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## FEATURES OF IT OUTSOURCING IN UKRAINE

**Анотація.** У статті досліджено важливу проблематику сучасного етапу — розвиток ІТ-аутсорсингу в Україні. Досліджено основні переваги та недоліки під час використання ІТ-аутсорсингу. Проведений аналіз дав можливість визначити основні аспекти розвитку ІТ-аутсорсингу в Україні та окреслити основні завдання у цій сфері, які необхідно виконати для забезпечення подальшого його гармонійного розвитку та конкурентоспроможності в масштабах світового ринку.

**Abstract.** The article deals with the important issues of the modern stage — the development of IT outsourcing in Ukraine. The main advantages and disadvantages of using IT outsourcing are investigated. The analysis made it possible to identify the main aspects of the development of IT outsourcing in Ukraine and outline the main tasks in this area that need to be implemented to ensure its further harmonious development and competitiveness in the world market.

**Ключові слова:** інформаційні технології, аутсорсинг, ІТ-сфера, ІТ-аутсорсинг, ІТ-послуга, аутсорсингові компанії.

**Key words:** information technologies (IT), outsourcing, IT-field, IT-outsourcing, ITservice, outsourcing companies.

Ukraine's IT outsourcing sector has been booming for over two decades. Over the past 10 years, IT outsourcing has attracted the attention of professionals as a new, successful business model that enables developing countries to take a legitimate place in the world market. However, the potential of outsourcing information services in Ukraine is not fully implemented yet. Research of the Ukrainian IT outsourcing industry will contribute to understanding the features, opportunities and risks of further development of this industry. The purpose of writing this paper is to identify the trends of IT outsourcing in Ukraine, to determine its place in the global information technology outsourcing market, to develop recommendations for expanding IT outsourcing in Ukraine. The development of IT outsourcing in Ukraine is one of the most significant achievements of the country over the past few years.

For developing countries, outsourcing opens up many opportunities that can be an impetus for the development of the entire economy. Outsourcing provides a steady inflow of foreign currency, promotes job creation, and the formation of the middle class. In Ukraine, the positive dynamics of IT outsourcing development over the past 10 years has been observed. Our state ranks first in terms of IT outsourcing among Central and Eastern European countries. But competition with such global outsourcing leaders as India, China or Malaysia is too early to talk about, because Ukraine is not fully exploiting its potential in this area. IT outsourcing should become a strategic direction of the state's development and requires some encouraging actions by the national leadership. The scientific novelty of the work is to determine the trends and priorities of the development of IT outsourcing in Ukraine during the political and economic crisis. The practical value of the work is to determine the benchmark for the development of state policy in the field of IT. In addition, the results can be used in further studies of the

IT outsourcing industry in Ukraine and its competitive advantages over other countries with a strong IT outsourcing sector. Such studies may be the basis for Western decision-making by the state's choice of transferring their IT-technologies. It is advisable to further research into determining the prospects for the development of freelance in Ukraine and the search for cooperation mechanisms in this area of Ukrainian and foreign partners [1, p. 43].

Ukraine continues to occupy its previous position in Eastern Europe in the market program, following the order of actions related to Eastern Europe. Additional freelance can negatively affect the country as a whole, because the state does not receive a certain share of additional fees. At the same time, the use of freelance increases the profitability of foreign currency in the country, increasing the purchasing power of the population and forming the middle class. The popularity of freelance can be seen as an indicator of inadequate regulation of the IT industry in our state. Today, Ukraine is still not using its potential for IT outsourcing, as evidenced by the high demand for highly skilled IT specialists. The determined policy of promoting the development of IT outsourcing can turn this activity into a powerful factor of the national economy [3, p. 16].

Common mistakes in outsourcing include:

- failure to properly determine the motives, goals and objectives of outsourcing concentrating on cost reduction rather than benefits and the value added;
- sub-standard corporate governance of the outsourcing program over time;
- failure to appoint staff to manage the relationship and contract;
- mishandled communications to staff, customers and other stakeholders;
- inadequate incentive models that fail to motivate both individuals and the corporate entity on both sides [4, p. 12].

Positive trends in the formation and development of the IT outsourcing market in Ukraine:

- 1) Ukraine to the leading countries in the field of IT outsourcing of the world;
- 2) growth of IT outsourcing industry in Ukraine has been observed in recent years;
- 3) presence of a large number of highly skilled professionals who can work on the network.

However, the important task today in the field of IT outsourcing is to ensure development; the domestic market of IT outsourcing and its competitiveness on the world market. Basis; The fulfillment of this task is a precautionary law that is of direct relevance; recovery to the market of IT outsourcing and covers taxation, cyber security and protection; data; greater concentration of efforts on the development of a new level of IT outsourcing and raising the level of intellectual property; services in foreign markets; provision of special conditions in the field of information technologies ; provides for the rapid receipt of specialized work permits that are supported by the program financing of training and retraining of specialists in this area [1, p. 64].

