

Knowledge Management System for CPA Firms

Written By: Carrie Johnson, CPA

Adding "Value" through Knowledge Management

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MEMORANDUM

Miller, Walker, & Thompson LLP
892 N. College Ave
Indianapolis, Indiana 46260

To: MWT Executive Committee
From: Carrie Johnson, Partner, MWT
Date: November 1, 2011
Subject: Knowledge Management Plan

Per request, I developed a strategic plan to address the rising issue of knowledge management within our firm. Inside, you will find an executive summary, along with a detailed strategic plan that MWT can use to confront our knowledge management challenges. To better develop this strategy I have made several assumptions, listed following the executive summary, but I believe this plan is flexible enough to withstand changes to these assumptions. My strategy highlights the balanced scorecard approach, benchmarking knowledge management goals in the following areas:

- Internal Growth
- Customer Growth
- Learning & Growth
- Financial Growth

I am very confident that my recommendations will establish MWT as a knowledge management leader within the public accounting industry, as this is imperative to our firm's ability to distinguish itself from competitors. Upon approval, I look forward to implementing this plan to continue the success of MWT.

Sincerely,

Carrie Johnson, CPA
Partner

Executive Summary

At Miller, Walker, & Thompson, LLP, we strive to create value for our clients by providing quality services performed by our professional staff. To improve this created value, we plan to implement a knowledge management system to increase MWT staff knowledge, thus escalating value provided to our clients. To successfully implement our knowledge management system we must balance four different measures that make up the balance scorecard, which consists of:

- Financial
- Internal Growth
- Customer
- Learning & Growth

Internal Growth

Internally we are trying to add value to the firm. MWT was advised by an external IT consulting firm to implement a knowledge management system, in which, after further research on what was appropriate, they suggested Ning as the software platform to manage the system. After the partners retire their experiences and know-how knowledge goes right out the door with them. That's where Ning steps in. The objective is to be able to use this network in an efficient, easy to manage, cost efficient, and secure for our information.

Ning is considered a Social Media network in which has a lot of similarities between the other networks. Ning is set up on a platform to base all of the users' individual profiles. These profiles are then used to identify each of the employees. It is up to the employees to maintain their profile throughout their time at MWT. The purpose of Ning is to retain the knowledge capital of the employees by using the different applications.

Ning is able to separate itself and make it a useful site by being able to mold its network for the wide variety of users that use it. When you are creating the network for Ning, there are options that allow its creators to customize the layout of all of the modules in the network to be efficient for the users.

The network is based on several different tabs; the main pages are Main, My Page, and Management (Network). Through these three tabs, the employee is able to travel from page to page easily when he is in the process of using the applications. Some of the highlighted applications that have made the process of exchanging knowledge easier into the network and communicated to the employees are the My Blog tool, the RSS Feed tool, the Chat tool, and the Event tool. These tools allow employees converse quickly with the other employees, share pertaining articles on their blogs, offer accounting sites on their RSS Feed

and post and invite employees on the Events tool. In response to the five partners that are going to be retiring, the network is easy to use and can help pass on their knowledge and experience onto to the future training partner. All of these tools and applications can be exercised in the network to help manage the knowledge in MWT.

Learning and Growth

The knowledge management program should establish a learning and growth module for the employees of MWT. Learning and growth should be a continuous process for our employees. To accomplish this task the knowledge management program will feature four tools to promote continuous learning and growth. These tools are:

- Champion Program
- Employee Incentives
- Mentor Mentee Program
- Knowledge retreat

Champion Program

MWT's Champion Program is one of our first steps to progression in knowledge management. The program will consist of a minimum of four MWT managers known as knowledge champions over the different industry sectors to which MWT provides financial services. Champions will advocate, support, and be "knowledge broker" to the rest of the firm. They will advocate by spreading the KM message, which includes encouraging knowledge sharing and being a reference point for clarification. Champions will support KM, acting as departmental representatives for KM initiatives, by providing improvements to the system and supporting those that participate in the system. Finally, Champions will act as "knowledge brokers", connecting staff to knowledge information and resources outside of their usual context, by sharing knowledge information through presentations and mentor/mentee learning sessions.

