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on the topic:

**“OUTSOURCING IN THE FORMATION OF COMPETITIVE
ADVANTAGES OF SUBJECTS OF INTERNATIONAL ECONOMIC
ACTIVITY”**

(based on the data of LLC “Leadium Inc”, Kyiv)

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CONTENTS

INTRODUCTION.....	3
PART 1 RESEARCH OF THE MODERN STATE OF «LEADIUM INC.».....	5
1.1. Analysis of the international market of outsourcing.....	5
1.2. Analysis of the financial and economic activity of «Leadium Inc».....	14
Conclusions to the Part 1.....	26
PART 2 RESEARCH OF THE EFFECTIVENESS OUTSOURCING IN THE FORMATION OF COMPETITIVE ADVANTAGES OF «LEADIUM INC» AT THE EXTERNAL MARKET.....	28
2.1. Monitoring of the external environment of «Leadium Inc.».....	28
2.2. Assessment of outsourcing in the formation of competitive advantages «Leadium Inc»'s.....	35
Conclusions to the Part 2.....	43
PART 3 DIRECTIONS FOR INCREASING OUTSOURCING IN THE FORMATION OF COMPETITIVE ADVANTAGES «LEADIUM INC» AT THE EXTERNAL MARKET.....	45
3.1. Justification of measures of increasing competitive advantages of «Leadium Inc»	45
3.2. Forecast evaluation of the effectiveness of proposed measures for «Leadium Inc»	52
Conclusions to the Part 3.....	58
CONCLUSIONS.....	60
REFERENCES.....	63
APPENDICES.....	67

INTRODUCTION

The actuality of research. With the rapid development of technology and technology exchange, more and more countries become eligible to adopt new business models. Services and information are confidently taking the leading share in trading relationships, and every year thousands of new start-ups emerge and enter the market making the competition more and more severe.

IT companies and marketing agencies are the most typical business models that can operate worldwide, therefore, they are facing the competition in every country they want to promote their services. Such a situation leads to reasonable consequences – businesses are looking for the ways to increase their competitive advantage.

While minimizing the price might not be an option for a certain company, reducing the costs sounds much more feasible. One of the most certain ways to achieve that is the proper usage of outsourcing.

Many companies use outsourcing nowadays to delegate the part of their daily workflow, however, only a few of them truly leverage the outsourcing and take advantage of it.

A company that we explore in this work is a perfect example of deficient outsourcing management which we are going to review further.

It is possible to name a lot of scientific works of, mainly, foreign authors, that concern outsourcing in the IT industry. Thus, recent works by Suzanne Rivard and Benoit Aubert is dedicated to theoretical foundations and modern trends of IT outsourcing. Douglas Brown examines the issues of modern outsourcing and methodology for solving problems associated with its application.

Eric Boilen, Peter Ribbers and Jan Ross in their research give positive and negative examples of outsourcing by enterprises. Hans Sally-Sitter and Peter Gottschalk provide practical guidance on outsourcing and the establishment of effective relationships between the enterprise and the outsourcer. Mark Kobayashi-Hilary, Martin Muller, Frank Kleist in their writings studied features and prospects for IT outsourcing in India, China, and Eastern Europe.

The purpose of the research is to develop theoretical, methodological and practical recommendations for improving and ensuring the proper usage of outsourcing.

To achieve this purpose, it is necessary to solve the following tasks:

- to explore the international market of outsourcing;
- to analyze the financial and economic activity of Leadium Inc”;
- to monitor the foreign economic environment of Leadium Inc;
- to evaluate the current outsourcing efforts in outsourcing at Leadium Inc;
- to substantiate the measures for improvement of the current system of delegation;
- to make the forecast of effectiveness after implementing the proposed measures.

The object of research is the processes of the formation of a competitive advantage with the help of outsourcing.

The subject of research is theoretical, methodological and practical aspects of acquiring the competitive advantage by setting up an efficient outsourcing channel.

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, method of systematization and synthesis, grouping, classification, the dialectical method of cognition, table and graphic methods of economic-statistical analysis, system and complex approaches, methods of forecasting.

Practical value: the results obtained during the research can be used by any IT or Marketing start-up to improve the economic efficiency and build the fundament for further development.

Aprobation and utilization of research results: article “Outsourcing of IT services in Ukraine” in collection of scientific articles part 2 “International economics”, KNUTE, Kyiv, 2019.

The final qualifying paper consists of three parts. The first part covers theoretical and methodological aspects of outsourcing on the international market. In the second one, we conduct the research of the current economic situation at Leadium Inc. In the third, ways to improve the outsourcing strategy and increase the competitive advantage are suggested.

PART 1

RESEARCH OF THE MODERN STATE OF «LEADIUM INC.»

1.1. Analysis of the international market of outsourcing.

Outsourcing is a concept that has become an integral part of business life, which means a set of measures aimed at transferring certain processes and functions to another organization, which is professionally specialized in the field of these tasks. Outsourcing also has a longer duration of engagement than one-off services that are more occasional [1, p. 176].

Thus, by making a strategic outsourcing decision, the customer gains access to the existing business process, individual systems and infrastructure of external companies, concentrating on conducting the main activity in their company, increasing capacity with an increasing presence in the market.

The following processes have had a serious impact on the development of outsourcing globally:

- Technology - the complexity, location, and nature of outsourcing services. All of these criteria have reached enormous proportions and are continuing to grow, expanding their business opportunities.
- Internationalization - increased political and regulatory stability, improved workforce education, reduced resistance (and sometimes even aspiration) to mobility, implementation of cloud and mobile solutions.
- Economic and political factors - the need to adhere to the budget set in the public sectors of the economy, to strengthen the requirements for assessing the risks of financial services, such as the adoption of Directive 2004/39 / EU of the European Parliament and the Council governing the markets for financial instruments, the adoption of information protection legislation aimed at fighting corruption [2].

Technology tends to have the most significant impact on the development of outsourcing.

Guided by one of the important aspects of outsourcing - building business relations at the level of "customer - performer", the following outsourcing models are distinguished (Fig. 1.1.1).

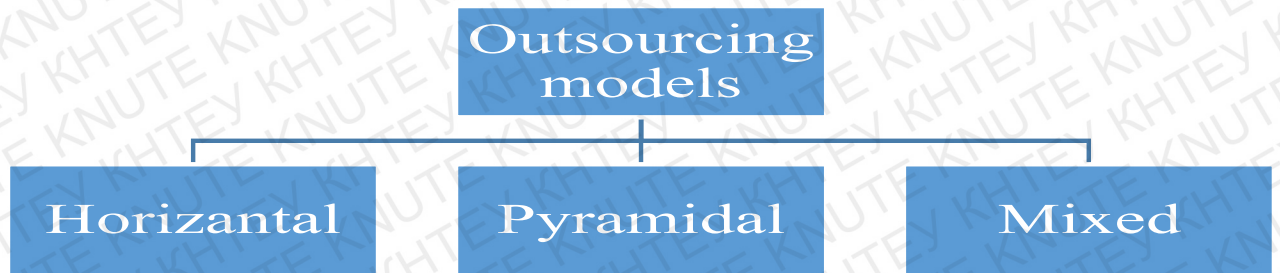


Fig. 1.1.1. Outsourcing models [2]

Unlike the horizontal model, which uses a larger number of performers to solve one task, the pyramid model provides for longer-term cooperation with the possibility of developing sectoral and cross-industry clusters. At the same time, in the practice of outsourcing of European countries, including Ukraine, there is a mix of pyramidal and horizontal models [3, p. 27]

Depending on the location of the customer and the contractor and their subordination, we distinguish the following types of outsourcing:

- Offshore - the customer and the contractor are located in different countries, with the contractor being a customer unit.
- Outsourcing - the customer and the contractor are in the same country and the contractor is an independent company.
- Offshore outsourcing - is a mixed type. The customer and the contractor reside in different countries, but the contractor is an independent company.

Depending on the tasks that are delegated to the executives, the following types of outsourcing can be distinguished:

- Production outsourcing - the transfer of production functions to the contractor.
- Business process outsourcing - the outsourcing of processes to a contractor that is not the principal activity of the customer.
- IT outsourcing - the outsourcing of customer information systems (for example, software development or support, site creation, related equipment maintenance).

Thus, the transfer of non-core and highly specialized activities of the customer is one of the undeniable advantages of outsourcing [4].

The use of human resources is the basis for successful outsourcing in the world. Among the executing countries are India, China, which receive orders from Europe, USA, and Japan. The trend is that the US is gradually reducing part of its orders to these countries, planning to reorient outsourcing within their country as far as possible. Japan, on the other hand, is increasing the number of external outsourcing orders that China receives. In Japan, however, there is a tendency to distribute a relatively small proportion of outsourcing orders to the foreign market, focusing on the choice of countries in the Asian region [5, p. 67].

Outsourcing of customers from European countries normally transfers to the contractors in Eastern and Central Europe, China and India. Relatively high market dynamics emerged as a result of the offshore outsourcing in boarding countries with lower resource costs. In its turn, Ukraine, as a country focused on exporting its services, supplies its services mainly to the USA, EU countries and Israel. Ukraine has consistently maintained its 20th position in the Global Services Location Index, GSLI's TOP-25, which has been prepared since 2004 by the American consulting firm A. T. Kearney. The outsourcing potential of each of the 55 participating countries is evaluated by 38 indicators, comparing financial attractiveness, professionalism and availability of the necessary human resources, as well as the business environment. Among the innovative economies of the world, according to Bloomberg, Ukraine went down one position and took 42nd place in 2018 [6, p. 42].

When deciding on outsourcing, companies consider the following outsourcing benefits:

- Demand-promoting factor. Attracting additional workforce.
- Cost reduction. Reduction of payments, as well as the absence of an additional social benefits package that the employer provides to its full-time employees, replacement of existing employees.
- Flexibility in costs. Includes work schedule, mobility and reduction of permanent staff, involvement of temporary workforce as needed.

- Access to the best professional skills. Achievable through replacing existing employees, access to a local workforce reserve, and methods available to third-parties.
- Predictable, standardized (international) processes. Leadership and quality of contract work, impact on margin and net profit of suppliers.
- Concentration of capital and rebalancing of regulatory or business risks. Particularly applicable to the financial services sector.
- Concentration of professional skills, technology, and internal interaction to solve the tasks [7, p. 5].

However, the practice of outsourcing in many countries can also be negative. Opponents oppose outsourcing, arguing the loss of jobs during the relocation of production processes, which is particularly noticeable in the industrial sector. Outsourcing advocates argue for a more efficient allocation of resources, which in turn is consistent with the nature of the market economy in the world.

The global market size of outsourcing services dynamics is irregular. It decreased from 104.6 billion in 2014 to 88.9 billion in 2015. After that, it fell down to 76.9 billion in 2016 and finally rose up to 88.9 billion in 2017. In 2018 this indicator stalled at 85.5 billion. US dollars. Such fluctuation leaks from the fact that outsourcing services providers are mostly underdeveloped countries, vulnerable to inflation and economic changes [8].

The rising need to optimize business processes will be one of the major drivers for the outsourcing market during the next few years. The rising requirement of organizations to align strategic planning with operational efficiency is driving the demand for outsourcing.

The IT outsourcing market is segmented on the basis of services, end users, and geography.

In general, the market size of outsourcing services has a positive trend and become more and more popular among the internet businesses, marketing agencies and IT segment (Fig. 1.1.2).

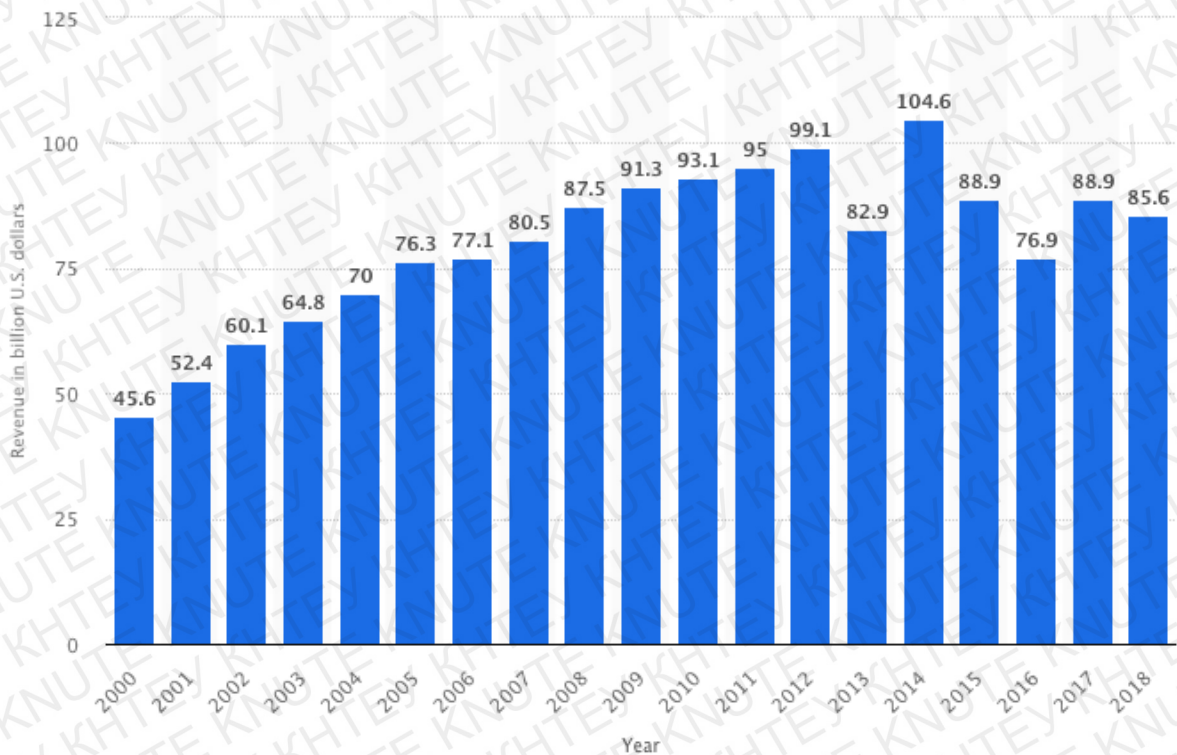


Fig. 1.1.2 Global outsourcing market size (in billion US dollars) [8]

Asia is practically the ‘tiger’ in the outsourcing software development jungle, and India remains the best place in terms of scale and availability of skills. The latest Tholons’ top 100 outsourcing cities further indicates that China, Philippines, and Vietnam are leading the pack from Asia. Here is an outlook of the overall destinations in Asia pegged as having the best services for software development solutions [9, p. 56].

