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Master thesis

Upscaling business design for services of the Consulting Group ACCOUNT
Auditing & Consulting

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specialty 073 "Management"

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ABSTRACT

The purpose of the research is to develop the business design for accounting services in order to become a successful and reliable partner to the small businesses and private entrepreneurs, and support their businesses with the company's core expertise.

The format of the paper includes the analysis of the industry trends and market analysis for accounting services globally and in Ukraine. The company environment overview provides insight to the limitations of the highly regulated industry for financial auditing services. In order to identify the base for the business design development according to the business design models by Adrian Slywotzky, we performed Stakeholder and SWOT analysis, developed client profile, identified brand value, vision and mission for the company.

The business design is developed in three formats – currently operating design, the 2.0 version of the design, which would provide clear differentiation for the company on the market and allow further development and creation of the new product with a separate business design version 3.0 – establishing the ecosystem for the client environment. Where the small business may become the co-creator of the value proposition.

The important sections were to understand the marketing and sales differentiation strategy of the company and develop the story based on the client profile and their specific aims and aspirations, incorporating their fears.

There are always limitations to each project, however every risk arising may be minimized by the counter action, which may be foreseen in advance [17].

PREFACE

Professionals, such as financial auditing and accounting, taxation, and other financial consulting services - represent a family of professional occupation, which is on the path to becoming obsolete as the Profession of the Future at 94% probability [1].

The company that provides the base for the research is ACCOUNT Auditing & Consulting - a family business in accounting and consulting services, that flourishes around family values. The company has been on the market for over 21 years and is already managed by the second generation in the family. ACCOUNT is within the market share of the locally owned businesses of the industry, being among the 30% of the auditing companies with annual revenue from 1 to 10 million Ukrainian Hryvnia each. Those companies in Ukraine are typically family businesses with 2-10 employees.

ACCOUNT Auditing & Consulting is ambitious to become a successful and sustainable company for the next 100 years. Given the numerous limitations imposed by legislation both locally and globally, trends to computerization, digitalization, it becomes obvious that the business needs to change.

The conservative businesses become disrupted by customer-centric business designs, innovative solutions, artificial intelligence, and robotic process automation. Many processes are being fired from their jobs, just as people are.

Therefore *The Objective* for the thesis is to create the upscaling business design for the company to define its differentiation, show off its charisma, grow more successful, adaptable to change, and innovative - to serve the unique needs of the client and their customers, be user friendly and build a stronger brand on the market.

The Aim of this thesis is to assist the company in implementing the client-oriented business design for upscaling, providing added value for its clients, and making an impact on the improvement of the business transparency and financial literacy of the Ukrainian businesses.

The questions to be approached are:

- How to be innovative and respond to the client's continuously changing behaviour and needs?
- How to create the ecosystem for the clients to provide as many possible answers and products to help them grow and develop together?
- Given the constant change and global trends, how to build a successful company for the next 100 years?
- How to make an impact through the business to help the country develop and grow?
- How to gain more trust through developing the business segment and improving the quality of professional services?

CHAPTER 1. INDUSTRY BACKGROUND

1.1. Global market

While analyzing the global market of professional accounting services we consider the following areas in which the accounting firms usually operate: Accounting and bookkeeping, Taxation and Compliance, Payroll, Financial auditing, Forensic, and others.

The biggest market players have been the international companies, which are currently represented in the majority of the countries on the world map, including the “Big Four” global accounting firms, namely: KPMG, PWC, EY, and Deloitte. The second-largest market share is owned by the so-called mid-tier players, such as BDO, Crowe Global, Grant Thornton, Baker Tilly, and some others.

The global accounting market overview is provided in numbers below:

- The global accounting services market is expected to grow from \$544.06 billion in 2020 to \$573.29 billion in 2021 at a compound annual growth rate (CAGR) of 5.4%. The market is expected to reach \$735.94 billion in 2025 at a CAGR of 6%. [10]
- The combined revenue of the Big Four firms increased steadily in the last decade, exceeding 157 billion U.S. dollars in 2020. [10]
- The United States remains a major market for the Big Four firms and generated nearly half of their total revenue in 2019. [10]
- In terms of the number of employees, the four firms had a combined global workforce of more than one million people. [10]
- The global accounting software market size was valued at \$12.01 billion in 2020. By the end of 2026, it is expected to reach \$19.59 billion with a Compound annual growth rate (CAGR) of 8.5% from 2021 to 2026. [11]
- Some of the top services undertaken by accounting firms include accounting/bookkeeping (79%), payroll (25%), tax (24%), compliance

(20%), business advisory (17%), assurance/audit (15%), and outsourced CFO (5%). [8]

The accounting field is one of the key industries globally. Any company that specializes in this profession relies on the use of Excel spreadsheets and accounting software. Given the exponential trends in digitalization, accounting firms need to stay ahead as much as possible to undertake the following challenges:

- It takes at least five days for companies to retrieve accounting documents. [6]
- 35% of self-employed contractors say making mistakes when doing their accounts is the most stressful thing. Other worries include how long it takes to complete (15%), the complexity of the process (13%) and being slapped with financial penalties (5%). [6]
- The top accounting challenges facing small and medium businesses are accounts receivables/collections (51%), cash flow (44%), paperwork (33%), closing the books monthly (28%), and payroll management (27%). [6]
- 66% of companies in the United Kingdom are at risk due to the mismanagement of accounting paperwork. [6]
- Small business owners agree that financial systems are priority investments, but many still have either invested too late or have never purchased. [6]
- 36% of small accounting firms agree that keeping up with regulatory change is their biggest issue. [7]
- 47% of large firms' biggest challenge is recruiting and retaining their best employees. [7]

1.2. Ukrainian market

In Ukraine, auditing companies' business operations are strictly regulated under the Law of Ukraine On the audit of financial statements and auditing activity, which builds a barrier for entrance, but also imposes specific limitations on the market players in the industry. The registry of auditing companies is maintained by the Audit Chamber of Ukraine - the official body performing self-governance functions for the industry. According to the market analysis for the year, 2019 provided on the website of the Audit Chamber of Ukraine [2] the total volume of auditing services amounts to 3 billion Ukrainian Hryvnia and is divided between 886 auditing companies.

Companies operating on the Ukrainian market may be seen as two types:

- international companies such as the Big Four (PWC, Ernst & Young, KPMG, Deloitte) and other international accounting firms,
- and the locally established and owned Ukrainian companies, including sole service providers.

In terms of market reach for the Ukrainian market, the international companies are the top 20 in terms of market share with approximately 67% of the total reported revenue [2] for the auditing services. The rest of the 866 companies are locally established and owned, and are either dormant or striving to make their living.

At the same time, accounting and consulting companies do not require any professional certification for providing services in accounting, taxation, legal advice, etc., which increases competition on the market of accounting services, and affects the reputation of accountants on the market. For this thesis, the analytical information was used from reliable sources such as the Audit Chamber of Ukraine.

1.3. Trends to the future

1.3.1. Accounting industry future

According to research, accountants and auditors will not make it to the Profession of the Future at 94% probability [1]. This already raises a discussion on how the

profession shall evolve and what may be done to be on the winning streak of such changes.

Following the unexpected pandemic in 2020, which has only sped up the trends in many industries. One of such was the shift towards a remote workforce and flexible working days. The global questionnaire of certified accounting practitioners was aimed to analyze what the upcoming years have in store for the three-year accounting three-year industry. The collected expectations are presented below:

- 90% of accountants feel that there is a cultural shift in accountancy that leans toward technological adoption. [8]
- 21% of accountants believe that market demands are driving the cultural shift in accountancy. Other drivers include regulations (16%), ongoing digitization (15%), generational changes (13%), Client demands (13%), and investments to keep pace (12%). [8]
- The majority of accountants today feel that traditional accounting is no longer enough to remain competitive. [8]
- 82% of accountants say clients are more demanding today in terms of wider services offering. [9]
- One of the biggest contributors to the evolution of accountancy is the ongoing digitization of processes. [8]
- 91% of accountants say that accounting technology has increased their productivity. [9]
- 83% of accountants agree that investing in the latest technologies and digitalization is necessary to keep up with the market. [9]
- Only 38% of accountants believe that today's accountancy training programs will be relevant enough to sustain a successful practice by 2030. [9]

- Recent data shows that accountants are actively training or considering to upskill in other areas, such as client management and business advisory services (63% of respondents), business management (59%), and project management (56%). [9]

The COVID-19 global outbreak has taken its toll on various businesses and the accounting and finance industry has not been spared. In the most recent survey by Accounting Today [7], the impact of the pandemic on accounting firms is unveiled as well as the business continuity measures put in place.

- 36% of accounting firms confirm that pandemic-related issues are their biggest challenge with more than 50% of them being mid-sized firms.

Despite being dealt with the grim reality that is COVID-19, accounting firms manage to find ways to continue their business operations by adopting remote work setup and utilizing technologies to make remote operations easier and efficient. Furthermore, the majority of accounting firms have also expanded their services.

- 67% of the firms started offering Corona virus-related services in 2020. [7]
- 60% of large firms plan to invest more in technology in 2021 while 41% of small firms and 38% of mid-sized firms plan to do the same. [7]
- 89% of small firms have staff who work 100% remotely. [7]
- 26% of large firms plan to increase the number of their remote staff in 2021. [7]

The Association of Chartered Certified Accountants (ACCA) has performed a three-year research to analyze the trends and foresee the future of the profession and presented its results in their research as the new exciting opportunities for the professionals - as shown in the image below.

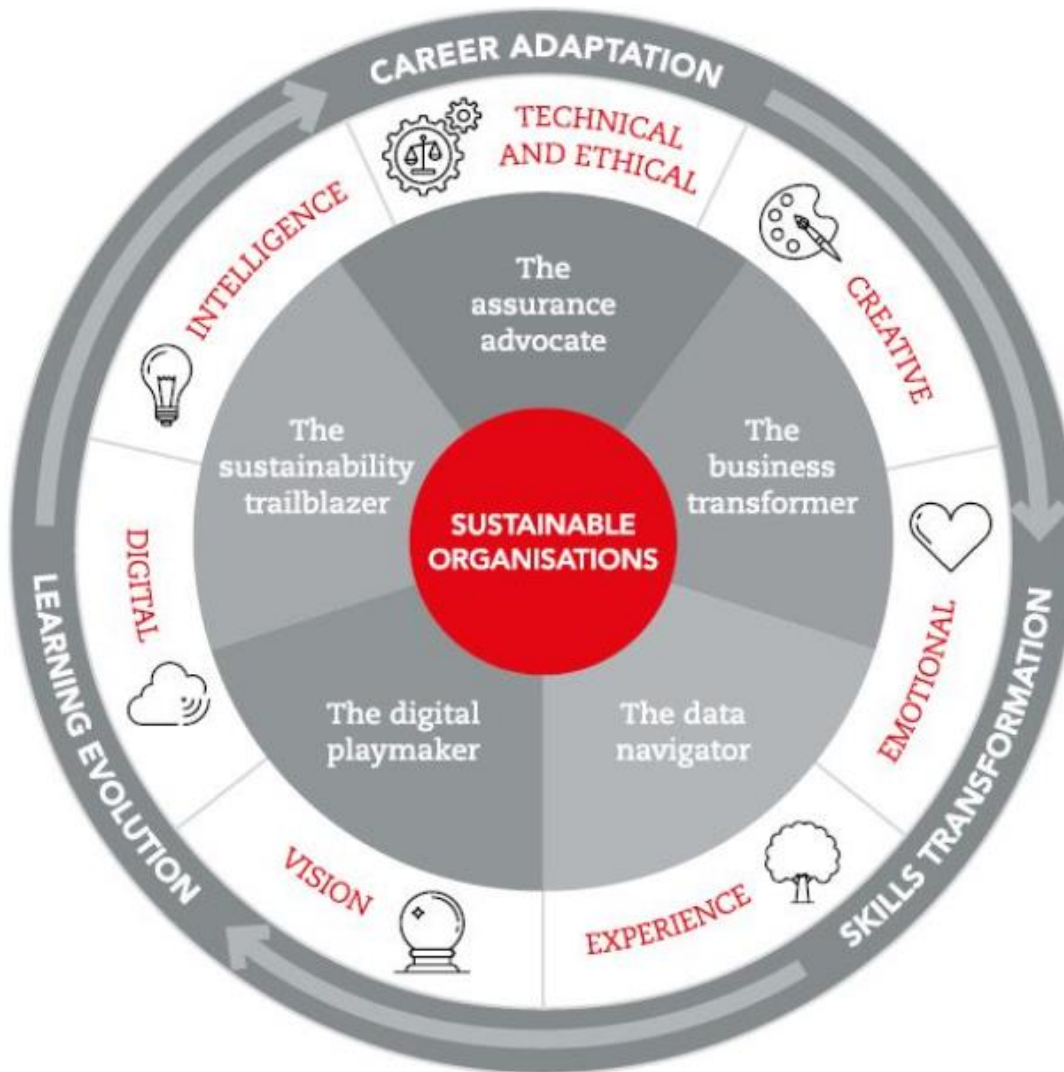


Figure 1.1. The five zones of opportunity for the accounting profession [12]

The assurance advocate - brings trust and assurance for sustainable organizations in areas such as auditing, risk management, and compliance.