Employee Incentives

Part of our KM system is to provide incentives to partners and staff in order to reward those that share and record knowledge they have gained from internal sources such as client experiences, and external sources such as the INCPAS and IFRS. In order to incentivize employees to participate in the program, MWT will offer an annual bonus of up to \$1,000 based on the performance and participation of each champion. Employees will see these incentives as a compensation for providing valuable information to the firm whose effect will then be observed as staff work with our clients.

Mentor/Mentee Program

Knowledge and growth will be further invested in by executing a mentor/mentee program. Each group in the program will consist of a partner, senior manager, manager, and several staff accountants. Members can discuss current accounting topics, personal job experiences, and progression through the firm. This program will cause knowledge integration throughout the firm.

Knowledge Retreat

A knowledge retreat will encourage growth at MWT by providing the company with workshops, team building events, training, and a keynote speaker. Employees will become acquainted with the new KM throughout the retreat and learn how to participate in each aspect of the system.

Customer Growth

MWT's knowledge management system should also be measured by how it affects our customers. Our knowledge management system should not only add "Value" to our firm, but add "Value" for our clients. My knowledge management solution defines value as:

Verify

Analyze

Learn

Understand

Explain

. Clients should be direct recipients of "value" generated by our knowledge management as our best practices will be improving through implementation of the new system.

Broader Services

With the addition of the knowledge management system, our employees should be constantly learning about different accounting services that we can offer our clients. With employees investing time researching and sharing new information, our firm has the opportunity to grow our areas of specialization. New target markets include:

- Education & Health Services
- National Resources & Mining
- IFRS expertise

Increase Clientele

Much like the increase in MWT's services, we should also expect to see an increase in our client base. Effectively using our knowledge management system should increase the credibility of the firm. As we continue to add "value" back into our current clients, and expand our expertise into new market sectors MWT will start to see the financial impact of adding "value" to the knowledge management system.

Financial Growth

The implementation of a knowledge management system should not be a financial burden on the firm. Determining the costs of a knowledge management system is relatively simple, while figuring out the total value added by a knowledge management system is quite difficult. Included in the plan are various charts and graphs that show that implementing a knowledge management system within MWT will add financial value to the firm, and increase one of our most valuable assets, firm knowledge.

Costs

A full breakdown of the knowledge management costs is included further in the plan. A highlight of the cost will show that firm opportunity cost is the main cost of the knowledge management system. The cash flows spent investing in the firm's knowledge management system account for only 10% of the systems overall cost.

Revenue

To determine how the knowledge management system could bring revenue to the firm, employee efficiency had to be considered. Effective use of our knowledge management system should increase total firm efficiency, and result in more billable hours by the firm. Setting goals for growth both in company size, and billable hours help MWT grow from approximately \$10.3 million in billable hour revenue to \$12.95 million in billable hour revenue within three years.

Conclusion

I have the upmost confidence that the recommendations presented in this paper will enable MWT to implement a "value" adding knowledge management system without providing a financial burden on the firm. Investing in the business plan presented will allow MWT to add "value" to our employees as well as our clients.

ASSUMPTIONS

The following are the assumptions used when addressing MWT current Knowledge Management situation:

1. There is no current new hire orientation for recent new hires.
2. Ning has been purchased, but no software development has taken place on the website.
3. MWT currently has 2 A&A Partners, 2 Tax Partners, 2 Consulting, and 1 Basic Accounting Service Partner
4. MWT's current breakdowns of employees are 7 partners, 8 senior managers, 10 managers, and 25 staff.
5. MWT's partners will retire staggeringly over 7 years
6. MWT has a website, but currently uses no form of Social Media
7. MWT is open to incorporating Social Media into the organization.
8. We assume that our employees are currently billing according to the national average found in the Rosenberg Survey.
9. MWT operates on a full 52 week schedule with 2 weeks of paid vacation.
10. MWT has an employee code of conduct in place, but no social media policy.
11. MWT plans to hire three new employees within two years and a total of 7 people in three years.
12. MWT does not currently have a mentor/mentee system.

