



Mind Power: Managing knowledge in accounting firms



Introduction

When you run a successful accounting firm, knowledge is at the center of your organization. Your clients depend on you to know things that they do not and advise them accordingly. Firms build reputations on excellence and expertise. In an age of ubiquitous information sources, clients turn to you to help them sort through the noise and apply the right knowledge to their specific accounting, tax, audit, or business needs.

Because knowledge is integral to service industries like accounting, it's critical to ensure that firm employees can easily access the information they need, when they need it. An employee may need to find the right subject matter expert to ask, consult the most reliable research, or know where to locate the firm's established best practices.

It's easier than you may think to lose valuable internal knowledge from your firm. Usually, it just walks out the door without anyone realizing it until it is too late. By the year 2020, three out of four AICPA members will be eligible to retire. As the Baby Boom generation moves toward retirement, firm thought leaders may leave the firm without recording their valuable knowledge for future employees. Although firms are hiring an increasing number of young (and less experienced) professionals, Generations X and Y are not large enough to provide a one-to-one replacement for every senior

firm member who retires. Employee turnover can leave holes in subject matter expertise that go unnoticed until a major client need arises.

In order to maximize profitability and client service, firms of the future must address the need to store, manage, and access knowledge across the organization. This guide will help you define:

- What knowledge management entails.
- Why accounting firms need knowledge management software.
- The symptoms of inadequate knowledge management in an accounting firm.
- How to select a knowledge management system.
- What you need to know about Software as a Service ('SaaS'), 'Web 2.0', and 'Cloud Computing' as they pertain to knowledge management.

At the end of this paper, we'll introduce you to a new solution, CCH® KnowledgeConnect, the first knowledge management system offered for the special needs of accounting firms.

What is Knowledge Management

Knowledge is the most essential asset owned by any accounting firm. Your firm's unique skills and experience are what set it apart from competitors. To maximize the value of knowledge within your firm, you must have the ability to identify who has the most useful knowledge, and then record that knowledge, share it, and save it. For knowledge to become a lasting asset, you must be able to easily find it and access it when you need it again. This is essentially the goal of knowledge management (KM) software.

Some knowledge is fairly simple to collect and document. Explicit knowledge consists of formal facts that can be easily written down, transmitted to others, and understood. In an accounting firm, examples of formal knowledge might include GAAP rules, tax codes, and firm policies and procedures.

There is also a wealth of knowledge that is less easily expressed. Tacit knowledge is the knowledge required to do something — and it is most often learned through direct observation, conversation, or teaching. In business, tacit knowledge is needed to solve problems of medium to high complexity and these problems usually require your most experienced professionals to provide guidance and know-how to newer employees.¹

It is this tacit, experience-based knowledge that teaches an employee how to apply accounting principles to specific types of problems for the most favorable result for a client. It is this type of knowledge that is challenging to capture, but forms the most strategic part of your firm's knowledge asset.

Knowledge management software provides a process and a system for turning your firm's explicit and tacit knowledge into a strategic asset. KM accomplishes this by:

- Identifying important subjects as well as the corresponding experts in your firm.
- Documenting and preserving knowledge from firm thought leaders.
- Organizing recorded knowledge in ways that are intuitive to users.
- Quickly searching for and retrieving desired information.

- Forming a community around practice interests so that the system connects people to information, and also people to thought leaders.
- Providing a system of content rating to identify the most useful knowledge.
- Establishing a means of recognizing and rewarding the expertise of firm employees.

Why is Knowledge Management Important in Accounting Firms?

When critical knowledge is not recorded, or is difficult to locate, firm employees — and indeed the firm as a whole — cannot achieve their full potential productivity. On average, knowledge workers spend 15-30% of their time looking for information needed to do their jobs, according to IDC. About half of the time, they are unable to find the information they seek.²

Most knowledge in accounting firms is people-based. When an employee has a question, he either does his own research, or inquires who in the firm is an expert in that area and asks the expert a question. Frequently, employees do not know precisely who to ask and may interrupt several people when searching for information. When a subject matter expert provides an answer to the employee's question, it is usually in the form of an e-mail or a personal conversation. Neither of these is shared across the organization, so the next employee who has the same question will have to repeat the process over again.

Making sure that your employees find information faster can directly impact the profitability of your firm. Forward-thinking firms are quickly adopting KM to address this problem. While only 1 in 5 firms has a KM system in place today, 59% of firms expect to have a solution in the near future.³

A KM system not only saves time for the employees who are searching for information, it also frees your firm's subject matter experts. Thought leaders are often senior, experienced professionals who

serve many clients and carry the heaviest of workloads. Yet, they are asked the same questions over and over. With a KM system, your subject matter experts can answer a question just once and preserve the information for all who need it. The result is a firm that runs more smoothly, with fully productive employees who gain more time to focus on improving client service.