The business transformer is the architect of organizational change. They may be leading innovative smaller accountancy firms or SMEs or exploring careers in advisory or business transformation.

The data navigator is a true business partner. They see extraordinary opportunities from the growth of data and uses emerging analytical tools to drive insights that deliver business outcomes. They champion ever-growing multi-rich data

sets and use smart data to generate brilliant forward-looking analysis to support decision making.

The digital playmaker is a technology evangelist, who champions technology adoption and data governance within the organization and sees remarkable possibilities with emerging digital tools in transforming the organizations in which they work.

The sustainability trailblazer is at the heart of performance management in the organization. They play a key role in establishing frameworks that capture, evaluate and report on the activities that truly drive value and in ways that are much more transparent and meaningful to the outside world. They will transform management accounting fit for a multi-capital world and see emerging opportunities with better external disclosures to ever-growing stakeholder groups. [12, p.8]

To be in the frontline of the changing accounting business, it is worth incorporating such trends into the vision of the company and its long-term strategy.

1.3.2. Business environment trend in Ukraine

Additionally, while analyzing the market it is worth mentioning some figures about Ukrainian market for legal entities, which provides overview for the business environment in the country:

European Union

- SMEs in volume amount to 98% of the total economy, in revenue and employment – contribute to approximate of 70% Gross domestic product (GDP)

Ukraine

- Small and Micro business – contributes to 16% of country's GDP, which is nearly 1/3 of similar businesses in Europe
- Medium size businesses – 39% of GDP
- Number of private businesses has been declining
- Legal entities show a slight trend of increase – 4% within the last 10 years;

- Small and medium business provides 64% of added value in Ukraine, 81,5% of employment and 37% of tax receipts

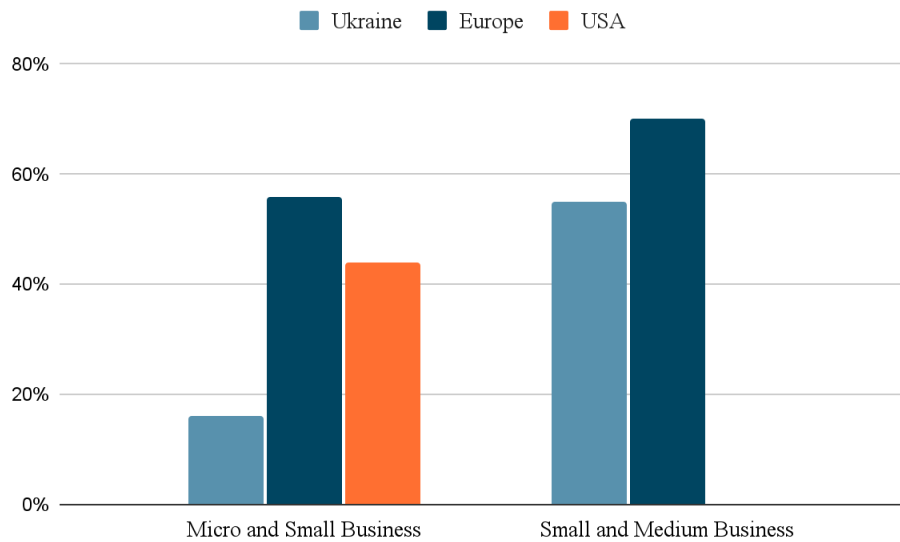


Figure 1.2. Small business contribution in GDP [15]

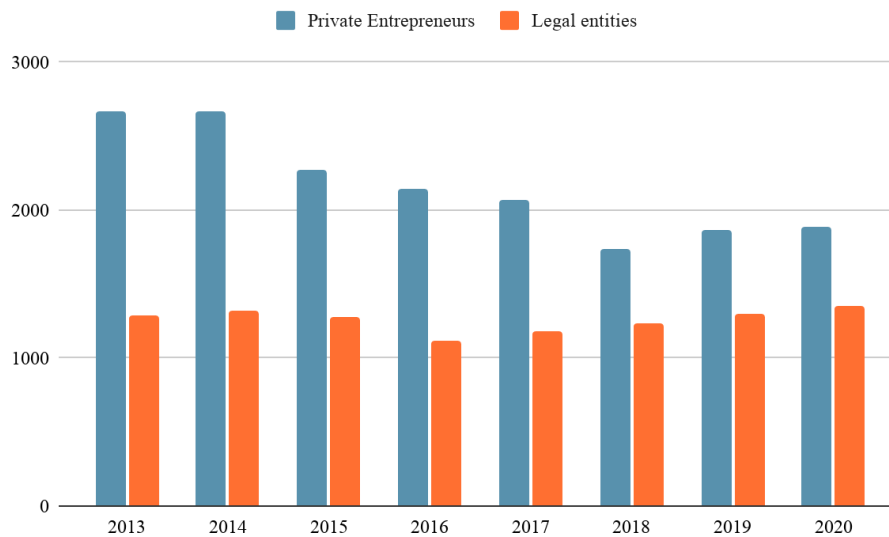


Figure 1.3. Trends of business entities quantity in Ukraine [15]

Therefore we see the trend towards increase of small and medium business quantities and their role in the economy of the country in the future.

CHAPTER 2. COMPANY ENVIRONMENT

2.1. Consulting Group Structure

ACCOUNT Auditing & Consulting (The Company or The Group) is a family business, which was founded in 2000 by Ludmila Kapustina. The first company was set up and acts in compliance with the Law of Ukraine On the audit of financial statements and auditing activity [3] specializing in professional services defined in the law, and is registered as a financial auditing company. Within the operation throughout 21 years ACCOUNT Auditing & Consulting has been developing and grew into a group of consulting companies, which is represented by the following organizational structure:



Figure 2.1. The organizational structure of the Consulting Group ACCOUNT Auditing & Consulting

2.1.1. ACCOUNT Auditing & Consulting - Auditing Company

The main company in the group was the first one to be set up and registered as a financial auditing firm. According to the regulation, financial auditing is an exclusive type of activity, which may only be performed by certified auditors. What that means is that the auditing companies are only allowed to provide professional services such as financial auditing, tax consulting, accounting services, advisory, and other consulting services, stated in the Law of Ukraine On the audit of financial statements and auditing activity. Additionally, there are restrictions on the ownership and management of such types of legal entities, such as:

- At least 70% of shares must be owned by certified auditors
- No more than 30% of shares may be owned by non-certified auditors or other legal entities
- The company may only be managed by a certified auditor

As a service business, one of the biggest assets of the company - is in its team and their qualification, which consists of auditors, accountants, and tax consultants.

Certified Auditors

Basic requirements to qualify for auditor certification in Ukraine:

- Either 15 years of work experience as either accountant, lawyer, inspector, financial expert, economist, assistant auditor
- Or 7 years of work experience as above, including 3 years internship as assistant auditor

In case if a certified auditor from another country wishes to start practice in Ukraine, they would need to confirm their knowledge of Ukrainian taxation, accounting, and legislation.

Code of Ethics

All auditors, including sole practitioners, and auditing firms, as well as personnel involved in the practice, are legally bound to follow the Code of Ethics for Professional

Accountants [4], approved by the International Ethics Standards Board for Accountants, published by the International Federation of Accountants.

Purpose of the Code

The International Code of Ethics for Professional Accountants (including International Independence Standards) sets out fundamental principles of ethics for professional accountants, reflecting the profession's recognition of its public interest responsibility. These principles establish the standards of behaviour expected of a professional accountant. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The Code provides a conceptual framework that professional accountants are to apply to identify, evaluate and address threats to compliance with the fundamental principles. The Code sets out requirements and application material on various topics to help accountants apply the conceptual framework to those topics.

In the case of audits, reviews, and other assurance engagements, the Code sets out International Independence Standards, established by the application of the conceptual framework to threats to independence concerning these engagements [4, p. 5].

International Standards

Auditors and auditing firms comply with International quality control, auditing, review, other assurance, and related services pronouncements [6].

Quality Control from Chamber of Auditors

Auditing firms undergo external quality control regularly (every 3 to 5 years) from the Quality Control Committee of the Chamber of Auditors of Ukraine.

2.1.2. ACCONSULT - The Consulting Group

The second entity in the group was established in 2011 to provide outsourced accounting, legal advisory, and management consulting services. The company

provides consulting and legal support to businesses, including undergoing tax inspections, court proceedings, and other consulting projects.

2.1.3. NGO SEDU Foundation

Part of the company's family and business mission has been to provide support to those who need it the most. The company has been providing services to non-profit and charity organizations at a cost to support their activity. Furthermore, following the Revolution of Dignity in Ukraine, the owners and the team were continuously providing support to internally displaced families and children. And to increase their capacity to help more people in need, and support businesses that found themselves in a difficult situation as a result of Russian Aggression, it was decided to set up a nonprofit organization Foundation for Social Economic Development of Ukraine in 2019.

2.1.4. Associated partners

One of the main values of the business is to deliver quality services for the client and go the extra mile to exceed expectations. Therefore the company maintains strong long-term cooperation with partner companies such as independent appraisers, financial consultants, market analytics, transfer pricing specialist, advocates, and legal advisors.

2.2. Service Structure

The basic service selection for the company includes three general types of services: financial audit, consulting, and outsourced accounting.

Financial Audit

ACCOUNT Auditing & Consulting is an expert in the field of financial audit with over twenty years of professional experience. Experienced auditors with an international background, knowledge of international auditing standards, general accounting principles, and extended experience in the relevant industry provide professional expertise. Auditing services are mostly regulated by the Law of Ukraine On accounting and financial statements and is legally binding to medium and large

companies, as well as joint-stock companies. Obligatory audits have a high season for annual engagements, which last from February to the end of May.

Outsourced Accounting

ACCONSULT Legal & Consulting offers outsourced accounting services to enterprises of all legal forms. Highly qualified professionals, specialists in various fields and market segments will ensure quality accounting for the business, timely reporting, and a high level of processing of your documentation, according to current standards and rules and accounting.

Outsourced accounting includes the following services:

- Consolidated account registries;
- Turnover balance sheets, financial results;
- Compiling and submitting reports (State Tax Office, funds, statistics);
- Tax accounting (according to national requirements).

Consulting - ensure resolving of matters in financial, tax, and corporate legislation that all enterprises face within the process of their regular sustainable business activity. We perform analysis of such issues with the following development of practical and timely solutions aimed at effective management and growth of the Company's capital.

Tax Consulting

- Taxation issues;
- Analysis and revision of accounting books;
- Written and verbal consultations with references to the current legislative acts;
- Tax planning;
- Representing the Client in tax authorities at the stage of pre-court and court hearings.

Financial Analysis - is the basis for making management decisions (including shareholders), receiving loans, and attracting investments. Provided as expert conclusions document, which contains valuable figures that reflect the financial status of the enterprise.

Financial Consulting - includes all issues of business support starting with a new business idea or new business area and up to the development of a business plan, the expertise of the project, strategy development or company restructuring – includes taking care of all matters such as:

- Business Plan development and expertise;
- Expertise and assessment of investment projects;
- Consulting on strategic and development points for projects and companies;
- Crisis management for the business

Legal services

ACCONSULT Legal & Taxes provides consulting services on broad subjects concerning business activity with view to:

- current legislation of Ukraine
- international transactions,
- starting with choosing organizational form of legal entity,
- registering the company with relevant authorities and
- consulting the business on all day-to-day matters.

The company also provides advocate services, support in court proceedings.