Highly qualified personnel is at the core of the software development business. The presence of educational institutions for IT personnel training and preparation plays a very important role in the industry development. Ukraine has a long standing reputation as a major technology region with a well-developed scientific and educational base. Additionally, it is worth mentioning that:

- Ukraine was ranked 32<sup>nd</sup> in Education on the 2009 Legatum Prosperity Index of 104 countries — ahead of India, China, Indonesia, Malaysia, Mexico, Brazil, Chile, and other popular outsourcing destinations.

- The literacy rate in Ukraine is almost 100% while about 70 percent of adult population has secondary or higher education.

- Ukraine has more than 800 higher education institutions and in 2010 the number of graduates reached 654,700 people. In terms of IT services outsourcing, Ukraine primarily places emphasis on its deep IT talent pool. With 16,000 IT specialists graduating from Ukrainian universities each year, the country holds the fourth position in the world in the number of certified IT specialists, following the USA, India, and Russia. On top of that, the experts recognize both quantitative and qualitative potential of the Ukrainian specialists [1, p. 14].

The workforce of companies involved in outsourcing is declining in the short run, due to the fact that previously provided in-house IT services are now done by external service providers. The jobs related to this in-house production have become redundant, consequently leading to a reduction of the workforce. However, the mid-term to long-term effect of IT outsourcing is the size of the workforce and hence the employment growth rate is not clear, since outsourcing (of non-core IT processes) can increase the competitiveness of the firms, leading to an increased demand, which results in increased production accompanied by an increasing workforce [5, p. 14].

Ukraine's 402 universities and colleges boast more science graduates per year than many other countries prized for innovation, like Japan, Sweden, Norway, Belgium, and the Netherlands. Every year more than 36,000 students graduate from local universities with degrees in IT-related fields. What is more, the World Economic Forum named Ukraine among top 10 countries globally by the number of engineering, manufacturing, and construction graduates producing an annual total of 130,000 graduates.

The country also offers various educational opportunities for students willing to join Ukrainian hi-tech community. In cooperation with local software development companies, regional IT clusters regularly launch educational programs at universities and set up innovation labs at colleges and schools. For instance, Lviv IT Cluster has recently launched educational programs in emerging disciplines such as AI, Data Science, IT, and Computer Science at 2 leading universities in Lviv [2, p. 7].

If not properly handled, outsourcing can, instead of reducing the costs, actually increase the costs and negatively affect the bottom line. Outsourcing should not be imagined to be a panacea solution to all perceived IT problems. Consistent and continuing evaluation of IT operations and services are important. IT outsourcing is also a risky decision to most organizations. These risks arise due to the large project scale, the long lead times to complete the project and the potential loss of services across governments [2, p. 406].

During the last decade Ukraine has been the leading provider of software development and IT outsourcing services in the Central and Eastern European region (excluding Russia). Moreover:

- Ukraine is ranked first in the volume of IT outsourcing and software development services provided, in the number of IT specialists working in the industry, and in the number of IT graduates.

- The post crisis effects have been overcome, the industry is developing at a rapid pace of 20–25% growth a year while new companies are opening their R&D offices in Ukraine. After the recent tax exemption legislation for software development companies has been accepted, such global vendors as Google, Microsoft, Samsung, and Huawei expressed interest in establishing R&D centers in Ukraine.

- The trend of consolidation is still observed in the market today. Prior to recession market consolidation was mainly based on mergers and acquisitions. The post-crisis consolidation, however, is based on the rapid growth of large companies, which pressure the labor market by means of increasing salaries for IT specialists.

- The industry actively penetrates into different regions. All leading companies are extending their office networks to the main regional centers. A range of new companies appeared in so called «unpopular» regions. These are fairly large industrial and cultural centers such as Chernigiv, Kirovograd, Ivano-Frankivsk, Sumy, Ternopil, Zhitomyr, Luhansk, Lutsk, Poltava, Khmelnytskyi, where there were no appreciable companies until recently.

- Ukraine still boasts the most impressive gap in Europe between GDP per capita in the country and GDP per capita in the software development industry. This could be an important economic incentive for specialists and businessmen to enter the profitable and well-paid market of software development and IT outsourcing services [1, p. 55].

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## DOŚWIADCZENIE ROZWOJU WEWNĘTRZNEGO TURYZMU POLSKI DLA UKRAINY

**Adnotacja.** *Artykuł ujawnia rozwój turystyki krajowej w Polsce i na Ukrainie. Dokonano porównawczych cech przemysłu turystycznego krajów, biorąc pod uwagę ich potencjał turystyczny i*