India. India is renowned as an inexpensive outsourcing destination with a large pool of low-cost software developers and programmers. Besides the little costs of \$15/hour, the Indian urban population is also highly educated and semi-skilled in upcoming technical aspects. Their longtime experience in delivering IT services has also led the government to acknowledge the market growth in IT outsourcing and offers incentives in the best way they can. Also, the nation boasts of a vibrant technical background that has seen plenty of youths turn to acquire programming skills to an advanced level [10, p. 45]. TopCoder rating indicates India as the 12th most advanced

country in terms of Programming skill rankings across the outsourcing locations [11, p. 33].

Vietnam. Despite IT outsourcing being fairly young within Vietnam (20 years), the country is turning out to be a small but vibrant powerhouse for technology and software development outsourcing. The Asian-Pacific nation was the most improved in regards to the rank of software outsourcing servicing by the Global Services Location Index 201. Vietnam's success was prominent with the country rising by five places, competitive enough to now host companies like IBM, Intel, Samsung, Microsoft, and Nokia. That is despite the nation's history of being a socialist republic with a Communist political influence. Most clients find out that the country has a highly adaptive approach to upcoming software and tech developments. Some key players are FPT Software, TMA Solutions, Saigon Technology Solutions, CMC Software [12, p. 13].

Philippines. The Philippines has also undergone a quiet revolution which has reshaped the outsourcing software development business to meet the demands of rising industries. The 94% English literacy rate coupled with a robust university system produces over 30,000 graduates who are technically proficient in the IT and other technical, specialized areas. Further, the Philippines software developers are costing a fifth of the cost of developers in western countries plus boasting of over 20 years in offering onshore and offshore outsourcing industries. The business process outsourcing industry (BPO) has a record rate of growth more than 25% per year in just the past decade [13, p. 14].

Thailand. Another talented player in the outsourcing software development sector is Thailand. According to a 2016 survey by A.T Kearney, Thailand holds the number 6 position among the ASEAN countries with an efficient offshore labor market. The state has an excellent infrastructure with a robust university and college system to boost the IT offshoring workforce each year. The improving use of the English language has also made Thailand heaven for foreign investors seeking IT services such as mobile application development, web design, IT consulting, digital marketing, software quality assurance, and testing [14, p. 41].

China. There is a strong indication to China offering some of the best tech and IT services not only in the region but also across the globe. Already a PwC report found that a growing number of IT companies are setting up in China to take leverage of the knowledge base in UI, full-stack, mobile, enterprise and game software present within the country. The market size of the efficient software development services is estimated to be over 30,000 professionals with excellent skills that rank one and two according to the HackerRank Programming Olympics. The ranking offers a glimpse into China's initiative to develop educational, training and other supportive infrastructure to help promote information technology and other tech-related services industries among its population [15, p. 27] (Fig. 1.1.3).

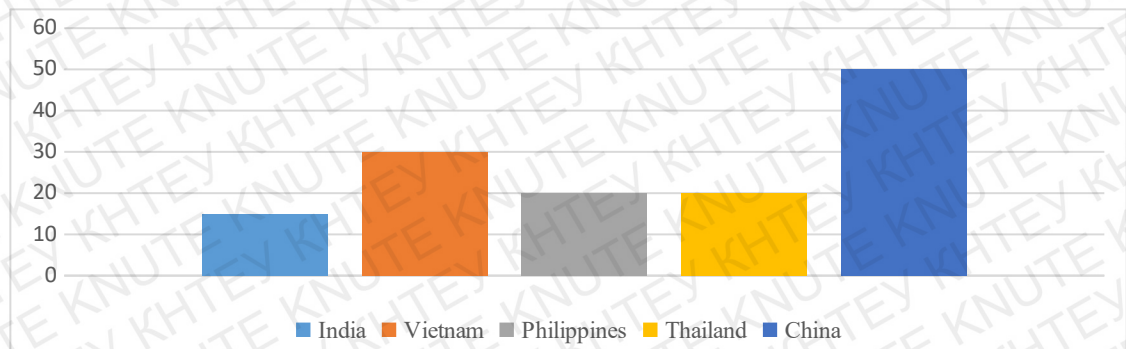


Fig. 1.1.3 Rate per hour in Asian countries in 2019 (in US dollars) [15, p. 28]

Eastern Europe is emerging as a reliable outsourcing powerhouse regions preferred by companies looking to be cost-effective in regards to their software development outsourcing options. A 2019 Global Services Location Index survey by A.T Kearney indicates five countries from the region among the Top 20 IT Outsourcing services destination [16, p. 17].

Ukraine. Ukraine doubles up as the most promising country offering excellent software outsourcing services. The state does have a skill pool of almost 100,000 IT and Software professionals versed in the latest technology capabilities. Moreover, the education system boasts of graduating over 30,000 students in IT-related fields from the local universities. Already large corporations and companies such as Intel USA, Microsoft, Nokia, and even Reuters are importers of Ukraine's software services. The

operational, cultural and financial advantages make Ukraine a leading software outsourcing destination for companies looking for an excellent ratio of quality and price [17, p. 11].

Romania. Corporations have also begun looking closer to home with outsourcing solutions and Romania has is offering continuous competition to developed countries like Poland, Bulgaria, and most of all Ukraine. The country boasts of over 60000 Romanians working in the local outsourcing sector, contributing to an almost 20% of the outsourced software development workforce in Central and East Europe. Romania's software development process is also evident in the number of international companies like Dell, IBM, Oracle, Microsoft and Ubisoft having offices in the nation [18, p. 31].

Poland. The immense talent pool of software development professionals within Poland encompasses perhaps everything that a company would want in an outsourcing base. The country boasts of having a large variety of IT labor force with a strong background in software development skills. Poland also ranks among the first Eastern European nations with cutting-edge technologies and affordable experts [19, p. 60].

Czech Republic. The Czech Republic is home to a high ranking IT outsourcing sector that boasts of attractive software development skills, availability and financially-affordable solutions for companies. Successful international corporations like IBM, NetSuite, Honeywell, and Google are known to have their office sites in the IT-developed country. Just like these large companies, small and medium enterprises can also leverage Czechia's skilled IT workforce, language proficiency and quality policies for their software development needs [20, p. 33].

Hungary. Despite its small size, Hungary has shown significant strides in the growth of its IT outsourcing sector over the last few years. Most recent data indicate that the country's local IT market engages about 100,000 IT specialists, with software development being the most vibrant industries. A good indication is a number of R&D centers of companies including Siemens, Nokia, Ericsson, etc. [21, p. 17] (Fig. 1.1.4).

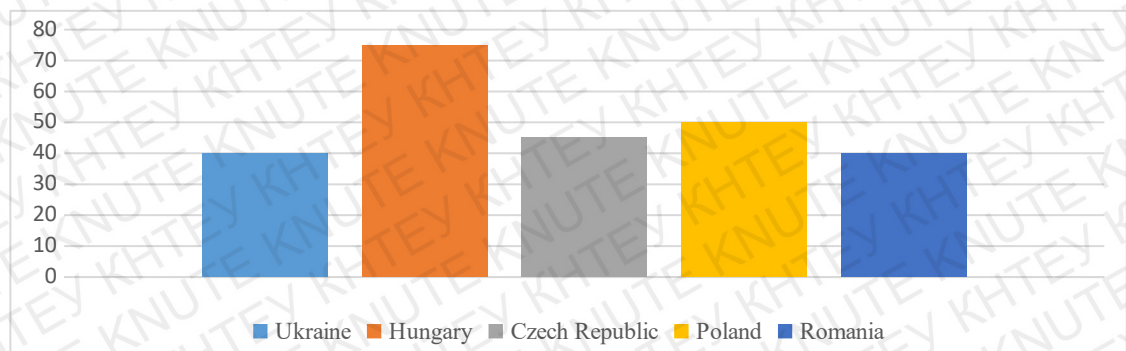


Fig. 1.1.4 Rate per hour in European countries in 2019 (in US dollars) [21, p. 17]

Africa is considered a rather cheap option for outsourcing the software development services (Fig 1.1.5). Concerning Kenya, Egypt, Morocco, and Nigeria- the software developer would charge an hourly rate of \$20 or less at times. South Africa and Egypt would cost approximately \$20-\$50, since finding highly experienced software developer can be challenging [22, p. 10].

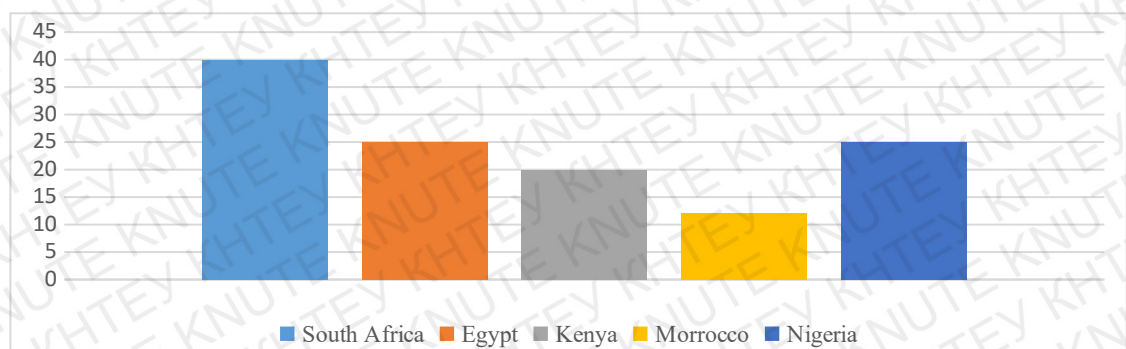


Fig. 1.1.5 Rate per hour in African countries in 2019 (in US dollars) [22, p. 10].

While it is not outright which destination is the best, choosing for an offshore outsourcing option depends on the needs of the client. From location to costs, political stability and technical capabilities, there are different aspects to consider and weigh before choosing the right vendor. Ultimately, the software vendor should be an experienced partner to enable the establishment of a long term working relationship [23].

Outsourcing has long proven to be beneficial for both small-scale and large-scale businesses globally. A professional dedicated team or team extension can be a good fit

for both a ready-to-go product and a startup taking its first steps towards global recognition.

Whatever development stage it is, outsourcing may be a good option for the business. But before trying to implement this system an external research needed to make the right choice of the outsourcing destination. There are plenty of them, with each having its own set of peculiarities to keep in mind.

1.2. Analysis of the financial and economic activity of «Leadium Inc».

Leadium Inc - an IT and marketing full-service agency was created in 2013 and headquartered in Las Vegas, Nevada. Initially, the company was focusing on lead generation and database enrichment. It was a start-up that was confidently growing and till the end of the year the company headcount reached 10 people. Those were mostly Americans and Canadians.

In 2015 Leadium Inc opens an office in Ukraine. Since Ukraine is a top 1 growing outsourcing country in Eastern Europe, eventually the percentage of Ukrainian employees in the company rose up to 60%. Not only Ukrainians showed their competence and deep knowledge in this industry but it appeared this country can provide qualified salespeople, marketers, and strategists (Fig. 1.2.1).

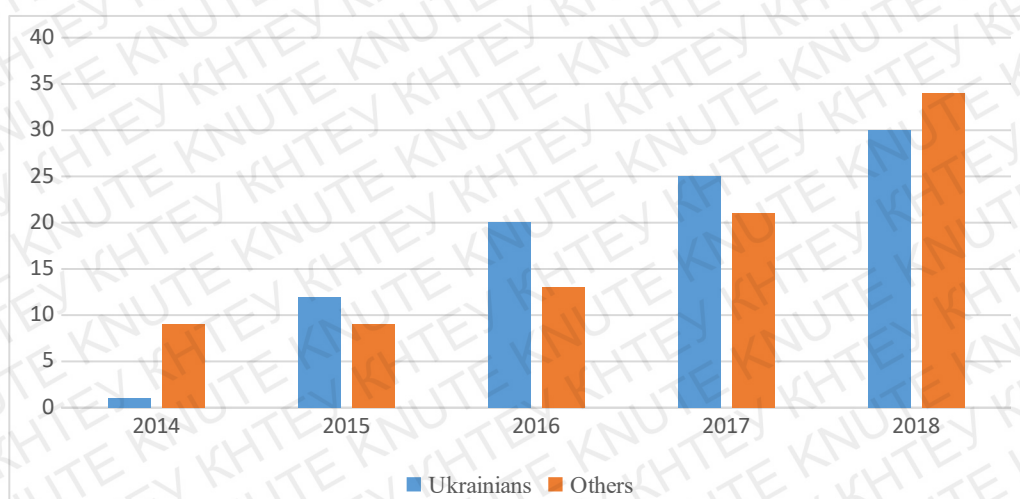


Fig. 1.2.1 Share of Ukrainian freelancers in Leadium Inc staff*

*Source: calculated and compiled by the author on the basis of the Leadium Inc's reports

Thus, in 2016 Leadium Inc expanded its range of services having created outbound email marketing, sales, and customer success departments. At the same time similar start-ups have arrived in Ukraine and that led to the competition that made Leadium Inc executives think how to gain the competitive advantage. The decision was made to move all operations to Ukraine, open the new office in the Philippines and dissolve American staff. That brought the expected results and soon Leadium Inc became one of the most popular outbound sales agencies in Ukraine and the US.