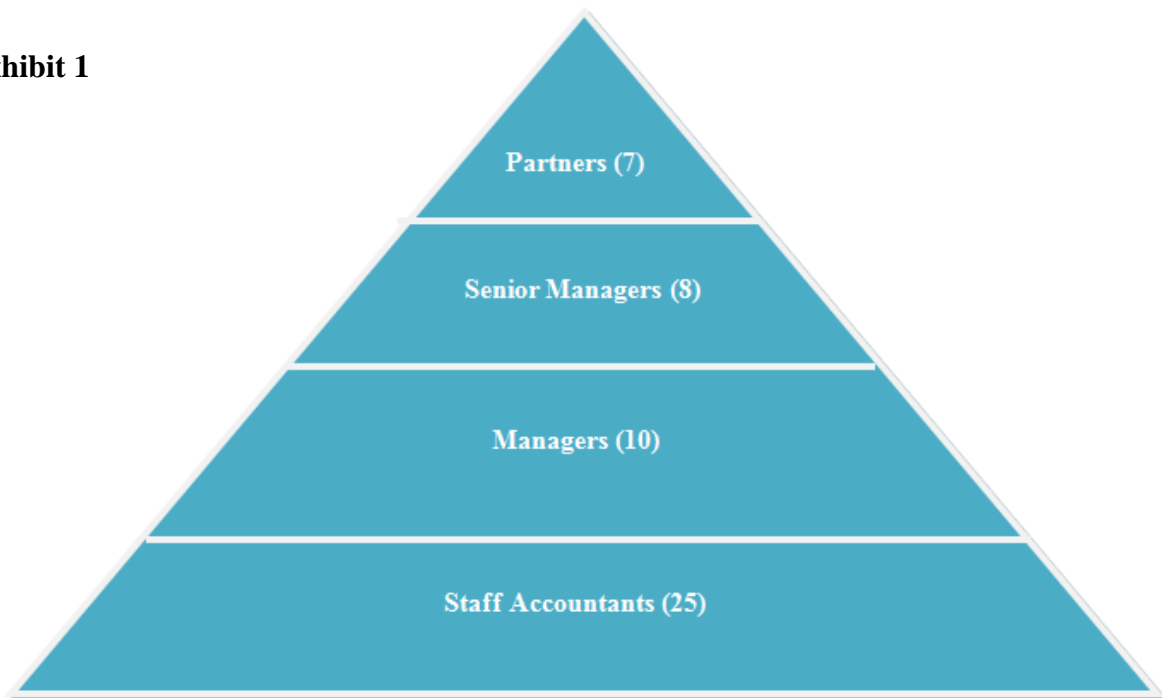
INTRODUCTION

This report details my proposal for an integrative knowledge management system to be implemented and executed at Miller, Walker, & Thompson to resolve the pressing issue of intellectual capital loss. I have included background on the topic of knowledge management, the proposal for a knowledge management system within MWT, and an explanation of the implications of the system. I hope that with the use of this knowledge management system and the collaborative support of all involved, MWT will be a leader in the retention and development of intellectual capital.

Firm Structure

Miller, Walker, & Thompson, LLP is a regional accounting firm that specializes in the services of attestation and assurance (A&A), tax compliance, general business consulting, and basic accounting services. The firm participates in industries, such as construction, manufacturing, multi-family housing real estate, and non-profit. The firm operates in Indianapolis, Indiana and employs nearly 50 employees. The firm's clients are mainly located within the Indianapolis area and surrounding suburbs, with select clients located in Illinois, Kentucky, Michigan, and Ohio. The following exhibit displays the hierarchy of positions within MWT and the number of employees at each level.