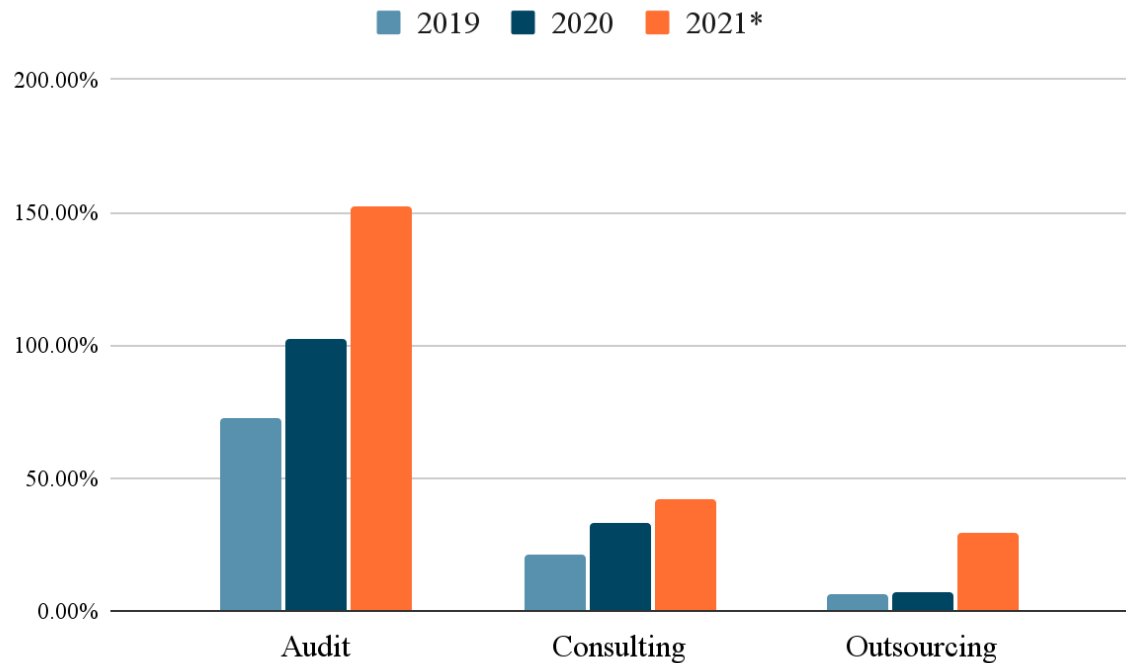
Independent appraisers

Certified independent appraisers provide independent assessments for;

- Real estate,
- Company assets,
- business ideas and business plans

- businesses as a whole.

According to the Company's financial information the allocation of revenue per type of service is provided in Figure 2.2. Base year was chosen at 2019 in the amount of 100% of total revenue, and growth shown based on the actual data for 2020, 4 months of 2021, and projected till the end of 2021.



**2021 projected year with actual data as of April 2021*

Figure 2.2. Service revenue structure of ACCOUNT Auditing & Consulting

Following analysis of the figures, it may be seen that the auditing services are the main source of revenue for the company, which shows a significant increase by 80% in 2021 compared to 2019. Additionally, the figures of 2020 and 2021 show that the portfolio of consulting and outsourced accounting services is increasing and showing potential for growth.

Also the allocation of services provided by the company is spread according to the size of the client's business, such as:

- Audit clients - large or medium size business
- Consulting clients - large, medium and small companies

- Outsourcing - small companies and private entrepreneurs

Additionally, the company specializes on the following industries for the clients:

- Production companies
- Automotive
- Chemical industry
- Pharmaceuticals
- Construction and management of commercial real estate
- Project management and development companies
- IT and engineering
- Logistics and spedition and others

Company's strategy for growing and development - is to decrease dependency on auditing seasonal services and increase consulting and accounting portfolio.

2.3. Competitor environment

The company operates on the market of Ukraine, where the competitors may be viewed according to such groups:

- International accounting and auditing firms - including the Big Four companies and other international accounting companies
- Local accounting and auditing firms
- Legal services companies, providing accounting and outsourcing services
- Sole practitioners - accountants, auditors, financial consultants

In reference to the information provided on the website of the Auditing Chamber of Ukraine, as of May 2021, the following number of auditors and auditing firms are registered in Ukraine:

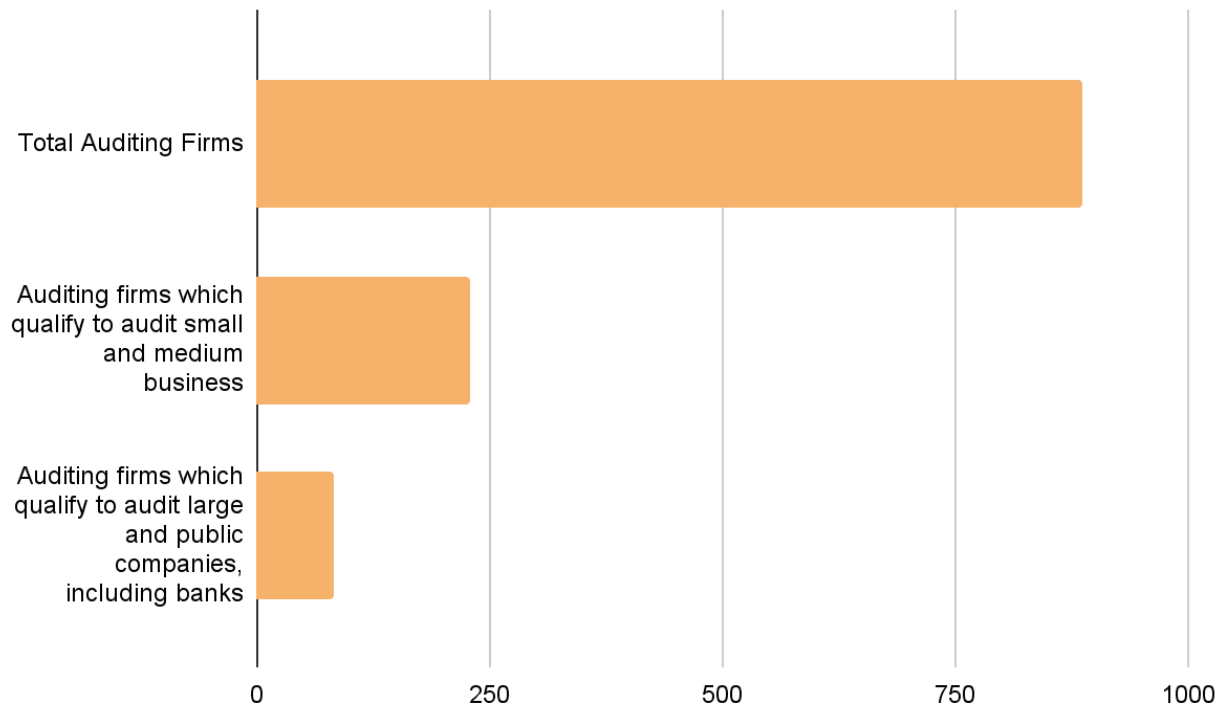


Figure 2.4. Total number of Certified Auditors and Auditing Firms as of May 2021

The total number of certified auditors amounts to 2 699 persons, whereas the auditing firms which qualify to audit small and medium businesses are 229 companies - which have 3 or more certified auditors and other personnel. And the firms allowed to audit large and public companies, including banks are only 82 auditing firms with 5 or more certified auditors and 10 or more personnel.

According to the rating of the top accounting firms prepared by the Business Views [13] based on the revenues for 2018 approximately 80% of the market of professional auditing, accounting, and consulting services is owned by the top 20 accounting firms, which include 13 international companies, and 7 locally owned.

Total revenue of the top 20 accounting firms for 2018

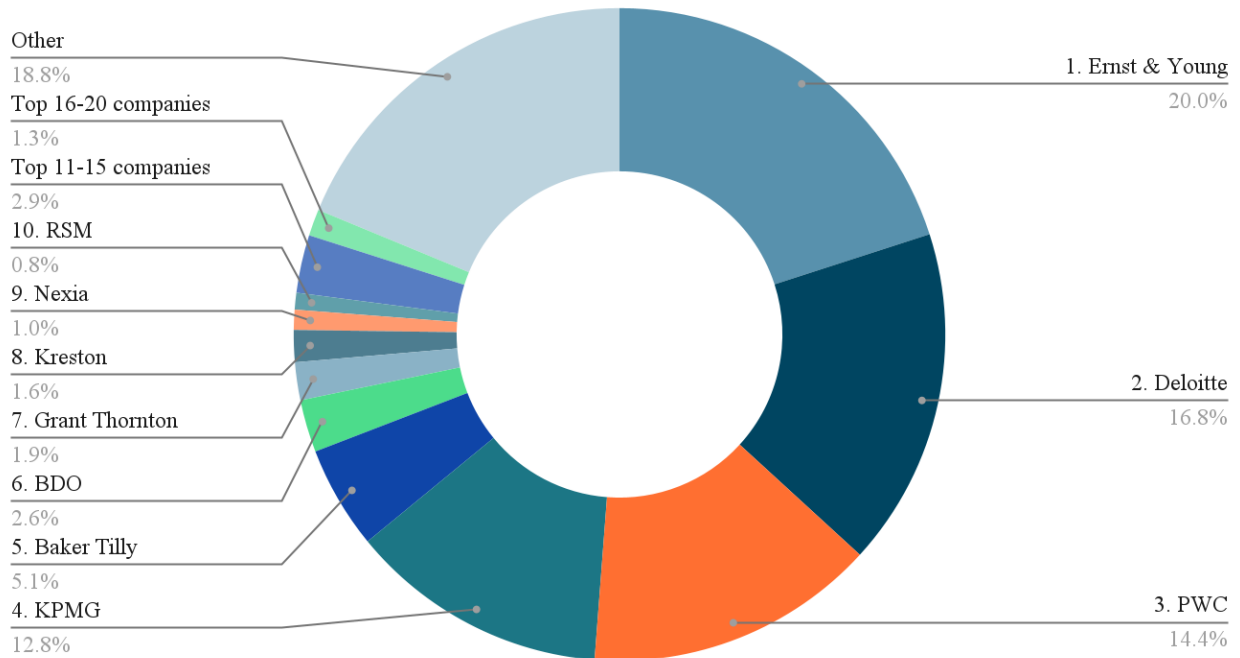


Figure 2.3. Total revenue of the accounting firms for 2018 [13]

2.4. Industry analysis

Based on the figures of the local market volume and international market analysis, we may see that the industry is dominated by the top 10 companies with a market share of 77%.

It is worth noting that the auditing services should be viewed as a separate category of the industry, which is a high entry barrier according to the M. Porter's 5 forces model (Appendix A). Accounting services may be analyzed together with consulting services, as there are no specific requirements for service providers in this category.

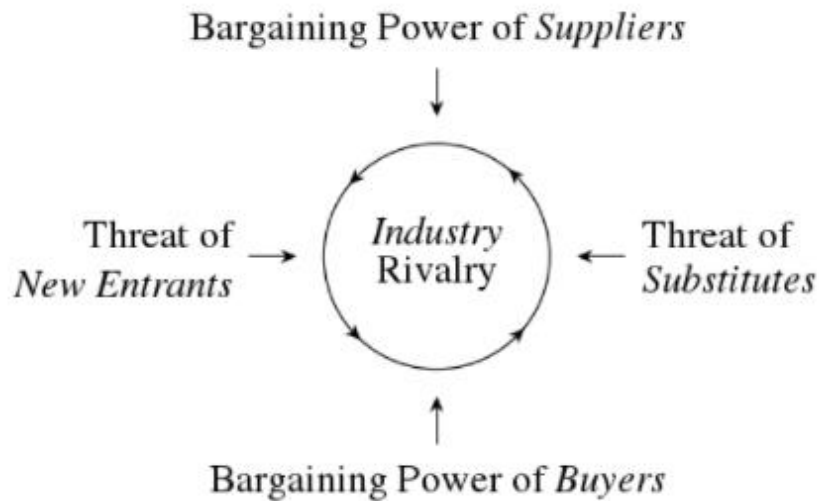


Figure 2.4. The graphical representation of Porter's five forces [14]

We included the following categories as the forces according to the model:

New Entrants - other auditing, accounting, legal or consulting companies.

Suppliers - certified auditors, accountants, legal advisors, accounting software companies, ERP system companies, professional appraisers - are viewed as the main suppliers since they are enrolled by the firm for providing additional services and extending the consulting portfolio to serve the needs of the client. Others such as marketing agencies, recruiting companies, and other consultants - are used occasionally and do not have specific bargaining power since the industry tech skills are needed to provide such service, and such specialists are hardly existent on the market.

Substitutes - the substitutes for mandatory audits is not existent since this is the requirement by the law. However for accounting services the substitute may be automatic processes, ERP systems, artificial intelligence (AI), lawyers or consultants instead of accountants, in-house accountants or other departments, or simply self-service.

Buyers - our clients, colleagues and partners, which buy or resell our services.

Based on the analysis of the current market situation we have discovered the following:

- Rivalry competition in the industry is high both for auditing and accounting services
- Barriers for entry are high for auditing services but low for accounting and consulting
- Trend to substitutions is in innovation, automatization and use of new technologies, however the research conducted by the developers of accounting software shows that the profession of accountants is still going to exist, thus providing a room for improvement and collaboration with tech and software businesses
- Suppliers being the service providers and software development companies might be the source of new collaborations and strength
- Buyers need more assurance and awareness of the market players, including the company.

The global accounting services market is expected to grow at 5.4% in 2021, and is expected to reach growth by 35% within the next five years by 2025.

As per Ukrainian market for accounting services (outsourcing), recent statistics show an increase in the market by 32% from 2019 to 2020 (please refer to Figure 2.5 below), as well as possibility for significant growth via potential of increase of outsourcing for accounting services according to the global trends towards outsourcing.

For example, the amount of outsourced accounting services for the small businesses in the USA in 2018 exceeded 90%, the amount of outsourced accounting services in Western Europe - over 80%.