During 2017-2018 several changes have been made. Leadium Inc opened another office in Serbia, however, Ukraine still hosted the main operational and sales activities. Leadium Inc recognized its main competitors on US market which were agencies called CIENCE, Upsail, Lead Genius and Data Robot (Tab. 1.2.1). Several measures have been taken to set themselves apart from competitors such as intensive recruiting campaign, social media marketing campaign and online presence breakthrough. Also, Leadium Inc became one of the silver sponsors of Outreach Unleash - global outbound sales conference that took place in 2018 in San Diego, California [24].

Table 1.2.1

Email marketing market saturation 2014-2018*

Year	Number of companies on the market	Companies
2014	2	Leadium Inc, Lead Genius
2015	2	Leadium Inc, Lead Genius
2016	2	Leadium Inc, Lead Genius
2017	5	Leadium Inc, Lead Genius, CIENCE, Data Robot, Upsail
2018	6	Leadium Inc, Lead Genius, CIENCE, Data Robot, Upsail, Pilot

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

Till the end of 2018, Ukraine has become saturated with marketing companies that opened their offices there. The environment turned out to be favorable for this industry.

Now Leadium Inc is a consultancy agency that advises B2B companies on marketing, sales, software development, project management and more. A special team is being assigned to the client to learn the background and requirements in order to build the strategy and assist in its implementation. Leadium Inc provides its services worldwide however the most clients are located in the US.

Among all countries Leadium Inc has offices in Ukrainian office seems to be the most efficient. Many external factors predetermined this conclusion (Tab. 1.2.2).

Table 1.2.2

External factors that affect Ukrainian office of Leadium Inc

<p><u>Economic factors:</u></p> <ul style="list-style-type: none"> • High inflation level; • Frequent fluctuation in national currency exchange rate; • Positive dynamics of GDP • Narrow services market; • Low foreign investment inflow; • High NBU discount rate, high lending rates of commercial banks; • Economic crisis • Relatively easy to open the office; • Acceptable taxes, affordable for start-ups; 	<p><u>Social factors:</u></p> <ul style="list-style-type: none"> • Increasing number of graduates in marketing area, future specialists; • Ukrainian companies use marketing very efficiently, therefore there are many experts ready to share their knowledge; • Difficulties with cultural and mentality difference; • Increase of the marketing labor attractiveness with appearance of foreign employers; • High prestige of labor in the marketing sphere; • High level of salaries due to the exchange rate.
<p><u>Political factors:</u></p> <ul style="list-style-type: none"> • Excessive politicization of society; • Ukraine is now open to cooperate with other countries; • Ukrainian administration guarantees the safety of foreign investments; • Regional instability as Ukraine is not able to control some eastern areas. 	<p><u>Technological factors:</u></p> <ul style="list-style-type: none"> • Ukrainian workers are versed in IT, marketing and sales.; • A lot of technology start-ups have emerged in Ukraine recently which proves the education level of the population.; • A lot of foreign companies on Ukrainian market brought their experience and competition makes them reveal the newest techniques;

**Source: compiled by the author on the basis of the Leadium Inc's reports*

The next step would be reviewing the main economic indicators of Leadium Inc's activity.

The statistics data from the last 5 years shows that the company has been evenly growing. Each year an increase in equity was observed. We can notice the highest surplus in 2016 compared to 2015 (593.07 thousand UAH or almost 40%). For the overall period company's equity rose from 1228,65 thou UAH to 2423,95 or, in other words, doubled.

While looking at net income it is clear that the indicator has been increasing all the time which is quite common for a successful start-up. The significant deviation noticed in 2016 compared to 2015 (404,92 thousand UAH or almost 52%). This can be justified by company growth, creating additional departments which, in turn, let to opening the new markets.

However, the smallest growth (only 13,5%) in 2017 has been caused by the redivision of the market between Leadium Inc and competitors.

The cost of fixed assets has been growing proportionally. The biggest deviation in the first year (67%) and lesser in the following but still the positive dynamic is kept. It means that the company heavily invested in corporate equipment from the very first year and after that has been regularly modernizing the assets to maintain the smooth workflow.

The cost of current assets is increasing but not intensively. The first year deviation amounted 158,97 thousand UAH or 55%, than 131,96 thousand UAH or 30% in 2016 compared to 2015. After that, the cost surplus is decreasing gradually - 5% and 2% in 2017 and 2018 respectively. This means the company is reluctant to keep the cash or short term investments - they convert current assets into fixed and invest heavily in other projects for the long term.

The number of employees constantly grows from 10 people in 2014 we have seen in average 12 people growth every next year. Thus, in 2018 the number of employees working full time reached 63. This indicates the prestige of working in such a company and a quite long employee tenure. The positive tendency of the number of employees made an impact on Payroll Fund, making it increase significantly, adding up roughly 24% each year. In general, Payroll Fund has grown from 218,15 thousand UAH to 670,38 thousand UAH which means tripled.

The cost of sold products has the same ascending chart since the company has been constantly developing opening the new sales channels. The smallest deviation is observed in 2018 comparing to 2017 when the cost of sold products increased only by 7%. The reason for that is simple. The company had been working on full capacity not being able to handle additional new clients.

Talking about net profit - as is typical for a promising start-up the indicator has been growing along the way. Two huge leaps have been made in 2015 and 2016 when net profit increased by 33% in average yearly. One of the reasons for this was the reduction of the number of executives during the 2 first years which, in turn, decreased the administrative costs. The smallest growth of net profit happened in 2017 because of a huge amount of operational costs spent on marketing and recruiting campaigns. The dynamics of those are represented on the Fig. 1.2.2.

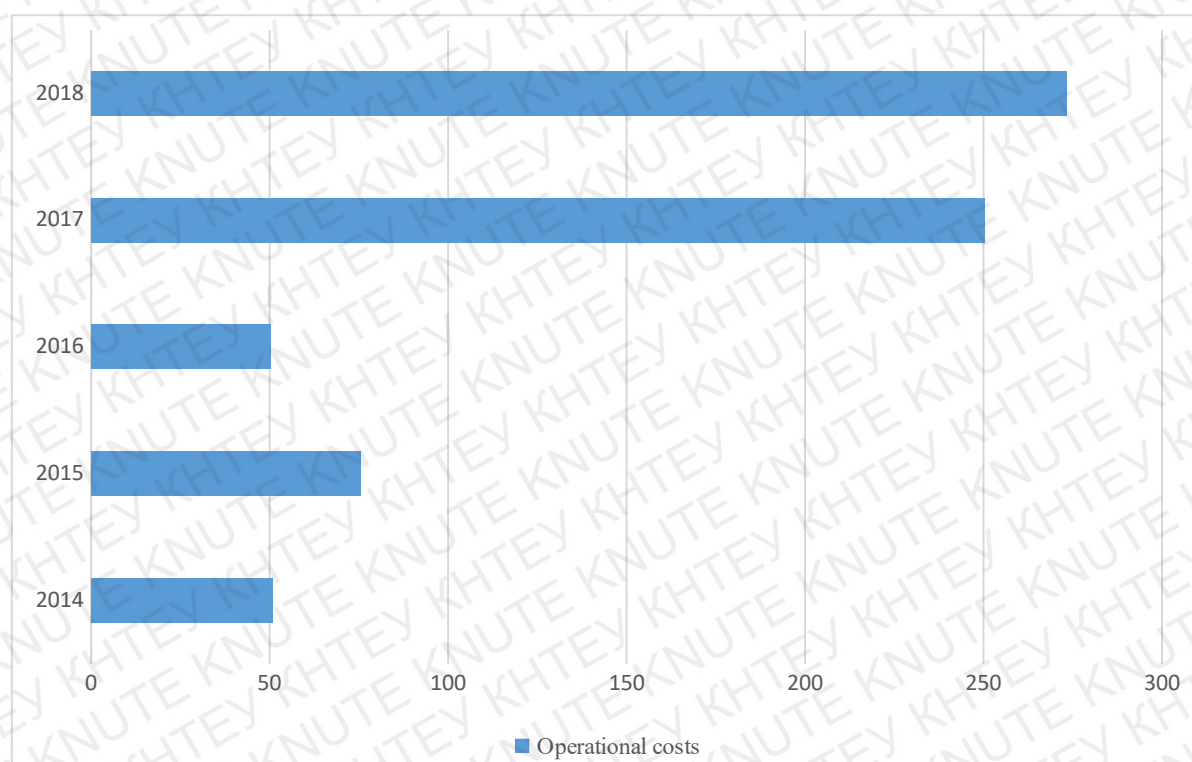


Fig. 1.2.2 Leadium Inc's operational expenses (in thou UAH)*

*Source: calculated and compiled by the author on the basis of the Leadium Inc's reports

One of the main indicators of the company's operational activity is property revision. In the following table (Tab. 1.2.3) the property status indicators are presented within the period we are considering in our research.

Table 1.2.3

Leadium Inc's property status indicators 2014-2018*

Year	2014	2015	2016	2017	2018
Mobility ratio of assets	32	45	62	71	78
Fixed assets share in structure of assets	68	61	56	52	51
Coefficient of fixed assets depreciation	7	4	1	0.5	0.5

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

The mobility ratio has been growing along the company's lifetime. That means that the company is ready to change the niche in case of any unpredictable accidents. That also meant that the company can quickly change the structure of assets which indicates the high level of asset liquidity.

Since the company is not involved in any manufacturing the share of fixed assets is average. However, the percentage has been reducing due to the company utilizing the new, modern office equipment.

The coefficient of fixed assets depreciating is descending all the way. The reason for it is upgrading the office equipment by newer, more durable and quality items.

The important part is the breakdown of the company's operational expenses during these 5 years. This data and yearly deviations are presented in the table.

By selling, general and administrative expenses we mean marketing and human resources campaigns expenditure.

To wages, we refer the compensation of all workers whose activity does not affect the company performance.

Deductions for social events are expenses on employees' birthday or any kind of teambuilding.

Table 1.2.4

Leadium Inc's operational expenses 2014-2018*

№	Indicators	Years					Deviation 2015/2014		Deviation 2016/2015		Deviation 2017/2016		Deviation 2018/2017	
		2014	2015	2016	2017	2018	absolute in ths. UAH	relative in %	absolute in ths. of UAH	relative in %	absolute in ths. of UAH	relative in %	absolute in ths. of UAH	relative in %
1	<i>Selling, general and administrative expenses</i>	13,3	14,5	15,7	148,3	167,2	1,2	9,0	1,2	8,3	132,6	844,6	18,9	12,7
2	<i>Wages</i>	25,6	45,1	20,4	43,7	51,7	19,5	76,2	-24,7	-54,8	23,3	114,2	8	18,3
3	<i>Deductions for social events</i>	4,5	7,2	5,3	26,7	22,4	2,7	60,0	-1,9	-26,4	21,4	403,8	-4,3	-16,1
4	<i>Amortization</i>	5,4	8,2	7,4	18,7	20,4	2,8	51,9	-0,8	-9,8	11,3	152,7	1,7	9,1
5	<i>Other operating expenses</i>	2,1	0,4	1,4	12,8	11,6	-1,7	-81,0	1	250,0	11,4	814,3	-1,2	-9,4
6	Total	50,9	75,4	50,2	250,2	273,3	24,5	116,1	-25,2	167,4	200	2329,6	23,1	14,7

*Source: calculated and compiled by the author on the basis of the Leadium Inc's reports

From the table (Tab. 1.2.4) we can see the shortage of operational costs in 2016 related to decreasing the number of American employees versus Ukrainians. The next year's operational costs increased due to the escalation of competition and measures taken in order to achieve a competitive advantage - marketing and recruiting campaign.

Thus, the significant part of operational costs is wages at first and marketing expenses at the end. Marketing expenses are also sensitive as more than 60% of operational costs have been spent on ensuring the high level of social media and online presence of the company lately.

Amortization turned out to be less noticeable as the means of labor for this type of work include only technical devices, which are quite durable and have a lifecycle of around 8-10 years. Nevertheless, as the volume of the equipment is increasing yearly, amortization is growing accordingly.

Deductions for the social events were not regular, therefore its share in the overall operational costs is not significant. As the company is developing more and more costs

are being allocated to this point - the biggest values were observed in 2017 (26,7) and in 2018 (22,4).

Other operational costs are also miserable since there was no need for business trips - all company meetings are online. Nevertheless, the increase in this type of expenses implies the connection services expenditure.

Another important part of the analysis is the company's asset structure review. According to the report, as of December 31, 2014, the share of current assets was 32%. At the end of the researched period, December 31, 2018, this indicator amounts 49% of all assets. That happened because of the constant increase in bank accounts during the 5 years.

During the whole research period, fixed assets tended to decrease respecting the increase of current assets. If in 2014 the share of fixed assets was calculated 78% of all assets, after 5 years in 2018 that percentage changed drastically and equaled 51%.

The sources of company financing are our next step in reviewing the financial activity of the researched business. To reveal that, we have to look at the liabilities part of the balance sheet. From the table, we can see the slight growth of liabilities which was caused by a little increase in current liabilities and a significant increase in equity. The company's own capital has enlarged by 68% till the end of 2018 comparing to 2014. This was determined by the amount of retained earnings that the company has been getting. Current liabilities had a little growth each year but that increase was caused by small short term bank loans.

The average share of equity in the structure of liabilities was 73% whilst the share of current liabilities was 27%.

For a more detailed description of the enterprise's financial activity, the following indicators are used: solvency (financial stability), liquidity, business activity (turnover), profitability (Tab. 1.2.5).