Knowledge management also can be an important tool in attracting and retaining key talent. Research published in the *Journal of Knowledge Management Practice* concluded that employee job satisfaction was significantly correlated to KM factors in accounting firms. Specifically, firm employees were more satisfied when they worked for firms that: value information, help employees access information, and provide feedback that helps employees maintain their expertise status.⁴

Seven signs your firm needs a Knowledge Management solution

- 1) Knowledge is leaving the firm when thought leaders retire or resign.
- 2) Employees spend too much time looking for information.
- 3) Your firm has multiple offices and/or remote employees. Knowledge is not equally shared, but instead gets trapped in silos at each business location.
- 4) Firm employees cannot identify who to ask for information on key subject areas.
- 5) When subject matter experts share knowledge, it is usually one-on-one via e-mails or direct conversations and not recorded for broader use among all employees.
- 6) Thought leaders complain of constant interruptions to answer the same questions for less experienced employees.
- 7) You have no way to identify subject areas that employees struggle with, so you can't plan effective training.

¹Gartner, "Socialization of Knowledge Management Drivers Greater Reuse," May 2009.

²Heather Baldwin, "Can't Find the Information You Need? Try This," *Sales Management Newsletter*, SellingPower.com, April 2008.

³CCH Accounting Trends Survey, 2008.

⁴Dennis W Taylor, Jeanne Yamamura, Yvonne Stedham, and Mort Nelson, "Managing Workers in Accounting Firms: The Role of Nutrient Information and Organizational Information Consciousness," *Journal of Knowledge Management Practice*, 2001.

Knowledge Management & New Technology

Technology is always a fast moving field and you are probably hearing a lot of newer buzz words like SaaS (Software as a Service), Web 2.0, social media, and cloud computing. Let's take a few moments to define some of these concepts, because these technologies have enabled KM to become truly collaborative and interactive. In many ways, these dynamic tools are what set KM apart from more static organizational structures, like document management.

Software as a Service, or SaaS, is a method of delivering software securely across the Internet. Applied to knowledge management, SaaS enables you to access your firm's knowledge anytime, anywhere. You're always able to connect to this critical tool, whether you're on the road, in your office, or at your home. For accounting firms, the SaaS model is especially appealing because it requires very few IT resources. Isaac O'Bannon, Technology Editor for *CPA Technology Advisor* writes, "For tax and accounting professionals, the promise held by hosted programs and collaborative Web 2.0 websites means, once again, less time keeping up with program updates and instant access to programs and data from anywhere."⁵

The benefits of SaaS for Knowledge Management include:

- Fast start-up with very little help needed from IT.
- No special hardware requirements other than Internet-connected PCs or laptops.
- Always available, from any computer with an internet connection, so satellite offices and telecommuting employees share equal access.
- Rapid user adoption thanks to an intuitive interface and publishing tools.
- Consistent subscription payments avoid larger up front costs and improve cash flow.
- The ability to combine your firm's internal knowledge with external resources, via software integration, or by including linked URLs to outside Web resources.

Web 2.0 refers to Websites and Web tools that encourage interactive collaboration. The phrase 'Web 2.0' was introduced by Tim O'Reilly, who noted that when these tools are successful, "the more people that use it, the better it becomes."⁶ **Social media** is defined as "online content created by people using highly accessible and scalable publishing technologies." Social media creates a new, more interactive way for people to discover and share content

and information."⁷ Examples of social media software applications include Wikis (Wikipedia), blogs, networking applications (LinkedIn, FaceBook), video and photo sharing (YouTube) and microblogs (Twitter).

Some of these tools, particularly Blogs, FAQs, and Wikis, have tremendous application in knowledge management systems. They produce highly accessible content that is collaborative, easy to search, and intuitively structured. Not only does your KM system store published knowledge documents, it also connects the user to experts in their field of practice and facilitates online 'conversations' to work on complex or novel problems.

Cloud Computing refers to data, software, services, and even hardware infrastructure delivered over the Internet. Whether you're using virtual servers, data centers, or SaaS solutions, cloud computing will deliver valuable technology without requiring your IT department to control and maintain the systems. KM systems take advantage of cloud computing in two ways. First, a good KM solution for an accounting firm will be delivered via SaaS to minimize the firm's need for IT resources. Second, KM systems store metadata about data, so they can pull information from all across the cloud into one coherent resource for your employees.



⁵Isaac M. O'Bannon, "Web 2.0, SaaS and Cloud Computing: What the New Internet Means for Tax & Accounting Professionals," *The CPA Technology Advisor*, May 2009. (Online access only)

⁶Isaac O'Bannon, "Web 2.0, SaaS and Cloud Computing: What the New Internet Means for Tax & Accounting Professionals," *The CPA Technology Advisor*, May 2009. (Online access only)

⁷Wikipedia, "Social Media."

How to Select and Implement a Knowledge Management System

Once you have decided that your firm needs a knowledge management system, you'll need an action plan for evaluating, selecting, and implementing your solution. When evaluating KM solutions, keep these important criteria in mind:

Choose a vendor who understands the needs of accounting firms.

As you can imagine, knowledge management has application in most industries. It is an essential tool in any information-based industry. But a software development team or a security consultancy doesn't operate the same way as an accounting firm. It's important that the KM vendor you work with understands the way your firm uses information and has experience with the types of knowledge most valued by accounting and tax professionals.

Implement a SaaS solution.