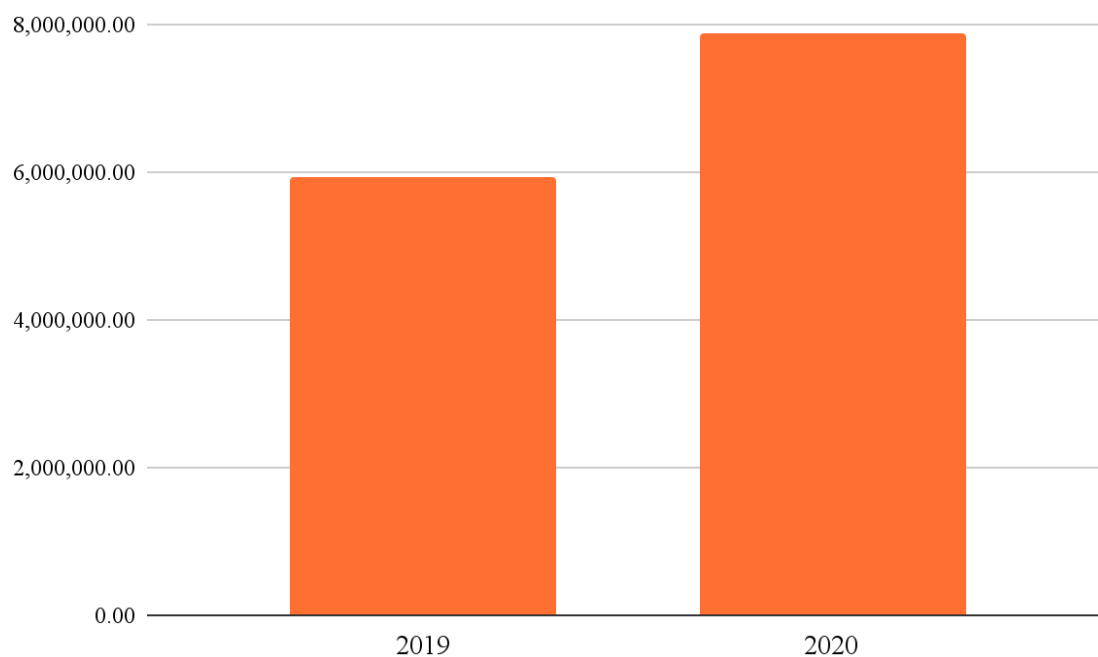


Figure 2.5. Annual revenue reported in Ukraine for 2019 and 2020 in thousand UAH for accounting and auditing services

Source: Ukrainian State Statistics at <http://www.ukrstat.gov.ua/>

CHAPTER 3. CREATING A UNIQUE VALUE PROPOSITION

3.1. Stakeholder Analysis

According to the Stakeholder analysis (Appendix B) we have identified the following power ally groups: team and management, professional organizations, accounting software companies, and international donor organizations.

Table 3.1.

Power interest matrix based on stakeholder Analysis

Satisfy their needs <ul style="list-style-type: none"> Existing clients Industry and business associations Auditors chamber of Ukraine Large accounting firms (outsourcing to the Company) Accounting clients 	Engage in decisions and cultivate <ul style="list-style-type: none"> Owners, management Team talents Professional organizations Accounting software companies International Donor organizations
Monitor and inform <ul style="list-style-type: none"> Competitors Tax administration 	Inform and maintain relationship <ul style="list-style-type: none"> Private Entrepreneurs Non profit organizations Mass media

3.2. SWOT analysis

Based on the SWOT analysis for the Company (Appendix C) we may see that the business has strong profile for its existing customers, and is showing a powerful client retention rate of 70%.

The benefits the clients see in the Company – as a family environment, comfortable and pleasant cooperation, personalized approach – affect the client on an emotional level and are most visual after the client makes contact with the company

and its team. At the same time, there are emotional things that may result in judgement against the company – such as small business, not enough employees, not enough experience dealing with complex matters, limited resources.

There are rational explanations that may empower the company's position:

- Flexible and mobile
- Fast and easy to react and get to results
- Highest level of partner and executive involvement
- International experience of the top management
- Competences on the same level as international businesses

In terms of business development the Company's future is in implementing innovative approaches, perfecting its processes and introducing automatizations in order to decrease the costs for operation and improving the margins.

Additionally, the new opportunities lay in better and more powerful communication of its strengths and powers. And in improving business design in order to differentiate on the market and create that exclusive brand image.

Also its worth mentioning creating powerful alliances with other service providers – both in the field of direct competition, but mostly in the supporting and complementing services.

3.4. Client Profile

The Company has three general groups of clients:

- Auditing clients - medium and large size entities

The client profile addressing the Company - may be the following business roles: Business owner, Executive Manager, Chief financial officer, Chief accountant, Tender committee, Supervisory board

- Consulting clients - all sizes of businesses

Most of the time the type of the decision maker for these services are: Chief accountant, Executive manager, Financial manager, Legal advisor, private entrepreneur or small business owner

- Accounting services - small businesses and private entrepreneurs

Business owner, Director or manager, office manager, financial controller

The Company has a clear definition of the client portrait for accounting services for two types of clients provided: business owners and private entrepreneurs.

B2B CLIENT 1: MRS. YULIYA OUSPESHNA



Profile:

- In her mid-30s, married, 2 children
- Creative, Intelligent, Dynamic, Ambitious, Proactive, Adventurer, Traveller, Pursuing her passion
- Small but Ambitious Business owner / Executive, Startup founder, Entrepreneur, Looking to expand the business to new markets, segments

Aims & Aspirations:

- To have the world fall in love with their great product made in Ukraine
- To make her business gain investment and reach its highest potential
- Make a difference in her industry and gain affection

from her customer

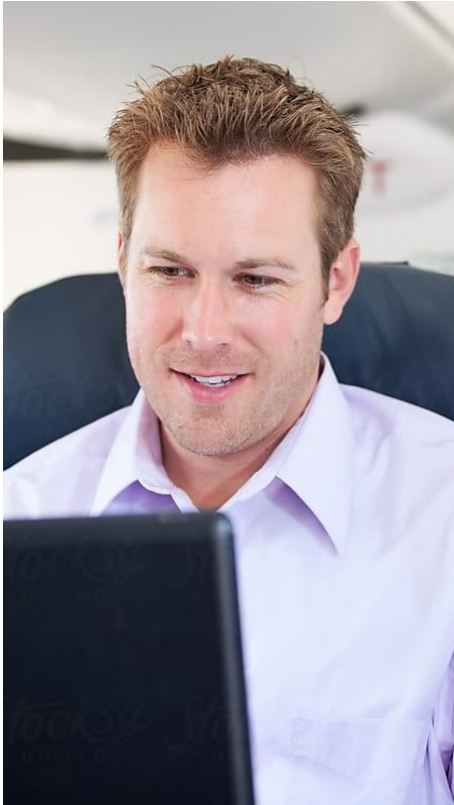
Fears:

- Missing quality expertise in accounting / finance; Failing to raise capital and closing her business; Not willing to fail with her goals

Purchasing habits:

→ Quick, emotional, personal relationships important, impressed by presentation skills, professional approach

Location: Central part of Ukraine

B2B CLIENT 2: Mr. VLAD SAVVY**Profile:**

- 40, married, happy father to a boy
- Smart, Energetic, Confident, Tech innovator, Blockchain investor, enjoys hiking, jogging, travelled to over 80 countries
- CEO and Partner of IT company, decision maker

Aims & Aspirations:

- Be featured in Forbes
- Become a unicorn

Fears:

- Incompetence and reputation risks
- Missing a good opportunity

→ Not being fast enough to react to change

Purchasing habits:

→ Fast and efficient, purchases by recommendation of reliable source, consults with partners and leaders of opinion

Location: Kharkiv (Kyiv, Lviv, Dnipro - visiting offices)

P2P CLIENT 3: Miss SOLOMIYA FAINA



e-COMMERCE QUEEN
[МАЙСТРИНЯ]

Profile:

- 26 years old
- Smart, Young, Ambitious, Active, Energetic, Entrepreneurial, citizen of the world, traveller, Work and Travel programme graduate
- Successful in business, talented to grasp opportunities, selling on Rozetka, Instagram, purchasing from Alibaba

Aims & Aspirations:

- Would like to sell on Amazon
- Follows her ambition to be a global entrepreneur
- Would like to become TEDx motivational speaker

Fears:

- Missing quality expertise in accounting, finance and international markets
- Missing good opportunities for growing

Purchasing habits:

- Quick, logical, important to cooperate with quick decision makers, likes to see additional opportunities in cooperation

Location: Western Ukraine

P2P CLIENT 4: Mr. DMYTRO WYDPOVIDALNY

Profile:

- 43 years old, married, 3 children
- Highly intelligent, Energetic, Cambridge graduate, Actively involved in business consulting, corporate and business trainings
- Private Entrepreneur, Adjunct professor at business



PROFESSOR
[ВИКЛАДАЧ / ТРЕНЕР]

school

Aims & Aspirations:

- Making an impact and putting his own name on the history map
- Contributing to creating a better business and economic environment
- Helping Ukrainian businesses become powerful on international scale

Fears:

- Personal reputation and litigation risks; Incompetent behaviour and treatment;
- Not willing to make mistakes; Afraid to experience bad outsourcing again

Purchasing habits:

- Takes time to think over and look into details, collects reviews and references, personal advice; Personal relationships and attention is of great importance

Location: Kyiv

3.5. Brand Value, Vision and Promise

Company has had a brand on the market for over 21 years, however it is not a strong brand from the mass marketing point of view, as it is not widely known to the larger public. However the Company maintains a solid client database and long-term customer relationships. In order to make a significant breakthrough the brand needs to implement a differentiation strategy and make a clear statement to its potential clients.

Values:



HONESTY



RESPONSIBILITY



RELIABILITY



TRUST



CARE

Figure 3.1. Company core values (www.account.ua)

The group is firstly a family business, therefore it carries the values of honesty, trust and care, which are supported with responsibility and reliability. And these

values are extended towards the team and company's relations with its partners and clients.

- The key objective is to observe, think, and come out with innovation
- Keep an open mind and an open heart

Vision:

- Making Ukrainian Brains a fashion in the world

Promise:

- We make Finances - easy for You
- With attention to detail we go the extra mile for You and Your Company

Storytelling:

As part of brand positioning it is the best instrument to tell the right story in the best words – to reach the client, which has been identified.

For example, the Client Profile 1, defined in section 3.4, Yuliya – is the creative soul, fashion designer, who pursues her passion in making the perfect product for men. In terms of business, as a brand owner and small business producer it is her management task to calculate the costs and pricing for her product. However, it takes a lot of her energy and she loses her inspiration for designing new collections. Additionally, she doesn't have guidance to prepare financial plans and presentations for investors and needs a lot of effort to do it herself.

The story for her is to extend a helping hand and to assist her in preparing a business plan to raise funding for her project. Our personalized approach for her is:

- Assist in preparing templates for reporting and automatizing them for easier use
- Help her to find an accountant or offer outsourcing services
- Inform her on possible donor financing opportunities
- Guide her and inspire to pursue her dreams to export to other countries and provide mentorship

CHAPTER 4. UPGRADING BUSINESS DESIGN FOR THE FUTURE

4.1. Business Design 1.0 (Appendix D, Figure D.1)

We looked at business design for the Company and concluded that the current business design, which has been currently applied, should be referred to as a starting point for review, analysis and improvement. The business design herewith is referred to as version 1.0.

01 The Client

Who is the client?

- Business owner / Executive
- Chief Financial officer
- Chief Accountant

Which clients empower the company to be profitable?

Medium and large businesses. mostly international businesses. Companies that value their own time and resources, responsible, ready to delegate, and appreciate professionals in their field. Decent, ethical, doing fair business. Understanding the value of experience and professional qualification.

Which client is the company not going to work with?

Unethical, enforcing unfair competition, unorthodox behaviour, unfair treatment to members of the team.

Those that take up too much time and are not ready to pay for it.

Choose 2-3 key clients (client groups) which you are going to work with

1. IT companies
2. Small and medium local businesses
3. Internationally owned companies

02 Unique value proposition

What is the added value created for the client?

1. We are going the extra mile to help the client complete the project

2. We are always finding solutions and are result-oriented
3. We face problems with a high head, responsibility, and an open heart, and reach the best possible outcome
4. We help to find the right answers in the fastest possible way
5. We extend our family values - responsibility, support, care, long-term vision, trust and honesty - to our clients

The company can become the best for its client if:

1. We share our story with our clients
2. We solve their problem
3. We provide additional solutions and recommendations that will make their lives easier

What is the unique proposition for the clients that is offered?

1. Reliable partnership with responsible and professional accountants
2. A whole team from an accountant, quality control, certified professional accountant, lawyer and tax advisor
3. Friendly and supportive family environment
4. Long-term cooperation
5. Support and problem solving in difficult situations

03 Profit Model

1. Profit from pyramide of products
2. Profit from seasonal cycle of proposition
3. Profit from effectiveness arising with experience

04 Strategic control

What does the company have that the competitors cannot copy?