Therefore, the current ratio (current liquidity) shows the adequacy of enterprise resources that can be used to repay its current liabilities. The current ratio, in average, was calculated 1.09 each year so we can say that the structure of the balance is satisfactory, the enterprise is solvent and has enough resources to repay current

liabilities - 1 UAH of short-term liabilities value was amounted to 1.09 UAH of current assets. However, that also means that the company is not using its current assets efficiently. Often, such result indicates the problems in working capital management.

Table 1.2.5

Leadium Inc's liquidity indicators 2014-2018*

Indicators	Year				
	31.12.14	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Coverage ratio	0,77	1,00	1,16	1,24	1,28
Quick liquidity ratio	0,44	0,72	0,92	1,03	1,08
Absolute liquidity ratio	0,07	0,17	0,22	0,27	0,31
Net working capital, thou. UAH	-221,00	2,00	235,00	422,00	555,00

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

The quick liquidity ratio reflects the payment facilities of the company according to its current liabilities payments in respect of making settlements with the debtors on time. The normative value of this indicator is 1. At the researched company quick liquidity ratio has been going up during the researched period. Thus, the best result was in 2018 – 1.08 and the worst in 2014 – 0.7 which is by 0,38 less from the mentioned one. It means that enterprise retains the highly liquid resources such as cash and cash equivalents, financial investments and payables. The amount of stocks in working capital is neglectable.

The absolute liquidity ratio shows which part of the enterprise's debts the company can pay off immediately or, in other words, the absolute liquidity (solvency) ratio indicates what proportion of short-term liabilities can be repaid immediately, if necessary, at the expense of available funds.

Normally, this ratio should indicate 0.2-0,3 but in our case, it is calculated 0,07 at the beginning of the researched period and has been growing all the way. That means that the company uses absolutely liquid assets properly.

Net working capital displays the ability of the enterprise to cover its current liabilities with liquid current assets. The result is positive and shows that the current assets have been growing while current liabilities have not caught up with the scale.

The next step would be company financial stability ratios revision (Tab. 1.2.6).

Table 1.2.6

Leadium Inc's solvency indicators 2014-2018*

Indicators	Year				
	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Solvency ratio (autonomy)	0,18	0,26	0,31	0,33	0,34
Coefficient of financial stability	0,84	0,85	0,87	0,92	0,94
Coefficient of security by own working capital	-0,30	0,00	0,14	0,20	0,22
Flexibility ratio	-0,07	0,00	0,06	0,09	0,10

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

First, we should pay attention to the Solvency ratio which indicates the share of equity in overall company funds. It shows the level of financial autonomy which, according to the table, was high during the whole period. This type of companies is easy to set up without external financing, however, the investment will be required down the line to ensure that the company is competitive on the market. That is why we see the ascending trend, although the coefficient itself shows a lack of autonomy.

Another important indicator is the coefficient of financial stability. It reflects the level of the company's dependency on borrowed funds. It has been increasing slowly due to the company's scaling process.

The coefficient of security by working capital shows the security of current assets. It had a negative value in 2014 but moving forward it had a tendency to grow and that means the company never faced the shortage in current assets.

The flexibility ratio shows the share of equity that the company uses for financing current activities - invested in working capital, and what part is capitalized. As a rule, this indicator should be positive but in our case, we see the positive result only starting

from 2016. That means that first years the company was not able to allocate the equity properly.

The next batch of indicators shows the company turnover capabilities (Tab. 1.2.7).

Table 1.2.7

Leadium Inc's business activity indicators 2014-2018*

Indicators	Year				
	2014	2015	2016	2017	2018
Ratio of assets turnover	-	0,04	0,06	0,07	0,08
Ratio of accounts payable turnover	-	-	-	-	-
Ratio of accounts receivable turnover	-	3,29	2,56	2,30	2,60
Period of borrowed capital turnover, days	-	0,00	0,00	0,00	0,00
Period of accounts receivable turnover, days		109,4 0	140,67	156,43	138,23
Ratio of inventory turnover	-	1,04	1,49	1,89	2,42
Ratio of fixed assets turnover	-	0,17	0,23	0,26	0,31
Ratio of equity turnover	-	0,23	0,31	0,36	0,42

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

The ratio of assets turnover reflects how efficient the company uses its resources disregarding the source of its formation. The result we see is high due to the constant increase in current assets. However, that doesn't indicate good performance as current assets should be allocated.

The turnover of accounts payable shows how fast the company pays back the commercial loan. Basically, it shows the number of turns per year. The ratio demonstrated a positive trend which means the loans are being paid off without any delay.

Accounts receivable turnover ratio demonstrates how fast the credits, issued for the company's customers, return back. The high ratio indicates that the company has a high-quality customer base who pay their debts fast. This also can be predetermined by the company's policy (e.g. the term of loan repayment is mentioned in the contract).

From the table, it is clear that the company is working on increasing the speed of paying off the debts as well as credits collection.

The inventory turnover ratio is an efficiency ratio that shows how effectively the company manages its inventory by comparing the cost of goods sold with average inventory for a period. The indicator has grown from 1.04 in 2014 to 2.42 in 2018. Rapid growth is observed in the last 2 years caused by an increase in the amount of goods sold.

The fixed asset turnover ratio is an efficiency ratio that measures a company's return on investment in property, plant, and equipment by comparing net sales with fixed assets. Given the fact that net sales were constantly increasing while fixed assets were decreasing, the indicator we can observe is solid. During the researched period the ratio has been growing by 0.05 in average.

The equity turnover ratio shows how much money the company has been able to earn per each UAH of stakeholders' equity. Thus, the company was getting 0,23 UAH in sales per 1 UAH of equity at the beginning of the researched period. At the end this indicator has grown to 0,42 which meant by 48%. This is caused by the increase in sales.

The next ratios are calculated to analyze the profitability indexes (Tab. 1.2.8).

Table 1.2.8

Leadium Inc's profitability indicators 2014-2018*

Indicators	Year				
	2014	2015	2016	2017	2018
Return on assets	5,53	8,22	10,99	10,43	12,76
Return on equity	6,42	10,86	14,91	14,24	17,40
Return on sales	44,81	47,92	48,07	39,72	41,56
Ratio of products prof.	56,08	56,10	56,05	56,04	56,04

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

The coefficient of return on assets shows how effective the company utilizes the assets in the process of creating the profit. It has been growing throughout the whole period starting from 5,53% in 2014 to 12,76% in 2018.

The return on equity ratio displays the efficiency of investing in the company. It reflects how much the company can gain in profit per 1 UAH of stakeholders' equity.

The coefficient is quite high which means investing in this company was profitable during the researched period.

The coefficient of profitability of the activity (return on sales) characterizes the efficiency of the economic activity of the enterprise. It has been growing from 44,81 to 48,07 in 2016 and then descending to 39,72 in 2017 and up to 41,56 in 2018. This happened because of the different sum of expenses applied each year.

The coefficient of products profitability characterizes the profitability of the economic activity of the enterprise among the main activity. The profitability coefficient was increasing, which indicates that the enterprise has enough control of its costs of production and the sales, and thus obtains a profit of the net profit.

Conclusions to the Part 1

The use of human resources is the basis for successful outsourcing in the world. By making a strategic outsourcing decision, the customer gains access to the existing business process, individual systems and infrastructure of external companies, concentrating on conducting the main activity in their company, increasing capacity with an increasing presence in the market.

The practice of outsourcing in many countries can also be negative. Opponents oppose outsourcing, arguing the loss of jobs during the relocation of production processes, which is particularly noticeable in the industrial sector. Outsourcing advocates argue for a more efficient allocation of resources, which in turn is consistent with the nature of the market economy in the world.

Leadium Inc - an IT and marketing full-service agency was created in 2013 and headquartered in Las Vegas, Nevada. Initially, the company was focusing on lead generation and database enrichment.

The overall economic condition of Leadium Inc is good. It is an ambitious start-up that is developing with high speed and attracts more and more investments. Liquidity indicators were not impressive at the beginning of the research period but then quickly become normal, in some cases even higher than optimal.

The solvency indicators show that the company is solvent enough and is strengthening its positions. All business activity indicators demonstrate the increase which means that the company processes are properly set. Leadium Inc also has great profitability results, especially Return on sales that reached more than 40% and Ratio of products profitability that rose up to more than 50%.

PART 2

RESEARCH OF THE EFFECTIVENESS OUTSOURCING IN THE FORMATION OF COMPETITIVE ADVANTAGES OF «LEADIUM INC» AT THE EXTERNAL MARKET

2.1. Monitoring of the external environment of «Leadium Inc.»

Due to increased globalization and rapid technological advancements, today's markets are becoming increasingly competitive and turbulent. In order to achieve superior performance and remain competitive companies are required to align their strategic focus and internal resources (i.e., market-oriented culture) with their external environments. According to the environment-strategy-performance theoretical framework and the contingency theory environmental factors are important determinants of a strategy choice, and organizational structure and processes of the firm. In other words, these frameworks suggest that the successful alignment of a firm's strategic focus (i.e., defender versus prospector) and internal structures and processes (i.e., market-oriented culture) with its turbulent and competitive external environment results in enhanced firm performance.

The traditional environment-strategy-performance framework suggests that for protecting their market position and business performance, companies deliberately select strategies in response to their external environments. According to the strategic co-alignment literature, the fit between the strategic choice and environmental conditions maximize the effectiveness of operations, which in turn enhances the business performance of the firms.

Empirical evidence indicates that companies modify their strategies to fit their external environments (e.g., Hofer, 1975; Miller & Friesen, 1983). In their more recent empirical study with multinational corporations (MNC) Luo and Park found that MNC subsidiaries' choice of strategies based on subsidiaries' response to local market environmental conditions and that the adoption of specific generic strategies in alignment with the market environment enhances subsidiary performance. Although, there is strong theoretical and empirical support for the environment-strategy relationship the review of the literature indicates that there is a need for more recent

studies that examine this relationship for today's service companies that operate under highly turbulent and competitive market conditions. Considering the fact, that the service sector is an increasingly important source of job creation and economic wealth, and accounts for more than 60% of the activity in many developed economies, including the U.S., the need for such a study becomes more evident.

Recently, the traditional environment-strategy-performance framework is expanded to include the internal capabilities and characteristics in explaining the relationship between strategic focus and firm performance. This inclusion is supported by the configuration theory that posits that an appropriate fit between a firm's strategic focus and internal organizational characteristics leads to superior performance. Largely based on Walker and Ruekert's seminal work, previous research argued about the importance of achieving a match between business strategy and marketing organization characteristics for improved firm performance, and established that different business strategic types were more effective when supported by suitable marketing organization characteristics and activities such as sales force management practices

Good business management is not only a matter of how an individual deals with the factors they can control but about how they respond to the things they cannot. A wide variety of factors including consumer demand, the overall economy, the cost of raw materials, the political and legal landscape and the actions of competing companies have a direct impact on a firm's bottom line [25, p. 28].

Talking about “Leadium Inc”, there are plenty of external factors that may have an impact on the company’s performance.

1. Political Factors – Politics is a topic of discussion among every age group in almost every country now. Different political parties have different agendas like tax reforms or laws in order to gain authority. These agendas create plenty of difference to the working of a business and their marketing strategy. Since Leadium Inc works worldwide some of the countries may represent such factors as government stability/instability, competition regulation, and corruption level.

So, if a new Government introduces a law that limits a consumer to acquire a product or service based on his age limit or any modification in the tax policy, this will

have a direct impact on the email marketing strategy. The tax reform may influence the cost of email marketing tools which ultimately will affect the overall cost of an email marketing campaign for an example.

2. Economic Factors – Every business is a lot dependent on national and international economy, based on which they allocate their marketing budgets. Circumstances fluctuate from country to country and companies need to adjust accordingly.

Mostly, the researched company faces such economic factors as exchange rate, propensity of people to spend and availability of credit.

3. Social Factors – Human being tends to get influenced by people and things around them. So, if something is trending today, it might go out of trend in a flash.

Among social factors the ones that have an impact on company's performance for sure are attitude towards investing, population size and growth rate and education level.

4. Technological Factors – Well, technology has reached a stage where it is difficult to survive for an individual. Mobiles, wearables, televisions, and cars have already gone smart, and with internet things coming into the picture, email marketing gets affected terribly by technological advancements [26, p. 52].

Around 50% of the emails are viewed on mobile phones which triggered the need for responsive email design for email marketers. Furthermore, wearable displays the plain text version of an email as they do not support the html. This has given a boost to mime multi-part message that consists both html and plain text version of an email.

Here we can distinguish the most impactful factors: level of innovation, Internet infrastructure and access to new technology.

5. Intercultural Factors – As it was already mentioned, Leadium Inc operates worldwide which means that it interacts with many different cultures and people with different religious, social and professional alignment. Thus, several factors are important and should be taken into account: religion and beliefs, cultural norms and values and ethical concerns.

6. Legal Factors – Nobody likes to get in trouble with the law, not even emails. Every country has its own set of laws when it comes to curb spamming. While US has

implemented CANSPAM law, Australia has defined its own spam law called ACMA. Europe introduced the new GDPR reform. Therefore, some of the legal factors may become roadblocks for running a business in a certain country. Factors like copyright and patent laws, data protection laws and network isolation laws can influence the performance of the email marketing business heavily [27, p. 79].

Given the fact that intercultural factors are the important part of the external environment for this company, using PEST analysis would not be efficient and instead, we are going to conduct SPELIT-analysis which is more tailored to the business like Leadium Inc [28] (Tab. 2.1.1).

SPELIT-analysis includes all the factors from PEST-analysis, and additionally it contains the review of intercultural and legal factors.