Exhibit 1



KNOWLEDGE MANAGEMENT

In recent decades the topic of knowledge management has gained significant momentum in the business environment. Knowledge management has been undertaken by a variety of firms, together producing a wide range of results. There is no universal definition of knowledge management because each industry and more specifically each firm has tailored knowledge needs. According to CIO.com,

"...knowledge management is the process through which organizations generate value from their intellectual and knowledge-based assets. Most often, generating value from such assets involves codifying what employees, partners and customers know, and sharing that information among employees, departments and even with other companies in an effort to devise best practices."¹

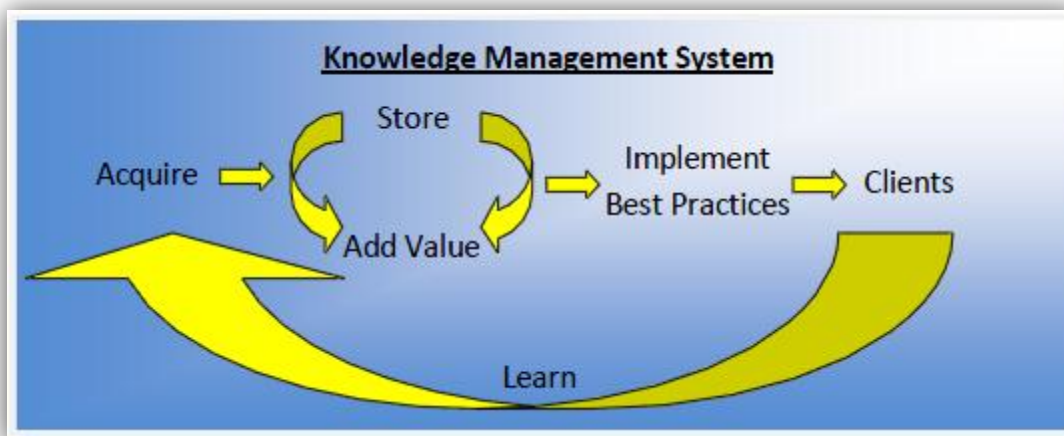
What does this mean for CPA firms in particular?

For the purposes of CPA firms, like Miller, Walker, & Thompson, LLP (MWT), knowledge management can be defined and illustrated using the following customized exhibit, which is based on a similar diagram provided by Ernst & Young, LLP².

¹ Levinson, Meridith. "Knowledge Management Definition and Solutions CIO.com." *CIO.com*. 2011. Web. 28 Oct. 2011. <http://www.cio.com/article/40343/Knowledge_Management_Definition_and_Solutions>.

²http://www.google.com/url?sa=t&rct=j&q=ernst%20and%20young%20knowledge%20management&source=web&cd=1&ved=0CEAQFjAA&url=http%3A%2F%2Fwww.terry.uga.edu%2F~hwatson%2Fknowledge_managment.ppt&ei=1GCtTty2JanY0QGm3_moAQ&usg=AFQjCNEHk1EhV8OBwNQkMZAPvVDv9ZmvyQ&cad=rja

Exhibit 2



- **Acquire:** CPA firms acquire knowledge through formal training, education, research, and also from professional experience in the field. CPA professionals require knowledge pertaining to their service line, the industry or client sector of an engagement, and information about the particular client(s) they are serving. Information in these areas is provided by accounting publications, firm resources, collaboration with colleagues, and client interaction.
- **Add Value:** Information and knowledge acquired from external sources is collected within the firm and analyzed by the firm's employees. Value is added when knowledge and information can be utilized within the firm to benefit or improve its operations.
- **Store:** Value-added knowledge should be integrated within the firm's practices and stored for future use. Stored knowledge is continuously improved and updated to further add value to the firm and keep pace with the changing industry environment.
- **Implement Best Practices:** Employees use stored knowledge within the firm in order to provide the highest quality of work to clients. Being within a client-service profession demands that CPAs be on the forefront in both knowledge and practice to retain and attract customers.
- **Clients:** Clients not only receive the value-added knowledge in the form of best practices, but also they contribute to a firm's acquisition of knowledge. Working on client engagements provides CPA professionals with tacit knowledge not available through formal settings.
- **Learn:** The overarching factor that drives the cycle of knowledge from acquisition to implementation is the ability to learn. Professionals learn from experience and resources, which enables them to distinguish value to add to information and produce best practices for clients.