1. Internal corporate culture - positivity, freedom, support, communication
2. Cross-cultural communication skills
3. Mediation skills

4. Chain of integrated services
5. The level of service delivery as an international company without their bureaucracy and at a comfortable budget
6. Qualification (public register) as a professional accounting firm (auditing firm)

Why does the client buy from the company?

1. Understands the quality of the service received
2. Receives a wider range of services than just accounting
3. Gets a pleasant experience working with professionals

05 Range of activities

What activities can be outsourced to contractors?

Recruitment, evaluation, legal advice, IT solutions, automation, HR, marketing and PR, evaluation, feedback and data processing

What activities are the key competencies / advantages (Should definitely leave them in house)?

Communication with the client, provision of services, consulting, providing additional services

Analysis of current business design

Based on our research we develop the new suggestions for Business Design for the Company for accounting services for two types of clients (micro and small businesses), which are profit generating:

- Companies (micro and small legal entities such as limited liability company etc)
- Private Entrepreneurs

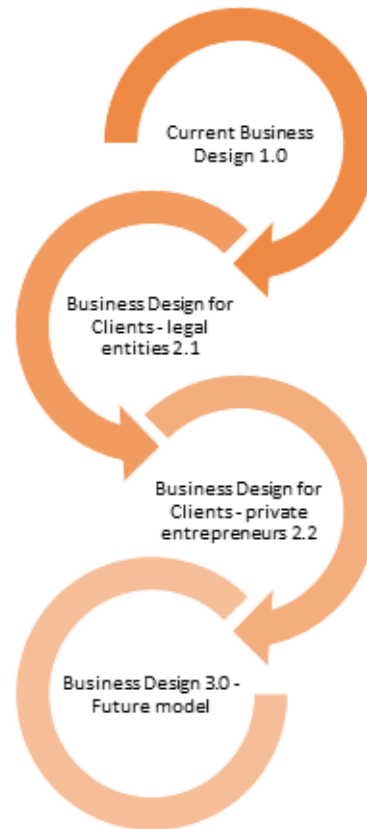


Figure 4.1. Development of Business Design model for the outsourced accounting services

Given that the three major types of services and their cash flows and clients are treated in a different way,

4.2. Business Design 2.1 - B2B (Appendix D, Figure D.2)

01 The Client

Who is the client?

Outsourcing Clients are:

Micro and Small business owners or managers with businesses of up to 50 people, turnover of up to 4 mln EUR

Which clients empower the company to be profitable?

Companies that value their own time and resources, responsible, ready to delegate, and appreciate professionals in their field.

Decent, ethical, doing fair business. Understanding the value of experience and professional qualification.

Which client is the company not going to work with?

Unethical, enforcing unfair competition, unorthodox behaviour, unfair treatment to members of the team.

Those that take up too much time and are not ready to pay for it.

Choose 2-3 key clients (client groups) which you are going to work with

1. Service companies (IT, legal, training etc)
2. Family businesses
3. Distribution companies

02 Unique value proposition

What is the added value created for the client?

1. Compliance to legislation and minimization of fiscal risks
2. Receiving additional financial expertise to organize financial streams in order to become more transparent to investors and gaining capital
3. Freeing up of up to 70% of resources from accounting tasks for core activity
4. Providing additional expertise such as legal, advisory, strategic following gaining more knowledge about the client
5. Developing tailored solutions for the client

The company can become the best for its client if:

We help the client reach their objectives faster than they were aiming by freeing up valuable resources within the business

Developing tailored solutions to provide key information to the client

What is the unique proposition for the clients that is offered?

1. Key professional expertise of the team and our executive management
2. Personalized service
3. Continuous improvement

4. Support and reliable partnership
5. Confidence

03 Profit Model

1. Experience and effectiveness profit model
2. Client needs tailored solutions (innovation and automatization)

04 Strategic control

What does the company have that the competitors cannot copy?

1. Personal responsibility and family environment
2. Analysis and getting to know the client continuously and development of tailored solutions to fill the needs
3. Continuous feedback

Why does the client buy from this company?

1. Connection and trust from delivery of service
2. Extra mile for the client's needs
3. Additional services to compliment accounting and consulting
4. Professionalism and support

05 Range of activities

What activities can be outsourced to contractors?

1. Developing of IT product to support the needs of the client
2. Additional services such as legal advice, independent appraiser work, consulting for personnel management, HR and recruiting

What activities are the key competencies / advantages (Should definitely leave them in house)?

1. Strategic development
2. Professional qualification and services
3. Internal and external communication
4. Client management

4.3. Business Design 2.2 - P2P (Appendix D, Figure D.3)

01 The Client

Who is the client?

People 2 People outsourcing clients:

- Sole traders / private entrepreneurs
- Entrepreneurs with hired employees
- No expertise in accounting
- Value their time and feel the need to delegate tasks to professional accountant
 - to be relieved from the headache of issuing invoices, having delayed payments for taxes, other complications in connection to accounting

Which clients empower the company to be profitable?

- Transaction volume on private entrepreneurs, with non-complex tasks;
- Decreasing costs and time for a transaction by implementing automatization and optimization of the processing;
- Those that do not require too much constant attention of the specialists

Which client is the company not going to work with?

- Those that waste time, prefer to make things complicated;
- Unethical behaviour;
- High risks on transaction that exceed the gained advantages
- Restaurants, entrepreneurs working at the markets, beauty salons

Choose 2-3 key clients (client groups) which you are going to work with

- Private entrepreneurs - trainers, consultants, designers, creative professions
- Entrepreneurs providing management and consulting services, IT services
- Entrepreneurs that have up to 10 employees

02 Unique value proposition

What is the added value created for the client?

- Creating a database of clients and collecting feedback;

- Making additional inquiries to get to know the client with the increase of the transaction volume - to provide tailored solutions and create ecosystem for the client
- Providing additional services to cover the needs and wishes - such as legal, recruiting, mediation, brainstorming, mentorship, etc

The company can become the best for its client if:

1. Save their time and energy on accounting matters (headache relief)
2. Provide additional benefits on providing quality advice for business expansion
3. Provide additional (partner referral) services such as legal, recruiting, exporting, marketing, etc
4. Share our expertise to help the client get additional financial resources

What is the unique proposition for the clients that is offered?

1. Reliable partner that cares about their aims and aspirations and takes extra steps to help them achieve the goals
2. Positive experience with outsourcing and cooperation with accountants
3. Long-term cooperation
4. Extended services to help with all business matters such as recruitment, teaching their accounting personnel, quality advice, and recommendations, compliance assistance, and business support.
5. Family-oriented approach by helping in personal matters as well

03 Profit Model

1. Transaction volume (increasing the total volume of transactions through automatization)
2. Low-cost model (automatization and ability to enroll personnel with medium qualification)

3. Professional experience effectiveness (it is our business to be the experts in accounting, therefore via doing the perfect job for many different entrepreneurs we gain even more expertise and decrease cost per transaction)

04 Strategic control

What does the company have that the competitors cannot copy?

1. Family environment, care, and willingness to go that extra mile
2. Getting to know the client continuously and developing tailored solutions
3. Continuous feedback
4. Background with larger businesses, ability to see an opportunity for the private business, and mentorship skills
5. Mediation and empathy skills to help with state authorities and business development
6. Network of partners in legal support, other advisory services
7. Certified auditors - control and expertise environment

Why does the client buy from the company?

1. Family environment - pleasant and comforting experience from working with professional accountants
2. Flexible proposition for subscription to services (monthly, quarterly, annually)
3. Receives a wider range of services than just accounting
4. Client continuous feedback and development of an innovative product for private entrepreneurs and micro-business specifically
5. Development of new competencies and additional services for the client
6. Joined service with HR, lawyers, and other advisors

05 Range of activities

What activities can be outsourced to contractors?

Recruitment, evaluation, legal advice, IT solutions, automation, HR, marketing and PR, evaluation, feedback, and data processing

What activities are the key competencies / advantages (Should definitely leave them in house)?

Communication with the client, provision of services, consulting, providing support and inspiration, getting to know the client better, mentorship, mediation with state authorities

4.4. Business Design 3.0 (Appendix D, Figure D.4)

01 The Client

Who is the client?

Small Business owners - Client Profile (Appendix D)

Service providers - accountants, legal advisors, consultants, etc

Which clients empower the company to be profitable?

- Companies that value their own time and resources, responsible, ready to delegate, and appreciate professionals in their field.
- Decent, ethical, doing fair business.
- Understanding the value of experience and professional qualification.
- Feel the need to delegate tasks to professional accountant - to be relieved from the headache of issuing invoices, having delayed payments for taxes, other complications in connection to accounting

Which client is the company not going to work with?

Unethical behaviour; unfair competition

Choose 2-3 key clients (client groups) which you are going to work with

a. Small businesses:

- Private entrepreneurs - trainers, consultants, designers, creative professions
- Entrepreneurs providing management and consulting services, IT services

b. Service providers - freelance accountants, legal advisors, accounting companies, recruiters etc

02 Unique value proposition

What is the added value created for the client?

1. Creating the ecosystem for micro and small business where the clients may get support for their daily tasks such as accounting, advice, business development. legal advice, company registration, mentorship, or mediation in communication with controlling authorities
2. Research of client behavior and fast feedback to improve the product, identify new trends in client's business matters, and arising inquiries to incorporate it into the innovation and product development

The company can become the best for its client if:

1. Freeing up of up to 70% of resources from accounting, legal tasks for core activity
2. Providing additional expertise such as legal, advisory, strategic following gaining more knowledge about the client
3. Developing tailored solutions for the client
4. Continuous development and innovation to help the client do their business

What is the unique proposition for the clients that is offered?

1. Business support solutions for the business - subscription to legal, accounting, mentorship, mediation, advisory
2. Personalized service
3. Continuous improvement
4. Support and reliable partnership
5. Confidence

03 Profit Model

1. Monthly subscription
2. Low-cost model (automatization and ability to enroll personnel with medium qualification for non-complex matters)
3. Professional experience effectiveness

04 Strategic control

What does the company have that the competitors cannot copy?

1. Expertise on the market (accounting, legal services) through cooperation with key market players in different industries at the top management level
2. Strong background in business management
3. Certified auditors, advocates, mediators, and other advisors whose expertise shall be used to develop algorithms for cooperation with basic client requests, and for a personal approach to more specific cases

Why does the client buy from the company?

1. Pleasant, fast, easy, and comforting experience
2. Flexible proposition for subscription to services (monthly, quarterly, annually)
3. Receives a wider range of services than just accounting
4. Client continuous feedback and development of an innovative product for private entrepreneurs and micro-business specifically
5. Development of new competencies and additional services for the client
6. Joined service with HR, lawyers, and other advisors

05 Range of activities

What activities can be outsourced to contractors?

Accounting, recruitment, evaluation, legal advice, IT solutions, automation, HR, marketing and PR

What activities are the key competencies / advantages (Should definitely leave them in house)?

Database collection and analysis, algorithms, marketplace development, and support, mediation and mentorship, feedback, R&D and improvement through innovation, implementation of machine learning, AI

CHAPTER 5. IMPLEMENTATION

5.1. Financial Planning

Calculation of the financial plan is provided in Appendix G. The Company has currently not been actively marketing itself, the clients have been finding it through recommendation. Therefore the budget of the operational period normally included the major section of the expenditures – salary of company's personnel.

Given the Company's ambition to grow exponentially and develop consulting and accounting business, we see it as a sales and marketing project, therefore the closest attention at the time of preparing financial planning was drawn to these sections.

Additionally, while understanding that the service business is grown with its talents – the following section by its significance was budgeted for talent development and education, including recruiting newcomers and growing the team.

The upcoming periods include cost allocation for technology and innovation – for creating continuous advantage and improving market position for the company.

Financial model includes the forecasted service packages, which include from basic monthly services to private entrepreneurs to business support packages for small businesses and individual solutions for the client. These solutions are currently created from personal communication with the client, however with further business development it is planned to develop the system that shall allow to work with large volumes of transactions and use algorithms. Therefore the costs are planned to be allocated organically, based on the increase of client database.

The model was built with extrapolating the figures provided by the company based on the financial analysis of previous business performance and with the use of stratification for the sections of the budget in view.

Following the forecasted planning exercise performed in conditional currency units, we identified the possibility of developing the small business outsourcing services as a profitable activity both on the short run, as well as the long run.

5.2. Marketing and Sales Differentiation

Implementing the sale and marketing focused project for services requires the use of modern approaches in order to reach the highest results in the fastest possible period.

Within the previous 20 years there has been a significant change in client behavior, the paradigm of the marketing through the age of transcendence. The new paradigm of marketing was created through the transition from Goods-dominant logic towards service dominance logic.