Table 2.1.1

SPELIT-analysis for Leadium Inc

Factor	Influence	Expert evaluation					Average mark	Final mark
		1	2	3	4	5		
Political factors								
Government stability/instability	2	4	4	5	5	3	4,2	0,06
Competition regulation	3	5	5	4	5	4	4,6	0,07
Corruption level	1	3	2	3	4	3	3	0,05
Economic factors								
Exchange rate	3	4	5	3	5	4	4,2	0,06
Propensity of people to spend	3	5	5	5	4	3	4,4	0,07
Availability of credit	1	4	1	5	2	3	3	0,05
Social factors								
Attitude towards investing	3	3	2	3	2	2	2,4	0,04
Population size and growth rate	2	2	2	3	4	2	2,6	0,04

Continuation of the Table 2.1.1

Factor	Influence	Expert evaluation	Average mark	Final mark
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		1	2	3	4	5		
Education level	1	2	4	3	3	4	3,2	0,05
Technological factors								
Level of innovation, and	3	5	4	3	5	4	4,2	0,06
Internet infrastructure	3	4	4	5	5	5	4,6	0,07
Access to new technology	3	3	4	3	4	5	3,8	0,06
Intercultural factors								
Religion and beliefs	2	3	4	3	5	2	3,4	0,05
Cultural norms and values	1	5	2	5	3	2	3,4	0,05
Ethical concerns	3	3	2	3	4	3	3	0,05
Legal factors								
Copyright and patent laws	2	4	5	3	5	4	4,2	0,06
Data protection laws	3	5	2	3	4	5	3,8	0,06
Network isolation laws	3	5	2	5	4	5	4,2	0,06
Total							66,2	1

Now let us compile the data into another table to identify which factors have more impact on the company than others.

The factors in the following table are sorted by their level of influence on the company's performance (Tab. 2.1.2).

Table 2.1.2

SPELIT-analysis compilation tab

Political factors		Economic factors	
Factor	Importance	Factor	Importance
Competition regulation	0,07	Propensity of people to spend	0,07
Government stability/instability	0,06	Exchange rate	0,06

Corruption level	0,05	Availability of credit	0,05
Social factors		Technological factors	
Factor	Importance	Factor	Importance
Education level	0,05	Internet infrastructure	0,07
Population size and growth rate	0,04	Level of innovation	0,06
Attitude towards investing	0,04	Access to new technology	0,06
Intercultural factors		Legal factors	
Factor	Importance	Factor	Importance
Religion and beliefs	0,05	Copyright and patent laws	0,06
Cultural norms and values	0,05	Network isolation laws	0,06
Ethical concerns	0,05	Data protection laws	0,06

It is clear from the table that the biggest impact on the company performance is made by technological and legal factors.

Indeed, some of the countries are unsuitable when it comes to the economic activity of the company like Leadium Inc. For instance, China has an isolated network which makes it impossible to pursue email marketing from the outside. Many countries (mostly European) have issued severe personal data protection laws that prohibit outbound email marketing [29, p. 59].

On May 25, 2018, compliance became mandatory for the EU's General Data Protection Regulation (GDPR). The GDPR sets new standards around protecting and using customer data, and consumers' rights regarding their data.

While the concept of GDPR may seem oceans away, underestimating exposure could trigger high penalties for noncompliance, and failure to comply can result in a fine of up to €20 million (about \$26 million) or 4% of the company's global revenue, whichever is larger. "On top of the heavy monetary penalty, the GDPR imposes a 72-hour deadline to report breaches, beginning the moment you know a breach occurred," adds Shrestha.

GDPR mandates that companies get affirmative customer consent before processing or storing customer data, and they must clearly explain how the information will be utilized, and for how long it will be used and stored. GDPR supports the data minimalization principle, requiring companies to only use and keep the personal data that is needed at any given time for any given purpose. Customers have the right to withdraw consent at any time [30, p. 37].

On the other hand, on the software development markets in technologically developed countries like the USA, Japan and others we can already see the automatic email marketing solutions that in near future may replace the human-driven marketing as we see it now. Though, so far, those solutions are not perfective and cannot compete with the human workforce.

AI is rapidly transforming the enterprise--and that includes the marketing department. According to a recent Gartner survey, 85% of customer interactions will be managed without a human by 2020

Essentially, AI leverages machine learning to maximize the effectiveness of marketing efforts by predicting the best next customer interaction based on what it has learned through previous interactions. The more data AI has to work with, the better job it does identifying patterns of customer behavior and engaging them in more meaningful and authentic ways.

In today's digitally connected world, customers are demanding brand experiences that resonate with them on the channels they prefer. If they do not feel as though a brand is being authentic, they will disengage. AI is the partner to the marketing team, helping it deliver the right message at the right time.

Moving past the anxiety about AI's impact, Here are three reasons why CMOs should tell their teams to cheer--not fear--the power of AI:

- Enables more precision

Marketers are awash in data. New technologies and channels are creating billions of customer interactions, yet marketing teams alone are not equipped to consume or mine all this data to target and engage each customer at the speed and scale required today. With the help of AI, marketers are able to optimize campaigns, including selecting the

appropriate content, at the right cadence, across all channels, and to select segmentations. AI can uncover opportunities that are inaccessible without its "brainpower."

Marketers' fear of AI is due to a lack of understanding. The reality is AI will complement marketing rather than replace it. What is more, AI will amplify their marketing efforts at a time when we are all forced to do more in less and less time.

- Delivers better data insights

As data explodes even further in volume, velocity and complexity, AI can illuminate potential new customer journeys and new audience segments that were not obvious before [31, p. 21].

2.2. Assessment of outsourcing in the formation of competitive advantages «Leadium Inc»'s.

Competitive advantage is defined by Smith and Flanagan as something, what separates the enterprise from others and keeps it alive and growing. Still the biggest marketing mistake made by enterprises, is not fully utilizing their competitive advantage. Other enterprises assume that they know their competitive advantage but, in fact, they do not possess it. Others actually have the advantage, but they fail to utilize it.

In today's world of globalization, it is more and more difficult for enterprises to maintain their competitive advantage. Companies are penetrating to new markets, competition is getting tougher, and customers have the option to choose not only from local production, but from worldwide production. The enterprise is aimed at increasing quality demand, adaptability, and flexibility.

An entrepreneurial strategy can be a document or guidance on how to achieve strategic goals. Defining the strategy is a creative activity that, even though is mostly the responsibility of senior management, should be the result of the work of all key employees. The essential characteristic of a successful strategy is its uniqueness and viability. The strategy is defined as a trajectory or path towards predetermined goals, which is formed by corporate, competitive and functional approaches.

There are numbers of enterprise strategies and each type of the strategy is suitable for a certain period (growth, stabilization, and decline). In any case, the development of a strategy must be based on the definition of business activities. The company must be able to make the most of its strengths and should satisfy customer's needs, which will let the enterprise achieve a competitive advantage, which will facilitate the elimination of rivals and obtain enormous profits.

The interconnection of business strategy and competitive advantage of the company demonstrates Šmída. The uniqueness of strategy and specific processes of its implementation are the cornerstones of maintaining and enhancing competitive advantages [32, p. 15].

To be able to speak about the role of outsourcing in the formation of competitive advantages of this company let us take a closer look at the product or, to be correct, the service provided by Leadium Inc.

Email marketing is a part of digital marketing and can be divided into 2 groups: outbound and inbound. Inbound email marketing implies sending out newsletters, announcements, discounts and other material to keep the existing audience engaged and encourage them to repeated purchases. Outbound marketing, on the other hand, is implemented to target potential customers. It requires the creation of Ideal Customer Criteria with the help of which the appropriate profiles are researched on the Internet and added to the base for future engagement. After that, the specially designed automatic emails are sent out to each person on the list promoting the product or services of the particular client [33, p. 19].

Leadium Inc provides 3 types of services:

- Lead research;
- Email Campaign Automation;
- Business Development (1 and 2 combined).

To calculate the economic efficiency, amount of money received for the project should be divided into the amount of money spent on accomplishing the project.

Since Leadium Inc operates worldwide, the monthly price for the services is constant and equal in every country (Tab 2.2.1).

Table 2.2.1

Prices for Leadium Inc's services*

Service	Price, USD
Lead Research	1500
Email Campaign Automation	1500
Business Development	2500

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

Now, let us review the expenses, that are applied to the company in the process of completion of the committed service. Since Leadium Inc has R&D offices in Ukraine, Serbia and the Philippines the cost would vary depending on the project team line-up.

The cost for Leadium Inc's projects executed by Ukrainian freelancers is reflected in Table 2.2.2.

Table 2.2.2

Cost of Leadium Inc's projects executed by Ukrainian freelancers*

Service	Requirements	Cost	Amount	Total
Lead Research	Lead researcher	300	1	400
	Research software	100	1	

Continuation of the Table 2.2.2

Service	Requirements	Cost	Amount	Total
Email Campaign Automation	BDR	500	1	700
	BDR software	200	1	
	Lead researcher	300	1	
	Research software	100	1	

Sales	BDR	500	1	1100
	BDR software	200	1	

*Source: ~~Developed~~ and compiled by the author on the basis of the Leadium Inc's reports

In Serbia the company faces a bit different cost structure (Tab 2.2.3)

Table 2.2.3

Cost of Leadium Inc's projects executed by Serbian freelancers*

Service	Requirements	Cost	Amount	Total
Lead Research	Lead researcher	350	1	450
	Research software	100	1	
Email Campaign Automation	BDR	600	1	800
	BDR software	200	1	
Sales Development	Lead researcher	350	1	1250
	Research software	100	1	
	BDR	600	1	
	BDR software	200	1	

*Source: calculated and compiled by the author on the basis of the Leadium Inc's reports

The cost of work on the Philippines is lower than Ukraine in Serbia (Tab 2.2.4)

Table 2.2.4

Cost of Leadium Inc's projects executed by Philippine freelancers*

Service	Requirements	Cost	Amount	Total
Lead Research	Lead researcher	250	1	350
	Research software	100	1	
Email Campaign Automation	BDR	450	1	650
	BDR software	200	1	
	Lead researcher	250	1	
	Research software	100	1	
	BDR	450	1	

Sales Development	BDR software	200	1	1000
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**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

Let us calculate the economic efficiency for each service considering each country (Tab 2.2.5)

Table 2.2.5

Economic efficiency of projects executed by different freelancers*

Service	Country	Price of project	Cost	Economic efficiency
Lead Research	Ukraine	1500	400	3,75
	Serbia	1500	450	3,33
	Philippines	1500	350	4,29
Email Campaign Automation	Ukraine	1500	700	2,14
	Serbia	1500	800	1,88
	Philippines	1500	650	2,31

Continuation of the Table 2.2.5

Sales Development	Ukraine	2500	1100	2,27
	Serbia	2500	1250	2
	Philippines	2500	1000	2,5

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

All these calculations have been made to show that one of the competitive advantages that Leadium Inc is actively using is the **cost of labor**.

Labor costs, which can account for as much as 70% of total business costs, include employee wages, benefits, payroll or other related taxes. Still, according to a Paycor survey, HR professionals only spend 15% of their time managing labor costs. Attracting top talent, engaging new employees and developing them over the course of their career are always top of mind for HR professionals, but herein lies a critical opportunity for

HR to step out of its comfort zone and contribute much-needed value to an area typically owned by Finance.

The cost of employee benefits, which can account for up to 30% of overall labor costs, are a significant expense as well. According to Mercer's 2017 survey of employer-sponsored health plans, the average increase over the past five years for large employer-sponsored health plans has hovered around 3%, but in 2018, costs were expected to increase 4.3%, the largest increase since 2011.

In the face of rising costs, it is understandable that companies are looking to reduce their labor spending and total benefits costs. SHRM found that 46% of employers are taking steps to reduce the cost of medical plans in 2018 by offering lower-cost, high-deductive plans. Many organizations are feeling the pressure to do even more with less—fewer employees, fewer resources and smaller budgets [34, p. 23].

From the table, it can be seen that engaging the personnel from the Philippines to the upcoming projects would yield more economic efficiency. Ukraine's workforce is more expensive, therefore, scored the second place and the Serbian team takes the 3rd due to the higher rate per project.

However, the result of that calculation does not mean that Leadium Inc should focus on hiring the Philippine staff and replacing more expensive European workers. The **quality of the service** is the other competitive advantage that Leadium Inc is pursuing to gain the dominating position on the world email marketing market.

Now the word satisfaction is widely used among customers as well as consumers to describe the satisfaction of their needs and value creation. In various definitions of satisfaction, it specifies that this is an indispensable factor that firms want to obtain from consumers for survival in the market. The satisfaction idea as long as for a long time produces the particular source that connected with marketing ideas.

To explain variations inside satisfaction, the number of antecedents that usually evaluated such as price label quality, service, and its expectation. With the passage of time, customer satisfaction landscapes attaining more attention as compared to previous. Beside analysis associated with customer satisfaction and also its specific determinants, these practices are focused on customer satisfaction related results. Many definitions

presented regarding customer satisfaction, here discuss three general parts regarding customer satisfaction: cognitive, specific concentrate and specific period of time.

Laterally, with viewpoint period, two new methods of satisfaction also accepted: transactional and overall satisfaction. Transactional satisfaction is an idea about any purchase-related event while overall satisfaction with hoarded knowledge demonstrates the actual customer's get-together imitations for that particular products and services. So these are good predictors connected with customer satisfaction.

Service quality is generally finding of services given to consumers. It depends on customer judgment. The comparison of expectations next and previous used services is the result of service quality and identifies the procedure of the service transfer is known as service quality perception [35, p. 102].

From past three decades, debates have exploded about the measurements regarding service quality, whether circumstances (industry) and kinds of service have influence on the service quality perception, service quality evaluation should be done at encounter level, or maybe cultures impact and also modify the service quality properties.

