94**	**27,58**	**22,52**	**18,70**	**19,86**
Liabilities:									
Total Debt	20,48	1,33	0,46	0,63	0,86	9,41	0,44	0,12	0,12
Deferred Income Tax – Long Term Liability	2,81	3,86	5,51	16,91	10,83	1,29	1,27	1,40	3,09
Minority Interest	0,03	0,03	0,03	0,03	0,03	0,01	0,01	0,01	0,01
Other Liabilities, Total	5,22	14,35	13,54	34,84	10,10	2,40	4,70	3,43	6,37
Total Long-Term Liabilities	**8,06**	**18,24**	**19,08**	**51,78**	**20,96**	**3,70**	**5,98**	**4,84**	**9,46**
Equity:									
Additional Paid-In Capital	83,39	89,17	107,48	133,19	155,46	38,31	29,23	27,24	24,34
Retained Earnings (Accumulated Deficit)	67,47	130,62	200,87	263,51	320,52	30,99	42,82	50,91	48,16
Treasury Stock - Common	0,00	0,00	-2,67	-6,03	-3,42	0,00	0,00	-0,68	-1,10
Other Comprehensive Income	-1,28	-1,70	-3,98	-3,89	-2,64	-0,59	-0,56	-1,01	-0,71
Other Equity, Total	-1,28	-1,70	-3,98	-3,89	-2,64	-0,59	-0,56	-1,01	-0,71
Total Equity	**149,59**	**218,09**	**301,70**	**386,79**	**469,92**	**68,71**	**71,50**	**76,47**	**70,68**
Total Liabilities & Shareholders' Equity	**217,70**	**305,04**	**394,54**	**547,21**	**603,82**	**100,00**	**100,00**	**100,00**	**100,00**

*The company’s financial year (FY) starts from the 1 April of the previous year and ends on 31

The Horizontal Analysis of HR Organizations' Efficiency Ratios in Luxoft Inc. during 2

HR Efficiency Measurement Ratios	Fiscal Years					Absolute Comparison, N			
	31/03/2014	31/03/2015	31/03/2016	31/03/2017	31/03/2018	31/03/2015	31/03/2016	31/03/2017	31/03/2018
Organizational Ratios:									
Revenue per FTE Ratio, $	52,98	56,68	58,69	61,54	70,30	3,70	2,01	2,84	8,77
Revenue per Delivery Engineer, $	62,57	66,31	69,97	72,79	83,62	3,74	3,65	2,83	10,83
EBIT per FTE Ratio, $	7,97	8,65	6,85	4,86	4,26	0,69	-1,81	-1,99	-0,59
HR Department Ratios:									
Employee Coverage by HR Ratio, N	74,45	102,04	41,68	46,09	46,73	27,60	-60,36	4,41	0,65
HR-to-Employee Ratio, N	3,07	2,87	4,78	4,12	4,08	-0,20	1,91	-0,66	-0,04
HR Expense Ratios:									
HR Expenses to Revenue Ratio, $	0,24	0,25	0,26	0,27	0,27	0,01	0,02	0,01	-0,01
HR Expenses to Operations Expenses Ratio, $	0,28	0,29	0,30	0,30	0,28	0,01	0,01	0,00	-0,01
Employment Ratio:									
Turnover Rate, %	21,97	33,48	21,14	26,96	54,98	11,51	-12,34	5,82	28,02
Total Rewards Ratios:									
Avg Salary per FTE, $	5,37	6,54	7,40	8,52	10,21	1,17	0,85	1,13	1,69
Salary to Operating Expense, $	11,90	13,63	14,36	15,18	15,55	1,73	0,73	0,82	0,38

*The company's financial year (FY) starts from the 1 April of the previous year and ends on 31

The Strategic HR Project Map for Development of the HR Project for

Timeframe		**April 2018**	**May 2018 - June 2018**		**July 20**
Stage		**Development of HR project**	**Action plan elaboration and budgeting**		**Action**
Input	**Information**	Business strategy	Business strategy, high-level people objectives	Action plans and proposed budgets for corporate and division HR initiatives	HR Projec
Activities		1. Business leaders and HR managers take business strategy and pull out people issues; 2. People issues are refined into a set of high-level objectives; 3. High-level people objectives shared across the organization.	1. HR management examines high-level people objectives and determines what HR must do to accomplish those goals; 2. HR management develops action plan; 3. HR management sets specific targets based on plan and monetizes initiatives.	1. Parties reconvene and discuss budget; 2. Budget allocations force prioritization of initiatives; 3. Negotiations around priorities result in human capital strategy, including HR strategy component.	1. New e handbook 2. The sce parti 3. Team b dev 4. Assessi determ
Output		High-level objectives for people strategy	HR project action plan	HR project action plan with budget	The proje