Table 5.1 Transitional concepts on the way from the Goods-dominant logic to Service-dominant logic

Goods-dominant logic	Transitional concepts	Service-dominant logic
Goods	Services	Service
Products	Offerings	Experiences
Feature / attribute	Benefit	Solution
Value- added	Co-production	Co-creation of value
Profit maximization	Financial engineering	Financial feedback / learning
Price	Value delivery	Value proposition
Equilibrium systems	Dynamic systems	Complex adaptive systems
Supply chain	Value chain	Value creation network / constellation
Promotion	Integrated marketing	Dialogue
To market	Market to	Market with
Product orientation	Market orientation	Service orientation

Source: prepared based on [25, p.66]

This means that the H2H (P2P) marketing is heading towards H2H mindset, which includes the following:

- Human-centeredness
- Service orientation
- Agility and Experimentalism
- Empathy

The following assumptions are the marketing ideas for H2H mindset:

- Digitalization demands flexibility
- Flexibility means that everyone must take responsibility
- Small teams are more flexible than others
- Without strict hierarchical structures people can be more innovative

Therefore, with the management and owners being in the operational side of business and proactively practicing empathy and agility, the following concept of H2H mindset is promoted within the Company from the recruiting process to all daily activities from all members of the team:

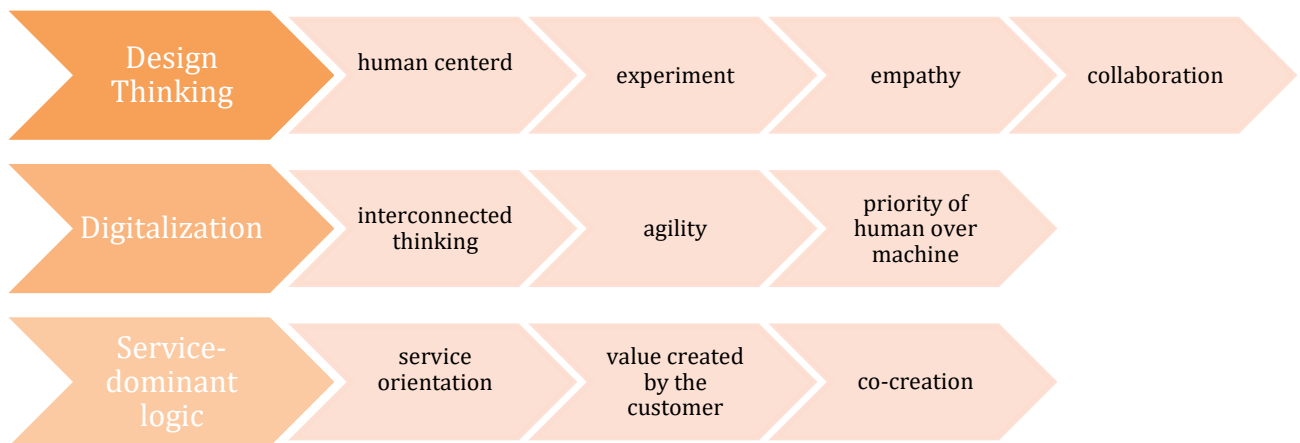


Figure 5.1. Determining factors of the H2H mindset applied by the Company

This approach means that the company uses both: the corporate culture that cultivates the aforementioned factors, as well as builds the team in a way to attract the right sets of personality traits and skills in their potential team members.

Examples where the H2H concept shows in practice – is where cooperation with the client goes beyond the services provided. For example, when the client is not ready for outsourcing the accounting services – the team member that communicates with the client might suggest assistance with helping find the right candidate for an accountant. Alternatively, the company is happy to recommend the recruiting partner for such service.

Another example is when the client needs to raise funds for further business development, and the team is happy to share experience on the subject and connect the client to relevant contacts.

One client that the company is cooperating with on a consulting project – was looking for an educational program for his daughter to learn English. The owner suggested a number of exchange programmes and educational agencies, and when the client was at the stage where his daughter was preselected for FLEX exchange programme to study in school in the US, the owner introduced them to her contact which is a FLEX graduate to get advice and share experience.

This personal touch is one of the key advantages for H2H marketing model in the modern age of disruption and agility. It is the so-called humanizing of the brand and building trust and extending the family values of the company to the client and the surrounding world.

How the company is going to use the H2H marketing model and how to measure results achieved is shown in Figure 5.2.

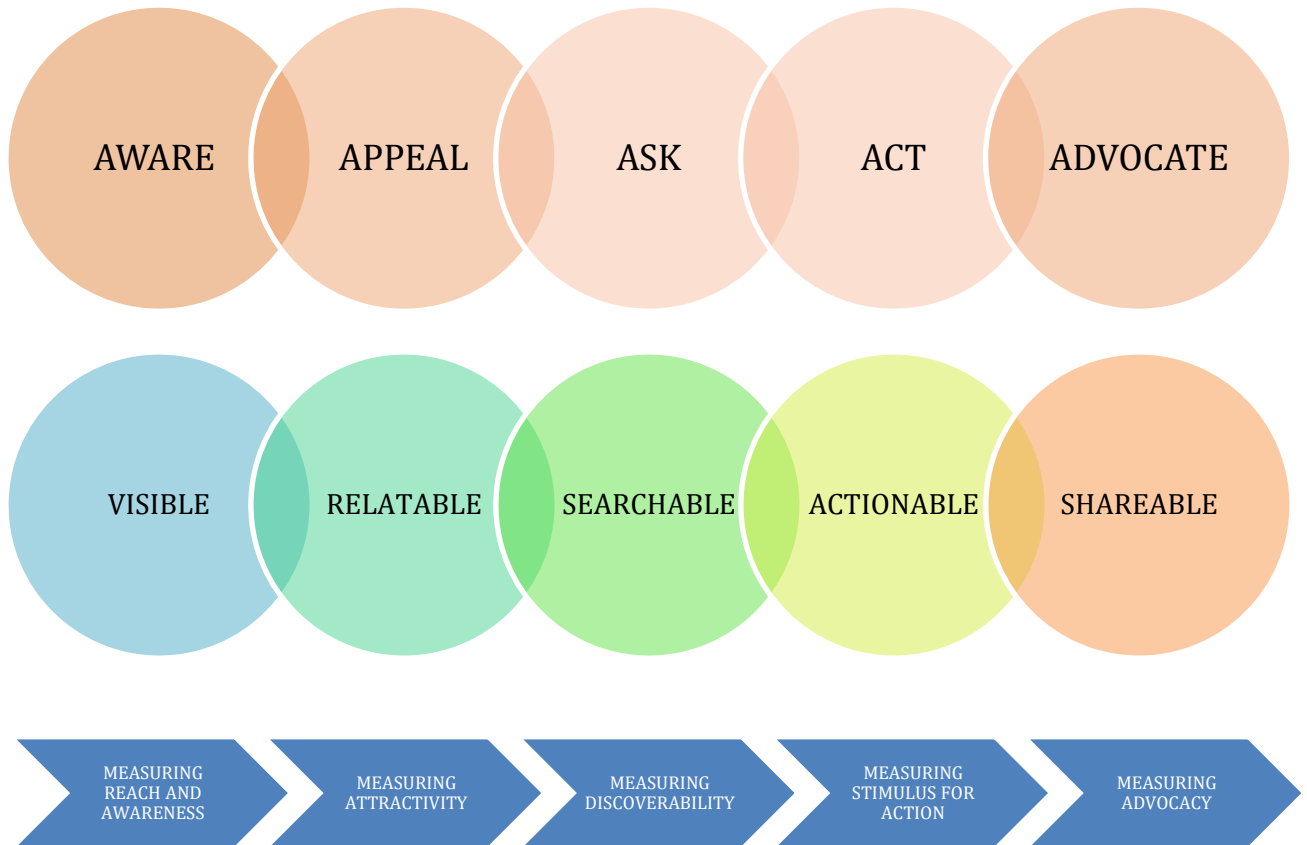


Image 5.2. Metrics for content marketing along the 5A customer path [26]

5.4. Talent Management System

One of the company's key stakeholders – is the team of talents, contributing their time, energy and resources to the business.

The internal policy, which if otherwise called the corporate policy (not much applicable to the small family business) – is an impalpable set of rules and behavioural patterns that is used inside the company. It is always built on the values and principles of the owners and management and is further shared as the acceptable and intolerable behaviour.

The company identifies itself as a family business [20], which does not necessarily mean that there are many family members in the team. Currently the company is managed by the representative of the family, who is a second generation of

business owners. The family environment is also a differentiate sign of the family business, which creates internal atmosphere within the team and introducing the concept of the extended family.

The Company clearly defined the profile of the perfect team member, which shares similar values as the core team and prioritizes these values over corporate structure of the business. Among the relationship within the team, it is important to share freedom of choice and responsibility that comes with this freedom. Also, each team member is a valuable asset to the company and it is important to practice support and care to one another. Everyone has equal terms to ask for help, communicate to everyone, approach management or other members of the team in order to get to the result in the best possible way.

Internal training programme provides opportunity for new talents to experience peer to peer learning, mentorship and extended training from everyone on the team. The company also suggests external trainings from professional certified centers, education platforms and business schools in order to facilitate development of personal and professional skills.

Currently the evaluation is done through personal cooperation. The Management enrolls new and existing team members on projects in different groups in order to be flexible and gain an opportunity to find the best talents, develop potential, and strengths of each team member. One 2 One sessions are held with executive management each quarter for feedback and development. Personal development programmes are suggested for each team member with responsibility of proactive position and choices.

With the company's growth and development, the management plans to introduce 360 degrees feedback tool and coaching.

5.5. Implementation steps and success criteria

The implementation of the new business design model is rolled out according to the following stages:

i. Design 1.0

Development and engagement of client base by promoting the company and its services to the small and micro business. Considering that the profit making currently are the legal entities – small businesses, it is important to use the new database to improve the service system and establish a set of algorithms and collect feedback – to get to know the client better, improve the process to reach proximity to perfection - for further automatization.

Use of available marketing instruments to engage a large number of private entrepreneurs in order to develop a better service for these clients. Develop networking opportunities and work with the stakeholders for strengthening the brand on the market for private entrepreneurs.

Develop a set of actions in order to collect feedback from the client.

Use available online and digital instruments for establishing comfortable communication with the client

Get to know the clients and start collecting the data for analysis

Success criteria for moving to 2.0 would as such:

- a. Increase of clients volume by 500 new private entrepreneur clients by end of 2021
- b. Maintaining NPS index at the level of above 65%
- c. Establish the system of collecting feedback from the clients
- d. Accumulate practice of storytelling to our potential clients and establish working instruments
- e. Practice Kaizen within the company

ii. Design 2.0

- a. Establishing the marketing budget at a level of at least 10% from sales
- b. Creating algorithm for working with the database
- c. Using the metrics to evaluate marketing campaign

- d. Apply comparable analysis to benchmarks
- e. Analyze the collected data from feedback of clients
- f. Apply brainstorming and idea generating techniques in order to find the innovative solution for transaction improvement
- g. Establish cooperation with IT service providers in order to start working on our innovation product for helping the client be smart about their accounting and have an easy, comfortable experience with the service.
- h. Customer database exceeds 10 000 private entrepreneurs

iii. Aspiration of Design 3.0

- a. Start working on the 3.0 during the 2.0
- b. Review the design model at each stage of implementation
- c. Idea generation as a daily practice
- d. Creating the ecosystem for the clients
- e. Improvement of the service and involve the client as a co-creator

5.7. Limitations to implementation

The limitations for this project may be considered on the internal and external level for the company:

- Financial

The company is operating with limited resources since it is also a small business company with a small amount of personnel and client database

In order to minimize this risk to implementing the project on a larger scale and at a faster pace the company practices open calls for investment – as a loan from the bank, additionally by involving the NGO from the group structure in order to qualify for the donor financing under economy development programmes with objectives of empowering business

Additionally, the company is implementing the practice of regular social media storytelling and digital communication via humanization of the company.

- Personnel

As discussed in previous chapters, accounting and auditing firms have a limitation with qualified professionals on the market, therefore the company is ambitious to become the best employer brand among its industry.

In order to retain personnel and attract the best qualifications the company cooperates with the recruiters and improves communication on behalf of the business.

The business design model for providing services to private entrepreneurs allows to attract young and positive talents, graduates and students since the tasks that will be needed to performed do not require highest qualification on the market.

- Service quality

At the time of active growth every company may fail to maintain the highest quality service for its clients since the growth rate may exceed the increase of company's capacity.

Therefore the company implemented the system of quality control, internal horizontal cooperation structure, system of sustainable mentorship within the group.

- Communication

The lack of communication or bad communication may result in serious damages to the image of the company, its associated professionals and their reputation on the market. It is vital to implement conflict mediation with the enrollment of professional mediators or management of the company

Communication in terms of marketing should also fall within the framework of company's values in order to portray the exact clear picture of the company's aspirations and story.

MANAGERIAL CONCLUSIONS

Implementation of the Business design model for improving market position of the company and development of the business should be done with the clear understanding of all the applicable and modern day instruments and trends.