It is also service quality dimension until SERVQUAL measures do not contemplate it as. Extensive perspective, human perspectives and its origination also service quality measures as these restrictions. Service quality and also customer satisfaction are extremely related to each other. The service quality is a fundamental antecedent that connected with satisfaction. The five dimensions of SERVQUAL explored as huge constructive product on overall satisfaction. Both service quality and customer satisfaction are extremely related. The five SERVQUAL dimensions which were examined had a significant impact on satisfaction

While Philippine workers are cheaper than others, the quality of their work may not be satisfying [36, p. 29]. The company mostly get their clients from USA, Canada and Western Europe and having Philippine staff cooperating on the high level with the client may be difficult because of the cultural contrast, language divergence and overall world outlook.

That is why, even given the high efficiency, the company cannot outsource its job only to the Philippine staff. It cannot be executed by the American office as well (Tab.2.2.6).

Table 2.2.6

Economic efficiency of projects executed by American freelancers*

Service	Price	Cost	Economic efficiency
Lead Research	1500	1100	1,36
Email Campaign Automation	1500	2200	0,68
Business Development	2500	3300	0,76

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

American staff cannot compete with outsourcing when it comes to economic efficiency.

At this point in time, Leadium Inc has not researched the best option (country) for outsourcing. The existing countries have been chosen rather for strategic reasons. Thus, with the help of proper evaluation, it is possible to find a better option and increase the economic efficiency.

Conclusions to the Part 2

The influence of the external environment is very important for Leadium Inc as the company operates worldwide. The company faces different cultures, religions, ethical outlooks. To analyze the external impact we have chosen SPELIT analysis as PEST analysis is not applicable for this company type.

Ultimately, it has been proved that legal factors are the most impactful as certain legislative structures can even be a roadblock for the company to enter a market of certain countries. There are countries whose legal program prohibits the activity of marketing companies like Leadium Inc on the territory of the state.

Technological factors are also crucial as nowadays we can see a great breakthrough in the sphere of artificial intelligence which in prospective can replace the human-driven approach that is now actively pursued by businesses like Leadium Inc. More and more SaaS companies arriving at the market, whose AI solutions cannot

compete with humans for now but, in the near future, the competition will do the job and that makes technological factors a potential threat to the company.

Intercultural and economic factors are less important but still have an impact on the company's activity. Leadium Inc should take into account that their clientele consists of different nationalities that require custom approach, otherwise the company puts at risk the chance for successful activity at certain market. Economic factors imply some global changes that can be a threat to the company's operation, however, the probability of that is quite low, nevertheless, Leadium Inc should be reasonable while choosing the country to enter.

Social and political factors are important only for several selected countries so they don't play the leading role in the whole environment. Still we need to pay attention to the factors like competition regulation and attitude toward investing.

As of now Leadium Inc has already determined the 2 competitive advantages that help them stand out of other similar businesses. To make sure they do have this advantages Leadium Inc is actively utilizing the outsourcing. The company delegates their services to Ukraine, the Philippines and Serbia. The research has shown that the Philippines is the most effective direction for outsourcing in terms of the labor cost while the quality of work leaves much to be desired. In turn, Ukraine provides qualified service at a reasonable price. Serbia is way too expensive when compared to Ukraine and Serbia but the people skills are high. It was detected that Leadium Inc has never looked into better options for outsourcing so the decision has been made to conduct a proper investigation and determine the best destination country for further outsourcing strategy development.

PART 3

DIRECTIONS FOR INCREASING OUTSOURCING IN THE FORMATION OF COMPETITIVE ADVANTAGES «LEADIUM INC» AT THE EXTERNAL MARKET.

3.1. Justification of measures of increasing competitive advantages of «Leadium Inc»

Competitive advantages are conditions that allow a company or country to produce a good or service of equal value at a lower price or in a more desirable fashion. These conditions allow the productive entity to generate more sales or superior margins compared to its market rivals [37, p. 63].

Previously, has been stated the 2 competitive advantages Leadium Inc is actively pursuing are **labor cost and quality of work**. Consequently, to increase the competitive advantage of the company we need to look into the ways of decreasing the cost of work without reducing the quality of service. This is where outsourcing can play a significant role.

The research has been conducted to identify the best country to outsource part of Leadium Inc's work.

The main things you want to look for when determining the best countries to outsource software development to are lower costs, a highly developed IT market, a high-quality educational infrastructure, and the ability to communicate in your preferred language (assumably, English). These factors create a large talent pool of skilled tech workers.

Certain businesses may wish to consider other factors as well, such as cultural odds. These can range from having different official holidays to vast cultural differences that might preclude certain individuals from working with you.

The final factor to consider when selecting the best countries to outsource software development is time zones. Many companies find ways to collaborate with workers in a variety of time zones, but we should consider how we are going to work with people in other time zones before starting the search.

Once we have figured out what the company's specific outsourcing needs are, you're ready to start looking for collaborators in the best countries to outsource software development.

Based on the type of work, the best country for outsourcing should match such criteria:

1. **Cheap labor cost.** The company is interested in reducing the labor cost in order to increase the income. The best score would get the country that has a combination of a cheap workforce and a decent quality of work. Thus, that does not mean that the country with the cheapest labor will score maximum at this criteria.
2. **Close to American cultural and linguistic environment.** Most of Leadium Inc clients are Americans, Canadians, and Europeans. It is important, for the American company, to have people from a similar cultural environment to provide the smooth internal workflow. Similar linguistic environment is required because most of the work that is being outsourced implies the direct communication with the client so only English speaking freelancers are considered. The mentality is another factor that is important while looking for a perfect candidate.
3. **Least time difference with US time.** The reason is just the same. To be able to cooperate as one team all company contractors should be as close to the American time as possible. Everything is bound to the American working schedule so the biggest score will get the country that is geographically located closer to the US from the eastern side.

India has been suggested to be a candidate for this. India offers a unique combination of attributes that have established it as the preferred destination for outsourcing. Advances in technology and communication have allowed transnational companies to rapidly globalize at a very low cost.

The cost of managing workers in a distant location had fallen drastically, and the need to outsource became stronger. Significantly, India also began efforts to open up its economy to the world. Since the onset of globalization in the early 1990s, successive

governments have pursued programs of economic reform committed to liberalization and privatization. The government started easing restrictions and liberalizing the economy, which has helped the country see rapid economic growth [38].

Besides, the cost-saving factor, even the quality service offered by India has made it the front-runner in the outsourcing industry among others. Recently, The National Outsourcing Association (NOA), in its Annual Offshore Outsourcing Conference, revealed the reason behind why International companies are choosing India as their preferred destination, “Cost reduction was only part for the reason that companies were considering offshore outsourcing, there were benefits to be had in time-to-market and quality, leading to an adage that companies initially chose India to save costs but stayed for the speed and quality!” [39].

India is the global choice for offshoring of IT services, with a market share of 59%. Its success is the outcome of the national investment in telecom and computing infrastructure, built up over many years, with the active involvement of the Indian government. When the Indian markets were opened up to world trade in the early 1990s, investment in the software industry was encouraged.

The government also invested heavily in education, and foreign investment in software meant that the numerous graduates in engineering and computing could find employment without going abroad. There are thus 'large pools of English-speaking engineering graduates' available in India. Although the high-tech sector accounts for only 0.2% of employment, software and IT services make up an important part of the Indian economy and of the image of the 'new' India.

To see whether India matches the criteria for the best country for outsourcing let us rank it along with the existing destination countries (Tab. 3.1.1).

Table 3.1.1

Ranking India against the existing destination points

	India	Ukraine	Serbia	Philippines
Cheap labour cost	4	2	1	3

Close to american cultural and linguistic environment	4	2	3	1
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Continuation of the Table 3.1.1

	India	Ukraine	Serbia	Philippines
Least time difference with US time	2	3	4	1
Score	10	7	8	5

India scored the best in this contest due to a low labor cost and business environment. Indeed, with approximately \$15/hour wage rate and 26 million English speaking population, India appears to be a very efficient choice for this type of work.

Official reports also mark India as the best destination country for allocating the business in 2019. According to 2019 A.T. Kearney Global Services Location Index India has been identified as the most attractive country for outsourcing (Fig. 3.1.1). The combination of financial attractiveness, people skills, business environment, and digital resonance turned out to show the best result around the world [40, p. 27].

GSLI overall country rankings

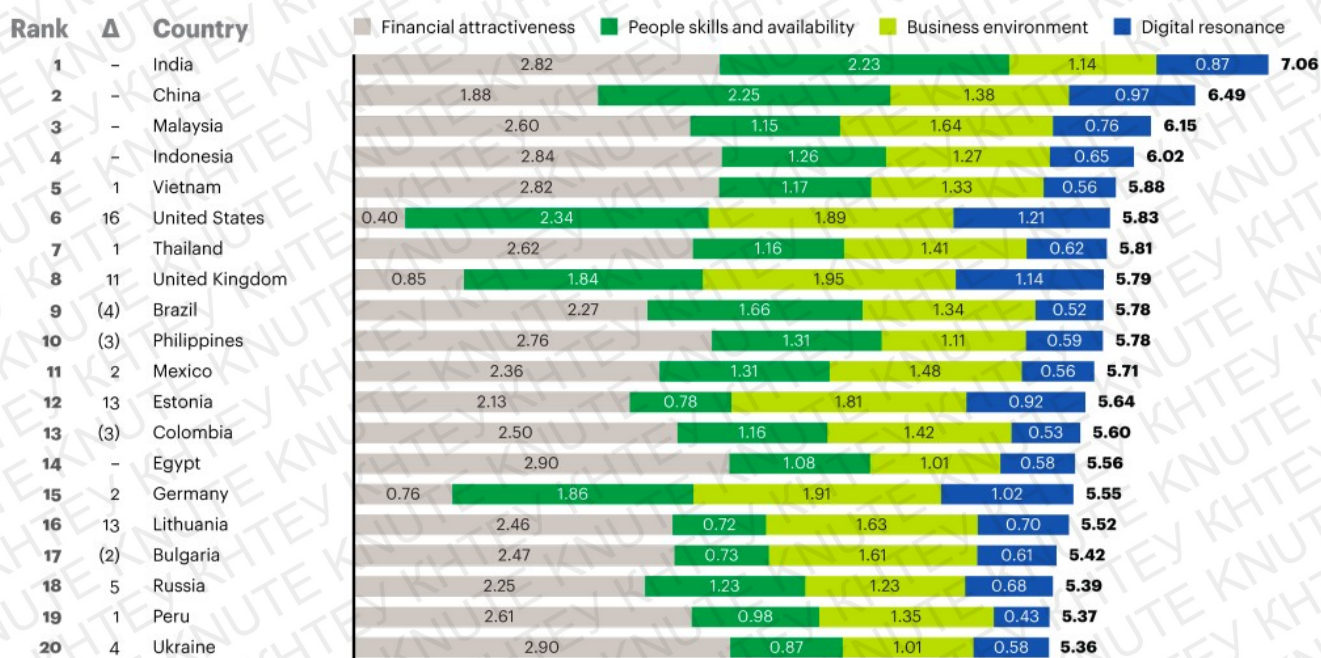


Fig 3.1.1 2019 GSLI overall country rankings [41]

This is the ranking of 20 most suitable for outsourcing countries. The first column indicates the current place in the rating and the second column shows how the difference between current and previous position.

The data presented is taken from the latest 2019 AT Kearney Digital Transformation report. While India has taken the 1st place, Philippines is on the 10th and Ukraine on the 20th. Serbia is far out of competition [41].

Let us see how this ranking has been changing during the last 5 years (Tab. 3.1.2).

Table 3.1.2

GSLI ranking dynamics for selected countries 2015-2019 [41].

	2015	2016	2017	2018	2019
India	1	1	1	1	1
Philippines	9	7	7	13	10
Ukraine	41	24	24	24	20

Having reviewed the results of this rating for the last 5 years we found out that India has been dominating for all this time while Ukraine rapidly improved its position in 2016 and slightly in 2019. The Philippines had their own ups and downs but ended up on the 10th place in 2019 which means the position is quite solid.

These results, however, can easily be backed by the official data. India has emerged as the growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships [42, p. 25].

India's nominal GDP growth rate is estimated at 12% in 2019-20. The estimate for 2018-19 was 11.5%. During Q1 of 2019-20, GDP (at constant 2011-12 prices) grew by 5%.

India has retained its position as the third-largest start-up base in the world with over 4,750 technology start-ups, with about 1,400 new start-ups being founded in 2016, according to a report by NASSCOM.

India's labor force is expected to touch 160-170 million by 2020, based on rate of population growth, increased labor force participation, and higher education enrolment, among other factors, according to a study by ASSOCHAM and Thought Arbitrage Research Institute.

India's foreign exchange reserves were US\$ 393.29 billion in the week up to December 21, 2018, according to data from the RBI.

Let us revive some of the most important global economic indicators for India and their dynamics during the last 5 years (Tab 3.1.3).

Table 3.1.3

India's global economic indicators [43].

	2014	2015	2016	2017	2018
Population, mil	1,266	1,283	1,300	1,317	1,353
GDP per capita, USD	1 614	1 633	1 763	2 017	2 040
GDP growth, %	7.4	8.0	8.2	7.2	7,1
Inflation rate, %	5.8	4.9	4.5	3.6	3,5
Exchange rate, vs USD	61.14	65.42	67.04	65.46	68,24

Indian population is growing significantly, which demonstrates the improvement in several spheres including economic and social. 34.5 % of the population is urban (that's 471,828,295 people in 2019) and, what is the most important, 67% of the total population is 15-64 years old, in other words, working-age [44].

Population growth is covered by GDP growth (7-8% per year stable) which determines the growth of GDP per capita. Since 2014 it has grown by more than 26%.

The inflation rate has been decreasing all the way down from almost 6% to 3,5% in 2018 which indicates rapid economic growth. Exchange rate fluctuations are inessential, the average amount is 4% per year.

All this indicates the full development of India in all directions and allows us to consider this country to outsource the services of the company.