SaaS implementation avoids the hassles and delays of installing a complex software system and will allow your employees much greater flexibility in using the system. There's no time like the present to begin capturing your firm's valuable knowledge, and SaaS will let you get started quickly and efficiently.

Choose a system that provides social software tools.

Blogs, Wikis, FAQs, and other types of Web 2.0 tools foster a sense of collaboration and keep knowledge content up-to-date. They're easy to use and organize information in a way that is naturally intuitive to people. All knowledge workers today use the Internet and are familiar with common Web interfaces, so these will enable your employees to learn to use the KM system quickly.

Choose a system that identifies subject matter experts and rewards their expertise.

Everyone likes to feel appreciated for their intelligence and expertise. This is especially true in accounting firms, where an associate's value to the firm is represented by her knowledge and her ability to learn quickly. KM systems that enable users to rate content and identify experts by their contributions will promote a healthy sense of competition and make your employees feel recognized for their skills.

Here are some tips to help you enjoy a smooth implementation and a solid return on investment with your new KM solution:

Clearly define what KM means for your firm.

Firm leaders and knowledge management champions need to be in agreement on the KM initiative and the strategy for implementation within the firm. Complete these discussions before you evaluate solutions so that you know what you are looking for in a KM system.

Create policies that encourage rapid user adoption.

Reward and encourage your team to use the system right away. It's not necessary (or desirable) to withhold access to your KM system until you migrate all existing firm data into it. When used regularly, the system will grow naturally and collaboratively.

Identify KM champions who will 'lead the charge' when the system goes live.

Employees will want to use knowledge management when they see a clear connection to improved productivity in their jobs and recognition by the firm. Ask subject matter experts to serve as knowledge champions. They can lead practice area groups and encourage colleagues and subordinates to use the new KM solution. This helps employees see that the KM system will help them locate the right people and resources to do their jobs more effectively.

Design Web 2.0 practices into reporting and project work.

As employees become more familiar with Web 2.0 tools such as Blogs and Wikis, they will become cognizant of how internal reports and projects fit into the KM framework. Encourage activities such as linking between documents and providing some reference information and tags at the beginning of documents (such as project name, key topics, etc.).

Constantly improve knowledge. Active dialog and collaboration help complete knowledge content and make it more useful for everyone. Actively encourage employees to add notes and updates when they can expand the value of existing answers in your KM system. Ask them to rate content so that the firm can get a better picture of where to focus training efforts.

⁸Kana Software, Inc., Six Best Practices for Agent Knowledge Management: Optimizing Knowledge Management in the Contact Center," February 2008.

⁹Gartner, "Q&A for Knowledge Management: How Can We Get our Experts to Share Expertise," May 2009.

Introducing CCH KnowledgeConnect™

CCH® KnowledgeConnect is a comprehensive, online knowledge management system delivered by CCH – the most trusted information provider for accountants and tax professionals. This intuitive KM system turns your firm's knowledge into a strategic asset by helping your employees locate and benefit from documented tacit and explicit knowledge within the organization. Powerful search capabilities easily connect firm employees with the knowledge they need to make faster and more informed business decisions, avoid work redundancies and reduce project cycle times.

KnowledgeConnect helps you identify subject matter experts within the firm and define undocumented expertise that should be recorded. Firm thought leaders can answer questions once and avoid further interruptions of their valuable time. Your firm will not lose valuable know-how when subject matter experts leave the firm through turnover or retirement. By identifying the content your employees access most frequently, you can find out where the firm needs to improve training offerings.

Achieve rapid deployment with a SaaS delivery model. KnowledgeConnect helps you to begin capturing critical firm knowledge right away. Web 2.0 tools such as Blogs, Wikis, FAQs, and Best Practices documents enable users to publish and collaborate easily and interactively. The system gathers and searches your firm's internal data, as well as external sources including your CCH solutions. KnowledgeConnect's federated searching will initially search ProSystem fx Document, IntelliConnect, and the CCH Support Knowledge Base, in addition to your unique firm information. Future product plans will expand KnowledgeConnect federated searching to most CCH products as well as some third-party solutions.

Designed to offer your firm increased productivity and provable ROI, KnowledgeConnect encourages rapid user adoption with features such as an 'evergreen' login page that displays the latest content from Discussions, Blogs, Best Practices, and FAQs within each user's practice interests. Firm employees can solve complex problems more easily and spend less time searching for information. The time savings offered by KnowledgeConnect enable firm employees to serve more clients without sacrificing your firm's high standards of quality client service.

Finally, KnowledgeConnect is a great way to provide recognition to the most valuable members of your firm. Being able to connect with a community of shared practice interests provides your firm's employees with the best connections to get the right information. Users receive an expert status when they publish and contribute on KnowledgeConnect. Their peers can rate answers and collaborate, leading to more complete, accurate content. KnowledgeConnect creates a network of up-to-date information and thought leaders that will help your firm attract and retain top accounting professionals.

For more information about how CCH KnowledgeConnect can help you turn your firm's knowledge into its most strategic asset, please visit CCHGroup.com/CCHKnowledgeConnect



800-PFX-9998
CCHGroup.com