Only through having understood oneself could we understand others. By understanding others we may help them reach for their dreams, thus, helping ourselves invite our dreams into our lives.

Client profile, Stakeholder and SWOT analysis should be the foundation for the brand development. And the value, vision and promise – should always correspond to the values of the company's owners and management and extend to the team.

We developed the business design for accounting services according to Adrian Slywotzky business design and in order to enable the small company apply asymmetric model and become even more successful.

Clear financial planning and budgeting according to the strategic goals is the key to achieving them.

Currently all business processes and client behaviour are constantly changing and providing the new normal – which is the constant change. Therefore, it becomes the master skill to any leader to be agile, empathic, wise and practice the 11 traits of leader character according to the Ian Ihnatowicz research, Institute for Leadership, Ivey Business School.

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APPENDIX A. Porter's five forces industry analysis

Table A.1

Auditing Service Industry analysis

The threat of new entrants	Bargaining power of suppliers	Bargaining power of buyers	The threat of substitute products or services	Rivalry among existing competitors
1.1. Auditing Services				
<p>The threat of new entrants is low:</p> <p>Barriers of entry are above average – auditing companies activity and registration are regulated by the Law On financial auditing, the owners and director must be certified auditors; There is a limit of the certified auditors on the market because the certification has not been enforced since the introduction of the law in 2018;</p> <p>Strong competitors – mainly with a monopolistic position on the market – with resources such as capital, support, connections, experience from the international well-known brands;</p> <p>External quality control is enforced by the regulators - Auditors Chamber of Ukraine and Audit Public oversight body of Ukraine.</p>	<p>The bargaining power of suppliers is high:</p> <p>The number of certified auditors is limited, creating scarcity on the market of talents;</p> <p>No new auditors are being certified within the past 2-5 years;</p> <p>Highly qualified personnel from auditing companies is headhunted from the industry as inhouse specialists by the clients and competitors;</p> <p>The limited resources of talents create increased demand and raise the costs for hiring exponentially.</p> <p>Software companies that provide software for auditors which are not in the international network (such as international accounting firms who have their own programmes) - are a very limited number, which is practically one or two companies.</p>	<p>The bargaining power of buyers is medium:</p> <p>Auditing services have seasonal trend - all clients for mandatory audits need the service at the same time, hence all auditors have a full agenda;</p> <p>There are not many alternative companies to use since the audit market is limited - during the high season;</p> <p>It is more convenient to work with the same company for more than one year since the auditors get to know the business better and take less time to dive into the processes;</p> <p>It is easier to change the auditor when signing the contract before the start of the season.</p>	<p>Mandatory audits are regulated by the law, therefore no substitute of the service is possible;</p> <p>However when the client requires an audit for other purposes, such as to estimate the tax risks, review compliance and litigation, etc - they may address other service companies than the auditing ones - such as legal advisors, compliance companies, and other consulting companies;</p> <p>Additionally, they may hire a controller or create an internal audit department;</p> <p>Therefore the threat of substitutes in the industry at the time may be considered as medium.</p>	<p>The rivalry in the industry among competitors is high</p> <p>During the season (first semester of the calendar year) the rivalry is not as high since the demand from the clients is very high and the terms are limited, the amount of companies is limited;</p> <p>At the same time some companies practice unfair competition and price dumping in order to increase their seasonal revenue volume to compensate for the rest of the year - which affects the reputation of the local companies on the market, and influences average market prices;</p> <p>International accounting firms and top 20 market players compete with each other and make arrangements between groups of companies in order to keep their market share.</p>

Source: prepared by the Author based on [14]

Table A.2

Accounting and Consulting Service Industry Analysis

Threat of new entrants	Bargaining power of suppliers	Bargaining power of buyers	The threat of substitute products or services	Rivalry among existing competitors
1.2. Accounting and Consulting Services				
<p>Threat of new entrants is high</p> <p>There is no specific regulation with the exception of the Law on financial monitoring, which creates financial litigation risks for service providers of accounting services. However the largest share of the market, including the highest margin clients is held by the large international accounting firms. Local firms are working with smaller companies and much lower cost. There is a cultural trend of mistrusting local service providers as opposed to international firms.</p> <p>However while dealing with sensitive information (finances) this is the industry of trust, sharing the network effect.</p>	<p>Bargaining power of suppliers is medium</p> <p>The market of accountants and legal advisors is excessive, however high quality specialists are rare. Newcomers (graduates) are also excessive.</p> <p>Software companies providing accounting software are a limited number, therefore making them close to oligopoly with higher bargaining power, however there is room for cooperation with them and accountants as well as IT specialists providing support for this software.</p> <p>Other suppliers such as marketing, recruiting, and other suppliers provide added value but do not have strong bargaining power</p>	<p>Bargaining power of clients is medium</p> <p>Clients have many choices among local accounting companies, especially those that represent small and medium business that is the potential client for the firm. The switching cost is medium since the industry is a sensitive information about the company and also bares tax risks if the service provider is not qualified. Services may however be purchased by recommendation, which requires building network and are not under foreseen.</p> <p>Differential advantage of accounting service is low, since majority of competitors provide similar service</p>	<p>Threat of substitutes is medium</p> <p>Currently the services mostly may only be replaced by similar service from competitors or by creating their own inhouse department.</p> <p>With development of software and AI, including with changes of legislation to match requirements of European legislation there would be lower dependance on human service providers.</p> <p>Private entrepreneurs already have a choice to submit their tax returns via bank services, free online reporting software, chatbots etc.</p> <p>However once they face difficult situations or more complex issues there is a demand for professional involvement.</p>	<p>The rivalry is high</p> <p>Auditing firms are a limited number of entities, which have a market of their own.</p> <p>For accounting services provided for small business there is high competition which is also increased with negative connotation as there is no habit or culture of outsourcing and a lot of negative experience for those who experienced it.</p>

Source: prepared by the Author based on [14]

APPENDIX B. Stakeholder Analysis

Table B.1

Stakeholder Analysis

Stakeholder	Power (1-5)	Interest (1-5)	Total Score	Stance (Opponent, Neutral, Ally)	Key Interest	Alternative Interest	Engagement
Owners of the Company	5	5	10	Ally	Dividends, profitable company for 100 yrs, personal involvement, reputation, effective management	Closing the business, not investing, withdrawing capital	Personal brand of the owner, strategic development
Management	4	5	9	Ally	Trust, involvement, responsibility, growth, support, environment, corporate culture, relevant salary, interesting clients	Manipulating team, providing incorrect information to clients, creating reputation risks	Involving in business development, providing career opportunities, trainings and personal development, friendly and comfortable environment, freedom and support, personal involvement of owners
Existing accounting and consulting Clients	3	2	5	Ally	Concentration on the core business and its profits, minimizing risks of financial losses	Dissatisfaction with the service, change of service provider	Clear and pleasant communication, professional support, time management, informing of risks, providing recommendations, estimation of risks and avoiding losses
Auditing Clients (medium and large companies)	4	3	7	Ally	Publishing audited statements (complying to requirements), Avoiding litigation and minimizing risks of financial losses	Limit information, create risks of being excluded from auditing register	Clear and pleasant communication, professional support, time management, informing of risks, providing recommendations, estimation of risks and avoiding losses
Private Entrepreneurs and SMEs	2	4	6	Neutral	Making profit, receiving qualified advice Organizing million things on their own, finding reliable support	Requiring too much attention for unimportant matters and occupying resources	Becoming a friendly partner that helps to understand complicated matters on easy terms; Implementing process innovation and client friendly communication and support

Stakeholder	Power (1-5)	Interest (1-5)	Total Score	Stance (Opponent, Neutral, Ally)	Key Interest	Alternative Interest	Engagement
Accountants	5	3	8	Ally	Corporate culture, reliability, growth, interesting projects, stability, support	Negative influence to others Leaving the company Stealing clients	Trainings, involvement in new project, strategic development, new opportunities, career development, personal involvement, support
Professional Accounting Organizations	4	4	8	Neutral	Development and growth of membership, acknowledgement, donors	Reputation risks	Get involved as a valuable member, participate in events as participants and speaker, network and create connections with opinion leaders (use our contacts with our Executive Coach)
Industry Alliances and Business Unions	4	2	6	Neutral	Development and growth of membership, acknowledgement, donors	Reputation risks	Provide support with donor financing by creating a positive case
Competitors - local accounting companies	2	4	6	Opponent	Increase market share and gain more clients	-	Create alliances Create training school for accounting personnel and gain reputation Reach out for cooperation on large projects; Teach new skills
Competitors - Big international accounting companies	3	1	4	Neutral	Keeping market share	Aggressive actions in case if they see the firm try to compete; Reputation risks for local businesses	Avoid confrontation Become a reliable partner as well as with Grant Thornton
Grant Thornton	3	3	6	Ally	Support for providing services to non-key clients during high season; Complying internal requirements and quality control; Increasing market share; Maintaining reputation of the brand	Competition, termination of cooperation, reputation risks	Maintain reliable partnership cooperation Avoid competition

Stakeholder	Power (1-5)	Interest (1-5)	Total Score	Stance (Opponent, Neutral, Ally)	Key Interest	Alternative Interest	Engagement
Auditors Chamber of Ukraine - Quality Monitoring	4	1	5	Opponent	Compliance to Auditing Standards	Exclusion from auditing register	Comply to requirements
Tax Administration of Ukraine	2	1	3	Neutral	Tax regulation and administration	Imposing fines on the firm or reputational risks in the fines are to the clients	Comply to legislation, follow changes, evaluate risks Court litigations Become known expert
Ministry of Finance	4	1	5	Neutral	Regulation and governance; oversight of audit activity	Change of legislation; Limitation of growth	Create network and establish good contacts through owner's cooperation with the departments in the Ministry - fulfill the tasks of the Key expert on international donor financed programme
Accounting Software companies	4	4	8	Ally	Increasing representation and client database	Stopping cooperation and support of software	Cooperate with a number of software companies and IT support managers; Create alliance to provide software development for clients
International Donor organizations	3	3	6	Neutral	Implementing programmes and reaching objectives	Dismissal from short list of trusted auditing firms	Invite to trainings for NGOs as advisors and opinion leaders Implement programme for improvement of financial knowledge and transparency for the grantees
Non Profit Organizations	2	3	6	Ally	Donor financing, making impact through programmes; undergoing audit to keep reputation of good grantee	Negative cases in the eyes of donors - reputation risks	Training on how to comply with donor requirements
Mass Media	2	2	4	Neutral	Sensations, increase of coverage and ratings	Reputation risks	Add credibility by providing interesting and reliable information - business publications

Source: prepared by the Author based on [15]

APPENDIX C. SWOT Analysis

Table C.1

SWOT Analysis for the Firm

S	W	O	T
Rational <ol style="list-style-type: none"> 1. Certified auditors 2. Experience with complex matters from various industries 3. Top management - fluent English speaker with multicultural communication experience 4. Knowledge of local and international reporting standards 5. Short-listed as trusted company with international donor organizations (Switzerland) 6. Company is successfully operating on the market for over 21 years 	Rational <ol style="list-style-type: none"> 1. Shortage of certified auditors 2. Limited experience due to small number of clients 3. Top manager may be the bottleneck for matters requiring her involvement 4. Lack of highly qualified professionals in reporting standards in order to create difference of opinions and exchange views 5. Not much experience with other donors from other countries 6. The brand is not strong enough and not well known to wider public 	Rational <ol style="list-style-type: none"> 1. Finding and filling unfilled customer need 2. Arrival of new technologies 3. Loosening of regulations 4. Positive effects of economic developments and free trade agreement 5. Opening new markets and new types of clients 6. Creating alliances and ecosystems for the clients 	Rational <ol style="list-style-type: none"> 1. Shifts in customer needs and aspirations 2. Emerging substitutions for the service 3. New regulations 4. Risky nature of small business 5. High competition and low awareness of the company 6. Failing to create alliances

S	W	O	T
<p>Emotional</p> <ul style="list-style-type: none"> 7. Family business for 2 generations 8. Friendly and comfortable atmosphere 9. Smiley and positive team 10. Women managed and run company 11. Personal involvement of owners and top management in all operational processes 12. Family owners are the face of the business - and support reliable image of the Group 13. Result oriented and highly motivated team 14. Long-term cooperation 	<p>Emotional</p> <ul style="list-style-type: none"> 7. Small family company with limited resources 8. Not serious, might look like not qualified 9. Young team 10. Misjudgement by appearance 11. Overload with work with too many projects and operational processes during the season 12. Lack of other highly qualified resources 13. Changes within the team and key personnel 	<p>Emotional</p> <ul style="list-style-type: none"> 7. Improving image of professional consultants in Ukraine 8. Making services easily accessible and affordable for the small businesses 	<p>Emotional</p> <ul style="list-style-type: none"> 7. Failure to improve the image of professional consultants 8. Losing profits as a company

APPENDIX D. Business Design model



Figure E.1. Business Design for ACCOUNT Auditing & Consulting services 1.0

Source: prepared by the author based on [17,18]