It is also necessary to take another look at the current outsourcing strategy and get rid of the weak points. One of such weak points may be outsourcing to Serbia.

Serbia is considered one of the most promising IT outsourcing destinations in Europe. Its stable business conditions, EU legislation compliance, attractive tax incentives, low tax rates, and very reasonable labor costs have been attracting scores of international corporations.

The strong technical and scientific curriculum in Serbian universities, extensive cooperation with Western companies throughout the years, and European work culture have all been factors in allowing the IT industry in Serbia, specifically the outsourcing segment, to rapidly develop into one of the most important sectors of the Serbian economy.

Experienced, certified and well-trained IT professionals, fluent in many languages; people who are motivated and dedicated to work—this is what Serbia can offer your business. Serbia is highly desirable for IT outsourcing and software development services. Around 33% of university graduates come from the renowned Serbian technical departments. Many of them acquire even more technical and mathematical expertise working in the international companies located in Serbia.

As a result, outsourcing companies can choose highly skilled professionals from a large pool of experts, making outsourcing to Serbia an excellent opportunity to hire the best for a reasonable price [45, p. 19].

Serbia's economic freedom score is 63.9, making the economy the 69th freest in the 2019 Index. Its overall score has increased by 1.4 points, with a large increase in fiscal health and improvements in scores for business freedom and government spending surpassing drops in trade freedom and judicial effectiveness. Serbia is ranked 34th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Serbia is still in transition from statism to a market economy and still recovering from civil war. With strong economic growth and significant fiscal consolidation, the government plans further incremental reforms to improve the business environment. Progress to reform public administration and privatize state-run companies in the

electricity, communications, and natural gas sectors will be slower. Deeper institutional reforms are also needed to modernize tax administration, tackle bureaucracy, reduce corruption, and strengthen the judicial system.

While after all this Serbia looks like a good destination point for outsourcing, for the researched company the cost of labor is too high – higher than Ukrainian and way too higher than the Philippine and Indian. That is why we still should consider eliminating these costs while trying to increase the economic efficiency [46, p. 30].

3.2. Forecast evaluation of the effectiveness of proposed measures for «Leadium Inc»

Since the proposed measure is to outsource a part of project work to India we can execute this in 2 possible ways:

- 1) *Increase the number of employees by hiring 18 Indian freelancers which enables the capacity to take on 9 more projects.*
- 2) *Replace Serbian freelancers, that have proved to be the least efficient by Indians without changing the capacity.*

To be able to judge let us look at the current status of company income and outcome per month. An average number of project workers at Leadium Inc in 2019 is 76. Out of those: 34 Ukrainians, 18 Serbians, and 24 Philippines. Let us calculate the economic efficiency that can be observed at this moment (Tab 3.2.1).

Table 3.2.1

Economic efficiency of current Leadium Inc's activity*

	People and Soft	Cost	Amount	Total
Ukrainian	Lead Researcher	300	17	18700
	Research software	100	17	
	BDR	500	17	
	BDR software	200	17	

Continuation of the Table 3.2.1

Serbian	Lead Researcher	350	9	11250
	Research software	100	9	
	BDR	600	9	
	BDR software	200	9	
Philippine	Lead Researcher	250	12	13800
	Research software	100	12	
	BDR	450	12	
	BDR software	200	21	
Total labor expenses				43750
Project income		2500	38	95000
Economic efficiency				2,17

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

So, currently, economic efficiency equals 2,17. Let us see how this indicator changes if we take on 18 Indian freelancers and increase the project capacity from 38 projects to 47 (Tab 3.2.2).

Table 3.2.2

Economic activity after implementing measure #1*

	People and Soft	Cost	Amount	Total
Ukrainian	Lead Researcher	300	17	18700
	Research software	100	17	
	BDR	500	17	
	BDR software	200	17	

Continuation of the Table 3.2.2

	People and Soft	Cost	Amount	Total
	Lead Researcher	350	9	

Serbian	Research software	100	9	11250
	BDR	600	9	
	BDR software	200	9	
Philippine	Lead Researcher	250	12	13800
	Research software	100	12	
	BDR	450	12	
	BDR software	200	21	
Indian	Lead Researcher	150	9	7200
	Research software	100	9	
	BDR	350	9	
	BDR software	200	9	
Total labor expenses				50950
Project income		2500	47	117500
Economic efficiency				2,31

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

So, hiring the additional freelancers with enlarging the project pool gives us a monthly increase in economic efficiency by 0,14. By taking this measure, monthly income before taxes can increase from \$51250 to \$66550 (by \$15300).

The described procedure is not instant and going to be implemented over the course of 1 year (2020). The results become visible only at the end of the planned period. Hiring 18 people during 1 year is normal for the start-up like Leadium Inc which experiences the quick inflow and outflow of the workforce.

Now let us see what happens if we replace 18 Serbian freelancers by 18 Indians and stick to the current number of projects (38) (Tab 3.2.3).

Table 3.2.3

Economic activity after implementing measure #1*

	People and Soft	Cost	Amount	Total
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Ukrainian	Lead Researcher	300	17	18700
	Research software	100	17	
	BDR	500	17	
	BDR software	200	17	
Philippine	Lead Researcher	250	12	13800
	Research software	100	12	
	BDR	450	12	
	BDR software	200	21	
Indian	Lead Researcher	150	9	7200
	Research software	100	9	
	BDR	350	9	
	BDR software	200	9	
Total labor expenses				39700
Project income		2500	38	95000
Economic efficiency				2,39

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

Measure #2 gives us 2,39 monthly economic efficiency and \$55300 of income before taxes which is only \$4050 more than the current indicator.

For this type of company 0,21 increase in economic efficiency is crucial [47, p. 12]. It does not bring quick income growth as it does the 1st measure but once the transition is completed the increased economic efficiency will determine the quick development in the future. The estimated time to replace Serbian workers with Indians is 12 months. That means only in December 2020 we will see the results highlighted in the Tab 3.2.3. Let us see how the situation changes if we develop the Indian office hiring 18 more freelancers over the course of 2021 (Tab 3.2.4). The number of projects, in this case, will increase to 47 (as it could have been if we would pursue the measure #1).

Table 3.2.4

Forecast for 2021 under the condition of hiring 18 additional Indian freelancers*

	People and Soft	Cost	Amount	Total
Ukrainian	Lead Researcher	300	17	18700
	Research software	100	17	
	BDR	500	17	
	BDR software	200	17	
Philippine	Lead Researcher	250	12	13800
	Research software	100	12	
	BDR	450	12	
	BDR software	200	21	
Indian	Lead Researcher	150	18	14400
	Research software	100	18	
	BDR	350	18	
	BDR software	200	18	
Total labor expenses				46900
Project income		2500	47	117500
Economic efficiency				2,51

**Source: calculated and compiled by the author on the basis of the Leadium Inc's reports*

Thus, in December 2021 the economic efficiency is supposed to grow to 2,51, compared to 2,39 in December 2020. The amount of income before tax is going to be \$70600, compare to \$55300. This gives us a clear sight that it totally makes sense to hire Indian freelancers, while shortening the number of Serbians, due to the low efficiency.

To sum up, the implementation of measure #2 will yield the increase in economic efficiency by 0,21 by the end of 2020 and by 0,12 more as of December 2021.

To predict the results for 2022 we can use one of the most versatile methods of economic forecast – linear extrapolation.

For any linear function, linear extrapolation provides a good result when the point to be predicted is not too far from the given data. It is usually done by drawing the tangent line at the endpoint of the given graph and that will be extended beyond the limit.

We are going to predict the economic efficiency for 2022 knowing the results of 2 previous years, under the condition of enlarging the share of Indian freelancers in Leadium Inc's employee pool. We should describe the condition of the problem in the form of a table (Tab. 3.2.5).

Table 3.2.5

The condition of the extrapolation problem

f	Economic efficiency		
	2020 (x_1, y_1)	2021 (x_2, y_2)	2022 (x, y)
x	18	36	54
y	2,39	2,51	?

The formula of linear extrapolation that we are going to use to solve this problem is presented below (Formula 3.2.1):

$$y(x) = y_1 + \frac{x - x_1}{x_2 - x_1} (y_2 - y_1) \quad (3.2.1)$$

where x_1 – number of Indian freelancers on staff in 2020;

x_2 – number of Indian freelancers on staff in 2021;

x – number of Indian freelancers on staff in 2022;

y_1 – economic efficiency in 2020;

y_2 – economic efficiency in 2021;

y – predicted economic efficiency in 2022.;

After inserting the given data, the formula looks like this (Formula 3.2.2):

$$y(54) = 2,39 + \frac{54 - 36}{36 - 18} (2,51 - 2,39) \quad (3.2.2)$$

Consequently, we get the simple equation (Formula 3.2.3):

$$y(54) = 2,39 + 0,24 \quad (3.2.3)$$

This leads us to the result, which is $y = 2,63$ and this figure is our predicted economic efficiency for 2022.

Out of conducted calculation, we can make a conclusion, that economic efficiency is going to increase by 0,12 each year given that Leadium Inc is taking on 18 new Indian freelancers per year, and other conditions remain the same.

Conclusions to the Part 3

We have reviewed the current role of outsourcing in the economic activity of Leadium Inc. At the moment Leadium Inc delegates its workflow to the destination countries that have been chosen only out of the strategic needs. It appears that the proper research has never been conducted, and the company is holding back because of the inefficient outsourcing policy.

Leadium Inc delegates its responsibilities to Ukraine, the Philippines, and Serbia. While Ukraine and Philippines are a combination of the cheap labor cost and high working skills, Serbia, even though also demonstrates great professional and technology level, is not really efficient because of the high salary rates.

As a candidate for further development of the outsourcing network we have chosen India. It shows leading economic growth and business environment formation result year over the year. The wage rate is low and the linguistic environment is close to American. While comparing India to other destination countries that Leadium Inc is currently using, in terms of the key criteria it is clearly seen that India is far ahead.

We have suggested 2 possible measures to help the company utilize outsourcing in a way that would increase the competitive advantages of Leadium Inc, which are labor costs and quality of work. The first measure implied taking on Indian staff and increasing the capacity of the company (number of the projects active). The second measure is replacing the existing Serbian freelancers with Indians over the course of the year without changing the capacity. This strategy has proved to be more efficient – it yielded significantly more economic efficiency.

The mid-term forecast has been made and showed that in case of implementing the second measure Leadium Inc will get a rapid increase in economic efficiency and a slight increase in income in 2020. In 2021 the growth of economic efficiency is going to be lower but solid with significant growth in the income. In the following years, this 2 indicators are going to be growing proportionally under the condition of further development of Indian direction.

CONCLUSIONS

Outsourcing has become an important part of the economic relations of a significant number of businesses. Competition is no longer local, so companies have to look for the resources around the world to be able to stay at the market. While manufacturing companies are going after the newest technologies to make the manufacturing process cheaper and more effective, businesses like Leadium Inc (which are marketing and IT start-ups) are looking for the right outsourcing strategy that would help them not only decrease the expenses by utilizing the cheap workforce but also increase, or at least leave the quality of the work at the same level. It is possible with the proper research into the company and into the latest world trends.

Leadium Inc is a marketing agency with features of IT business that has been founded in 2013. It has been developing with high speed, given the new business model and enormous demand for the services in developed countries like the USA, Canada, UK, France, Germany, and Australia.

As a newly emerged American marketing/IT start-up Leadium Inc demonstrates very good ascending results. This type of the company is easy to establish, does not need big starting capital and is easily scalable.

The overall economic condition of Leadium Inc is good. It is an ambitious start-up that is developing with high speed and attracts more and more investments. Liquidity indicators were not impressive at the beginning of the research period but then quickly become normal, in some cases even higher than optimal.

The solvency indicators show that the company is solvent enough and is strengthening its positions. All business activity indicators demonstrate the increase which means that the company processes are properly set. Leadium Inc also has great profitability results, especially Return on sales that reached more than 40% and Ratio of products profitability that rose up to more than 50%.

The influence of the external environment is very important for Leadium Inc as the company operates worldwide. The company faces different cultures, religions, ethical

outlooks. To analyze the external impact we have chosen SPELIT analysis as PEST analysis is not applicable for this company type.

Ultimately, it has been proved that legal factors are the most impactful as certain legislative structures can even be a roadblock for the company to enter a market of certain countries. There are countries whose legal program prohibits the activity of marketing companies like Leadium Inc on the territory of the state.

Technological factors are also crucial as nowadays we can see a great breakthrough in the sphere of artificial intelligence which in prospective can replace the human-driven approach that is now actively pursued by businesses like Leadium Inc. More and more SaaS companies arriving at the market, whose AI solutions cannot compete with humans for now, but in the near future, the competition will do the job and that makes technological factors a potential threat to the company.

Intercultural and economic factors are less important but still have an impact on the company's activity. Leadium Inc should take into account that their clientele consists of different nationalities that require custom approach, otherwise the company puts at risk the chance for successful activity at a certain market. Economic factors imply some global changes that can be a threat to the company's operation, however, the probability of that is quite low. Leadium Inc should be reasonable while choosing the country to enter.

Social and political factors are important only for several selected countries so they do not play the leading role in the whole environment. Still, we need to pay attention to factors like competition regulation and attitude toward investing.

As of now, Leadium Inc has already determined the 2 competitive advantages that help them stand out of other similar businesses. To make sure they do have this advantages Leadium Inc is actively utilizing the outsourcing. The company delegates its services to Ukraine, the Philippines, and Serbia. The research has shown that the Philippines is the most effective direction for outsourcing in terms of the labor cost while the quality of work leaves much to be desired. In turn, Ukraine provides qualified service at a reasonable price. Serbia is way too expensive when compared to Ukraine and Serbia but the people skills are high. It was detected that Leadium Inc has never

looked into better options for outsourcing so the decision has been made to conduct a proper investigation and determine the best destination country for further outsourcing strategy development.

Leadium Inc delegates its responsibilities to Ukraine, the Philippines and Serbia. While Ukraine and Philippines are a combination of the cheap labor cost and high working skills, Serbia, even though also demonstrates great professional and technology level, is not really efficient because of the high salary rates.

As a candidate for further development of the outsourcing network we have chosen India. It shows leading economic growth and business environment formation result year over the year. The wage rate is low and the linguistic environment is close to American. While comparing India to other destination countries that Leadium Inc is currently using, in terms of the key criteria it is clearly seen that India is far ahead.

We have suggested 2 possible measures to help the company utilize outsourcing in a way that would increase the competitive advantages of Leadium Inc, which are labor costs and quality of work. The first measure implied taking on Indian staff and increasing the capacity of the company (number of the projects active). The second measure is replacing the existing Serbian freelancers with Indians over the course of the year without changing the capacity. This strategy has proved to be more efficient – it yielded significantly more economic efficiency.

The mid-term forecast has been made and showed that in case of implementing the second measure Leadium Inc will get a rapid increase in economic efficiency and a slight increase in income in 2020. In 2021 the growth of economic efficiency is going to be lower but solid with significant growth in the income. In the following years, these 2 indicators are going to be growing proportionally under the condition of further development of Indian direction.

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APPENDICES

Appendix A

Table 1

Balance Sheet
(Statement of Financial Position)

Assets	Line code	2014	2015	2016	2017	2018
1	2	3	4	5	6	7
I. Non-current assets						
Intangible assets	1000	220	236	259	298	313
initial value	1001	260	276	289	320	249
accumulated depreciation	1002	40	40	30	22	36
Incomplete capital investment	1005	156	123	104	117	173
Fixed assets	1010	2854	2967	3176	3398	3793
initial value	1011	3102	3121	3214	3431	3852
accumulated depreciation	1012	248	154	38	33	59
Investment Property	1015	-	-	-	-	-
initial value	1016	-	-	-	-	-
accumulated depreciation	1017	-	-	-	-	-
Long-term biological assets	1020	-	-	-	-	-
initial value	1021	-	-	-	-	-
accumulated depreciation	1022	-	-	-	-	-
Long-term financial investments	1030	201	256	316	493	567
other financial investments	1035	-	-	-	-	-
Long-term receivables	1040	-	-	-	-	-
Deferred tax assets	1045	-	-	-	-	-
Goodwill	1050	-	-	-	-	-
Deferred aquaculture expenses	1060	-	-	-	-	-
Balances of funds	1065	-	-	-	-	-
Other non-current assets	1090	-	-	-	-	-

Continuation of Table 1

1	2	3	4	5	6	7
Total for Section I	1095	3431	3582	3855	4306	4846
II. Current assets						
Stocks	1100	310	342	359	378	392
Inventories	1101	79	82	96	101	124
Unfinished production	1102	-	-	-	-	-
Final product	1103	-	-	-	-	-
Goods	1104	-	-	-	-	-
Current biological assets	1110	-	-	-	-	-
Deposits of reinsurance	1115	-	-	-	-	-
Promissory notes received	1120	-	-	-	-	-
Accounts receivable for products, goods, works, services	1125	127	341	589	785	843
Accounts receivable by settlement:		-	-	-	-	-
on advance payments	1130	105	301	549	762	799
with budget	1135	5	8	11	12	21
including income tax	1136	-	-	-	-	-
from accrued income	1140	-	-	-	-	-
from internal settlements	1145	115	32	29	11	23
Other Current Accounts Receivable	1155	-	-	-	-	-
Current financial investments	1160	-	-	-	-	-
Money and their equivalents	1165	69	213	334	469	599
Cash	1166	8	18	19	10	20
Bank accounts	1167	61	195	315	459	579
Costs of future periods	1170	-	-	-	-	-
The share of a reinsurer in insurance reserves	1180	-	-	-	-	-
including: long-term liabilities reserves	1181	-	-	-	-	-
provisions for losses or provisions for due payments	1182	-	-	-	-	-
reserves of unearned premiums	1183	-	-	-	-	-

Continuation of Table 1

1	2	3	4	5	6	7
other insurance reserves	1184	-	-	-	-	-
Other current assets	1190	145	256	362	412	556
Total for Section II	1195	730	1234	1740	2145	2514
III. Non-current assets held for sale and disposal groups	1200	-	-	-	-	-
Balance	1300	4161	4816	5595	6451	7360
Liabilities	Line code	2014	2015	2016	2017	2018
I. Own capital						
Registered (share) capital	1400	1015	1559	1914	2678	3390
Contributions to unregistered capital	1401	-	-	-	-	-
Capital in surplus	1405	-	-	-	-	-
Additional capital	1410	515	790	998	1256	1579
Emission Income	1411	-	-	-	-	-
Accumulated exchange rate differences	1412	-	-	-	-	-
Reserve capital	1415	-	-	-	-	-
Retained earnings (uncovered loss)	1420	1680	1235	1178	794	432
Unpaid capital	1425	-	-	-	-	-
Capital withdrawn	1430	-	-	-	-	-
Other reserves	1435	-	-	-	-	-
Total for Section I	1495	3210	3584	4090	4728	5401
II. Long-term commitments and collateral		-	-	-	-	-
Deferred tax liabilities	1500	-	-	-	-	-
Pension obligations	1505	-	-	-	-	-
long-term bank credits	1510	-	-	-	-	-
Other long-term liabilities	1515	-	-	-	-	-
Long-term security	1520	-	-	-	-	-
Long-term maintenance of staff costs	1521	-	-	-	-	-
Targeted financing	1525	-	-	-	-	-
Charity	1526	-	-	-	-	-
Insurance reserves	1530	-	-	-	-	-

Continuation of Table 1

including: reserve of long-term liabilities	1531	-	-	-	-	-
loss reserve or due allowance	1532	-	-	-	-	-
reserve of unearned premiums	1533	-	-	-	-	-
other insurance reserves	1534	-	-	-	-	-
Investment contracts	1535	-	-	-	-	-
Prize fund	1540	-	-	-	-	-
reserve for jackpot payment	1545	-	-	-	-	-
Total for Section II	1595	-	-	-	-	-
III. Current liabilities and security		-	-	-	-	-
Short-term bank credits	1600	-	-	-	-	-
Promissory notes issued	1605	-	-	-	-	-
Current payables for:		-	-	-	-	-
long-term liabilities	1610	-	-	-	-	-
goods, work, services	1615	178	256	397	479	586
calculations with the budget	1620	123	142	156	145	123
including income tax	1621	57	57	63	72	86
insurance calculations	1625	112	132	144	156	167
payroll calculations	1630	357	489	567	698	776
for received payments	1635	124	156	178	173	221
according to calculations from participants	1640	-	-	-	-	-
from internal settlements	1645	-	-	-	-	-
for insurance activity	1650	-	-	-	-	-
Current provision	1660	-	-	-	-	-
Future revenues	1665	-	-	-	-	-
Deferred commission income from reinsurers	1670	-	-	-	-	-
Other current commitments	1690	-	-	-	-	-
Total for Section III	1695	951	1232	1505	1723	1959

Continuation of Table 1

IV. Liabilities related to non-current assets held for sale and disposal groups	1700	-	-	-	-	-
V. Net asset value of non-state pension fund	1800	-	-	-	-	-
Balance	1900	4161	4816	5595	6451	7360

Report on Financial Results

I. FINANCIAL RESULTS						
Article	Line code	2014	2015	2016	2017	2018
1	2	3	4	5	6	7
Net income from sales of goods (goods, works, services)	2000	337	770	1190	1581	2120
Net earned insurance premiums	2010	-	-	-	-	-
Awards signed, gross amount	2011	-	-	-	-	-
Awards transferred to reinsurance	2012	-	-	-	-	-
Change in reserve of unearned premiums, gross amount	2013	-	-	-	-	-
Change in the share of reinsurers in the reserve of unearned premiums	2014	-	-	-	-	-
Cost of sold products (goods, works, services)	2050	148	338	523	695	932
Net losses incurred on insurance payments	2070	-	-	-	-	-
Profit	2090	189	432	667	886	1188
Loss	2095	-	-	-	-	-
Income (expense) from changes in long-term liability prov.	2105	-	-	-	-	-
Income (expenses) from changes in other insurance reserves	2110	-	-	-	-	-
Change in other insurance reserves, gross amount	2111	-	-	-	-	-
Change in the share of reinsurers in other insurance reserves	2112	-	-	-	-	-
Other operating income	2120	-	-	-	-	-
Income from changes in the value of assets measured at fair value	2121	-	-	-	-	-
Income from initial recognition of biological assets and agricultural products	2122	-	-	-	-	-
Revenue from the use of funds released from taxation	2123	-	-	-	-	-
Administrative expenses	2130	-9	-11	-10	-26	-35
Selling expenses	2150	-4	-3	-5	-122	-132
Other operating expenses	2180	-22	-45	-68	-91	-114
Cost of changes in the value of assets that are measured at fair value	2181	-	-	-	-	-
Costs from the initial recognition of biological assets and agricultural products	2182	-	-	-	-	-
Financial result from operating activities:						
profit	2190	154	373	584	647	907
loss	2195	-	-	-	-	-

Continuation of Table 1

Income from equity participation	2200	-	-	-	-	-
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Other financial income	2220	-	-	-	-	-
Other income	2240	-	-	-	-	-
Income from charity	2241	-	-	-	-	-
Financial expenses	2250	-3	-4	-12	-19	-26
Losses from equity participation	2255	-	-	-	-	-
Other expenses	2270	-	-	-	-	-
Profit (loss) from the influence of inflation on monetary items	2275	-	-	-	-	-
Financial results before tax:						
profit	2290	151	369	572	628	881
loss	2295	-	-	-	-	-
Income from income tax	2300	-	-	-	-	-
Profit (loss) from discontinued operations after tax	2305	-	-	-	-	-
Net financial result:	2350					
Profit		151	369	572	628	881
loss	2355	-	-	-	-	-
II. COMULATIVE INCOME						
Article	Line code	2014	2015	2016	2017	2018
1	2	3	4	5	6	7
Revaluation (subtraction) of non-current assets	2400	-	-	-	-	-
Revaluation (subtraction) of financial instruments	2405	-	-	-	-	-
Accumulated exchange rate differences	2410	-	-	-	-	-
Share of other aggregate income of associates and joint ventures	2415	-	-	-	-	-
Another cumulative income	2445	-	-	-	-	-
Other comulative income before tax	2450	-	-	-	-	-
Income tax linked to other comprehensive income	2455	-	-	-	-	-
Other comprehensive income after tax	2460	-	-	-	-	-
Comulative income	2465	151	369	572	628	881
III. OPERATING EXPENSES						
Article	Line code	2014	2015	2016	2017	2018
1	2	3	4	5	6	7
Material costs	2500	-	-	-	-	-

Continuation of Table 1

Salary expenses	2505	25	45	20	43	51
Calculation of social measures	2510	4	7	5	26	22
Amortization	2515	5	8	7	18	20

Other operating expenses	2520	2	0,5	1	12	11
Together	2550	36	60,5	33	99	104

IV. CALCULATION OF SHARES PROFITABILITY

Article	Line code	2014	2015	2016	2017	2018
1	2	3	4	5	6	7
Average annual number of ordinary shares	2600	-	-	-	-	-
Adjusted average annual cost of simple items	2605	-	-	-	-	-
Net profit (loss) per one ordinary share	2610	-	-	-	-	-
Adjusted net profit (loss) per one ordinary share	2615	-	-	-	-	-
The dividend for one simple share	2650	-	-	-	-	-

Table 1

Indicators of the financial condition of the enterprise

Indicator	Optimal value or direction	Value				
		2014	2015	2016	2017	2018
<i>Analysis of financial results of activities</i>						
<i>Analysis of the financial condition of the enterprise</i>						
Asset dynamics		Positive				
Liabilities dynamics		Positive				
<i>Analysis of enterprise liquidity</i>						
Overall liquidity ratio (coverage)	>1	0,77	1,00	1,16	1,24	1,28
Quick liquidity ratio	0,6-0,8	0,44	0,72	0,92	1,03	1,08
Absolute liquidity ratio	>0,2	0,07	0,17	0,22	0,27	0,31
Net working capital, thousand UAH	>0	-221,00	2,00	235,00	422,00	555,00
<i>Analysis of solvency (financial stability) of the enterprise</i>						
Solvency ratio (autonomy, financial stability)	>0,5	0,18	0,26	0,31	0,33	0,34
Coefficient of financial stability	<1	0,84	0,85	0,87	0,92	0,94
Security of own working capital ratio	>0,1	-0,30	0,00	0,14	0,20	0,22
Flexibility ratio	>0	-0,07	0,00	0,06	0,09	0,10
<i>Analysis of business activity</i>						
Asset turnover ratio	Increase	-	0,04	0,06	0,07	0,08
Receivables turnover ratio	Increase	-	3,29	2,56	2,30	2,60
Ratio of accounts payable	Increase	-	-	-	-	-
Term of repayment of accounts receivable, days	Increase		109,40	140,67	156,43	138,23
Term of repayment of accounts payable, days	Increase	-	-	-	-	-
Inventory turnover ratio	Increase	-	1,04	1,49	1,89	2,42
Fixed assets turnover ratio	Increase	-	0,17	0,23	0,26	0,31
Equity turnover ratio	Increase	-	0,23	0,31	0,36	0,42
<i>Profitability analysis</i>						
ROA	Increase	-	8,22	10,99	10,43	12,76
ROE	Increase	-	10,86	14,91	14,24	17,40
ROS	Increase	44,81	47,92	48,07	39,72	41,56
RPP	Increase	56,08	56,10	56,05	56,04	56,04