Figure E.2. Business Design for ACCOUNT Auditing & Consulting services 2.1 - Companies

Source: prepared by the author based on [17,18]



Figure E.3. Business Design for ACCOUNT Auditing & Consulting services 2.2 - Private Entrepreneurs

Source: prepared by the author based on [17,18]



Figure E.4. Business Design for ACCOUNT Auditing & Consulting services 3.0 - Ecosystem

Source: prepared by the author based on [17,18]

APPENDIX E. Financial Plan

Table E.1. Projected Income for 2021

Income

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2021	Average
<i>Auditing & consulting</i>	<i>Monthly totals:</i>	136,050	175,500	351,000	337,500	1,412,000	900,600	40,000	147,000	74,000	204,000	105,400	50,000	3,933,050	327,754
	Consulting projects	41,550	81,000	270,000	270,000	277,000	277,000							1,216,550	202,758
	Tax Consulting	27,000	54,000	54,000	40,500		40,500		27,000		27,000			270,000	38,571
	Audits	40,500	40,500			1,000,000	500,000	13,000	100,000	54,000	150,000	55,400		1,953,400	217,044
	Other consulting	27,000		27,000	27,000	135,000	83,100	27,000	20,000	20,000	27,000	50,000	50,000	493,100	44,827
<i>Outsourcing</i>	<i>Monthly totals:</i>	30,000	50,000	85,014	107,515	89,367	116,943	107,281	167,505	181,142	253,578	303,027	478,226	1,969,596	164,133
	Accounting of SME			47,000	47,000	47,000	47,000	51,700	56,870	62,557	68,813	75,694	83,263	586,897	58,690
	SME Supporting services			5,014	5,515	6,067	6,673	7,341	8,075	8,882	9,770	10,747	11,822	79,905	7,991
	Payroll								13,850	27,000	27,000	27,000	27,000	121,850	24,370
	Legal consulting	30,000	50,000	33,000	55,000	36,300	60,500	39,930	66,550	43,923	73,205	48,315	80,526	617,249	51,437
	Private entrepreneurs						2,770	8,310	16,620	33,240	66,480	132,960	265,920	526,300	75,186
	Other								5,540	5,540	8,310	8,310	9,695	37,395	7,479

Source: prepared by the author based on Company data

Table E.2 Projected Expenses for 2021

Expenses

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2021	Average
<i>Personnel Wages</i>	<i>Monthly totals:</i>	116,600	160,600	160,600	171,600	171,600	243,100	243,100	298,100	314,600	314,600	314,600	314,600	2,823,700	235,308
<i>Current Liabilities</i>	<i>Monthly totals:</i>	68,303	71,275	81,801	82,251	135,068	110,877	67,364	75,725	72,757	82,879	80,421	86,411	1,015,132	84,594
<i>Education</i>	<i>Monthly totals:</i>	10,000	10,000	10,000	10,000	10,000	40,000	35,000	55,000	20,000	20,000	40,000	20,000	280,000	23,333
<i>Marketing & Sales</i>	<i>Monthly totals:</i>	6,000	6,000	6,000	6,000	6,000	56,000	50,000	80,000	65,000	75,000	65,000	75,000	496,000	41,333
<i>Gifts</i>	<i>Monthly totals:</i>	0	0	0	0	0	0	20,000	0	0	20,000	20,000	20,000	80,000	6,667
<i>Insurance</i>	<i>Monthly totals:</i>	1,000	1,000	1,000	1,000	1,000	1,000	6,000	21,000	21,000	21,000	21,000	71,000	167,000	13,917
<i>Technology</i>	<i>Monthly totals:</i>	6,000	6,000	6,000	6,000	6,000	6,000	56,000	6,000	6,000	56,000	6,000	6,000	172,000	14,333
<i>Transportation</i>	<i>Monthly totals:</i>	5,000	5,000	5,000	5,000	5,000	15,000	15,000	5,000	5,000	5,000	5,000	5,000	80,000	6,667
<i>Travel</i>	<i>Monthly totals:</i>	0	0	17,000	25,000	25,000	25,000	0	0	0	0	0	0	92,000	7,667
<i>Utilities</i>	<i>Monthly totals:</i>	12,500	12,500	12,500	9,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	107,000	8,917

Source: prepared by the author based on Company data

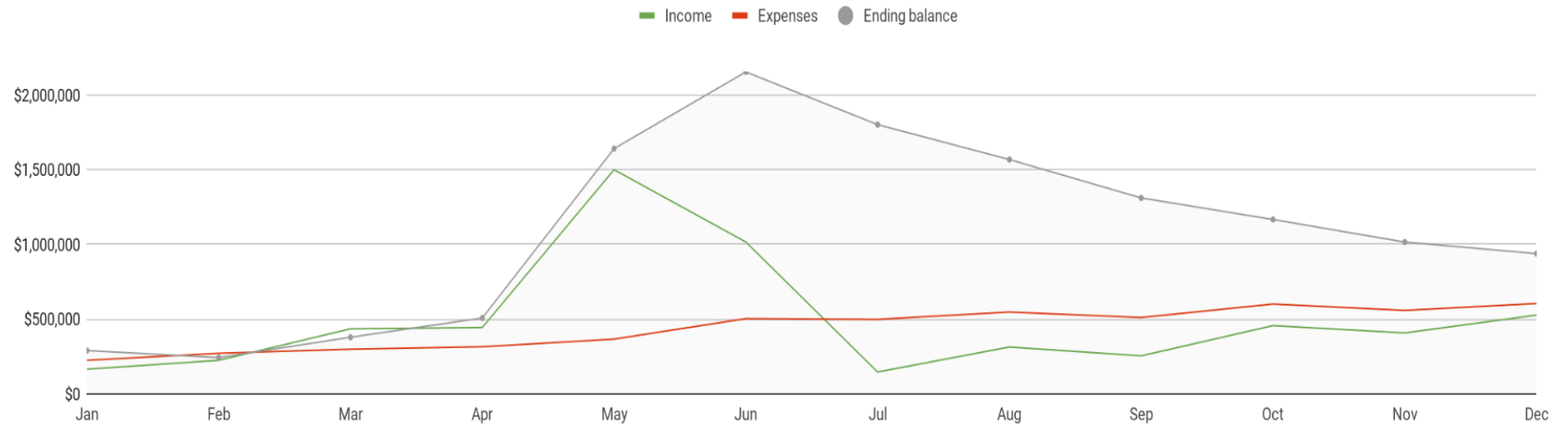


Figure F.1. Chart for Income and Expenses for 2021
Source: prepared by the author based on the company data

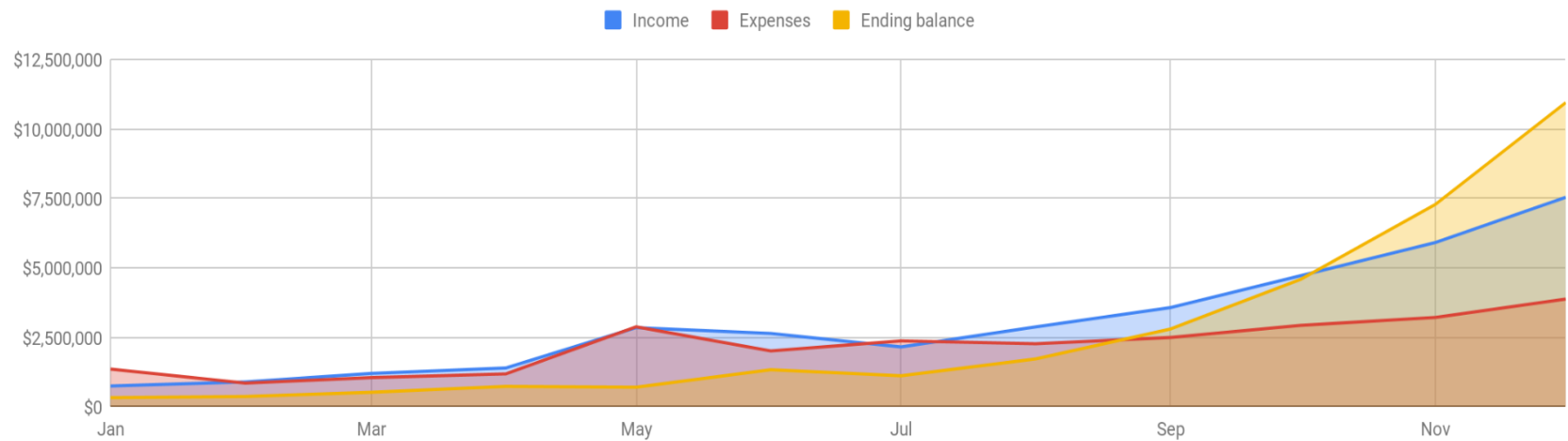


Figure F.2. Chart for Income and Expenses for 2022
Source: prepared by the author based on the company data

Table E.3. Projected Income for 2022

Income		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	<i>Total 2022</i>
Auditing & consulting	<i>Monthly totals:</i>	149 655	193 050	386 100	371 250	1 553 200	990 660	44 000	161 700	81 400	224 400	115 940	55 000	4 326 355
	Consulting projects	45 705	89 100	297 000	297 000	304 700	304 700	0	0	0	0	0	0	<i>1 338 205</i>
	Tax Consulting	29 700	59 400	59 400	44 550	0	44 550	0	29 700	0	29 700	0	0	<i>297 000</i>
	Audits	44 550	44 550	0	0	1 100 000	550 000	14 300	110 000	59 400	165 000	60 940	0	<i>2 148 740</i>
	Other consulting	0	0	0	0	0	0	0	0	0	0	0	0	<i>0</i>
	Consulting projects	29 700	0	29 700	29 700	148 500	91 410	29 700	22 000	22 000	29 700	55 000	55 000	<i>542 410</i>
Outsourcing	<i>Monthly totals:</i>	601 491	704 301	817 812	1 027 954	1 300 206	1 653 040	2 115 146	2 718 982	3 493 971	4 501 016	5 802 881	7 492 434	32 229 235
	Accounting of SME	83 263	95 753	47 000	47 000	47 000	47 000	51 700	56 870	62 557	68 813	75 694	83 263	<i>765 913</i>
	SME Supporting services	11 822	13 004	14 305	15 735	17 309	19 040	20 943	23 038	25 342	27 876	30 663	33 730	<i>252 806</i>
	Payroll	27 000	27 000	32 400	38 880	46 656	55 987	67 185	80 622	96 746	116 095	139 314	167 177	<i>895 061</i>
	Legal consulting	80 526	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	<i>630 526</i>
	Private entrepreneurs	398 880	518 544	674 107	876 339	1 139 241	1 481 014	1 925 318	2 502 913	3 253 787	4 229 923	5 498 900	7 148 569	<i>29 647 534</i>
	Other								5 540	5 540	8 310	8 310	9 695	<i>37 395</i>

Source: prepared by the author based on Company data

Table E.4 Projected Expenses for 2022

Expenses		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	<i>Total</i>
<i>Personnel Wages</i>	<i>Monthly totals:</i>	629 200	321 200	417 560	555 610	666 732	760 610	848 554	954 086	1 080 725	1 232 692	1 415 052	1 633 884	10 515 907
<i>Current Liabilities</i>	<i>Monthly totals:</i>	127 557	134 868	175 196	184 960	257 670	247 185	222 957	259 034	293 769	351 271	410 941	492 372	3 157 779
<i>Education</i>	<i>Monthly totals:</i>	35 000	35 000	35 000	35 000	35 000	35 000	35 000	35 000	35 000	35 000	35 000	35 000	420 000
<i>Marketing & Sales</i>	<i>Monthly totals:</i>	90 000	105 600	121 440	140 448	248 160	285 485	330 275	384 022	448 520	525 916	618 792	730 244	4 028 901
<i>Gifts</i>	<i>Monthly totals:</i>	30 000	30 000	30 000	30 000	170 000	170 000	170 000	170 000	170 000	270 000	270 000	270 000	1 780 000
<i>Insurance</i>	<i>Monthly totals:</i>	80 000	80 000	80 000	80 000	137 000	137 000	137 000	137 000	137 000	137 000	137 000	137 000	1 416 000
<i>Technology</i>	<i>Monthly totals:</i>	61 000	91 000	91 000	61 000	281 000	281 000	331 000	281 000	281 000	331 000	281 000	281 000	2 652 000
<i>Transportation</i>	<i>Monthly totals:</i>	35 000	35 000	35 000	35 000	1 025 000	35 000	35 000	35 000	35 000	35 000	35 000	35 000	1 410 000
<i>Travel</i>	<i>Monthly totals:</i>	250 000	0	45 000	45 000	45 000	45 000	250 000	0	0	0	0	250 000	930 000
<i>Utilities</i>	<i>Monthly totals:</i>	22 500	22 500	22 500	19 500	17 500	17 500	17 500	17 500	17 500	17 500	17 500	17 500	227 000

Source: prepared by the author based on Company data