The preceding exhibit defines and illustrates the knowledge management process within CPA firms. Knowledge management relies on the key factor of knowledge sharing within the process. Once information is acquired, value is added, and the knowledge is stored it must be shared and integrated throughout the firm to be effectively used in best practices by all employees. Another important element of the knowledge management process within CPA firms is the balance between tacit and explicit content acquired by the firm. While explicit knowledge provides the foundation and standard for the practice of accounting, knowledge management systems in CPA firms, like MWT, should focus on tacit knowledge when developing their systems. Tacit knowledge is characterized by knowledge acquired through professional experience and client interaction. Each firm encounters a unique blend of professional exposures resulting in firm-specific knowledge that can distinguish the firm against competitors and provide a higher quality of services to clients.

Are there other organizations that can assist our firm with knowledge management?

Besides the knowledge management system that I have already established for Miller, Walker, & Thompson, LLP, there is an organization that could provide valuable consulting assistance for us with our knowledge management system. APQC is an organization in which companies come to for best practices and emerging trends, networking opportunities, benchmarking training, and advisory support. Members of APQC receive access to APQC's Knowledge Base, white papers, templates and tools. Firms such as Ernst and Young, KPMG, and Deloitte all take full advantage of APQC by using their consulting services for their knowledge management systems. APQC will help our firm to effectively use and leverage knowledge management services, approaches, and tools to impact business results. APQC's approach will help us develop an effective KM strategy, design and implement KM approaches, improve our processes and accurately measure results.

In what ways can the Indiana CPA Society help our firm with knowledge management?

The Indiana CPA Society can help our firm with knowledge management by providing online resources of current issues and features that have recently occurred in the CPA profession, thus increasing a firm's explicit knowledge. A database or blog of recent events that particularly relate to business practices would exponentially increase awareness by firms who want to stay up to date with the most relevant news. INCPAS should provide a list of reliable sources where research of up and coming issues can be conducted. There is already a great amount of valuable information on INCPAS's website; however, it would be helpful if the partners our firm could identify certain articles or blogs that would be more relevant to our firm. If we have the accessibility to filter out articles on the Indiana CPA Society website, this would enable quick, immediate viewing of information relevant to the topic we want to know more about. INCPAS

could also provide firms with a list of reliable and cost efficient sources for knowledge management consulting and IT services.

Any system that the INCPAS puts in place has the potential to become an industry standard. Given that the system would be widely know, this would encourage more firms to start implementing a KM system. We could use the available system as a template for our own system. The fact that the system has been beneficial and informative for the INCPAS gives us the boost of confidence that we need to further invest in a similar system. INCPAS could be the jumpstart needed to initiate a knowledge management system in our firm.

What are other professions (attorneys, doctors, etc.) doing in regards to knowledge management? How can the CPA profession follow what these other professions are doing?

Knowledge Management expands too many other lines of work besides the CPA profession; for instance, various law firms have incorporated the use of knowledge management. For knowledge management to be useful throughout a law firm where professional careers are always evolving, distinctive forms of information will need to be obtained and documented. In the beginning years of a lawyer's practice, research and document drafting are the principal activities performed. This stage entails the need for legal research tools that help locate wisdom given by upper management, judges, and scholars for the purpose of adaptation when dealing with current clients. More senior associates and young partners are responsible for more managerial roles in the firm. At this stage, lawyers need information about matters internally in the firm. The third stage in a lawyer's professional career is all about client development. News and stock reports are critical to this stage of work and a clear understanding and background of the client is a necessity. There is also a need for personalization when it comes to KM tools. If a client is looking for a particular associate or partner with a precise expertise, there needs to be a way that this information can be quickly found. All this information for different stages can be found by going to different portals on the firm's KM electronic system. All of this KM system information can be applied to the CPA profession for an expanded, more personalized information usage. The CPA profession can address their acquired KM information similarly to what law firms have done in the ways that they group the information based on professional career stages. Staff will be given predominantly information pertinent to their areas of work, while managers and senior managers are given information based on their primary areas of work.

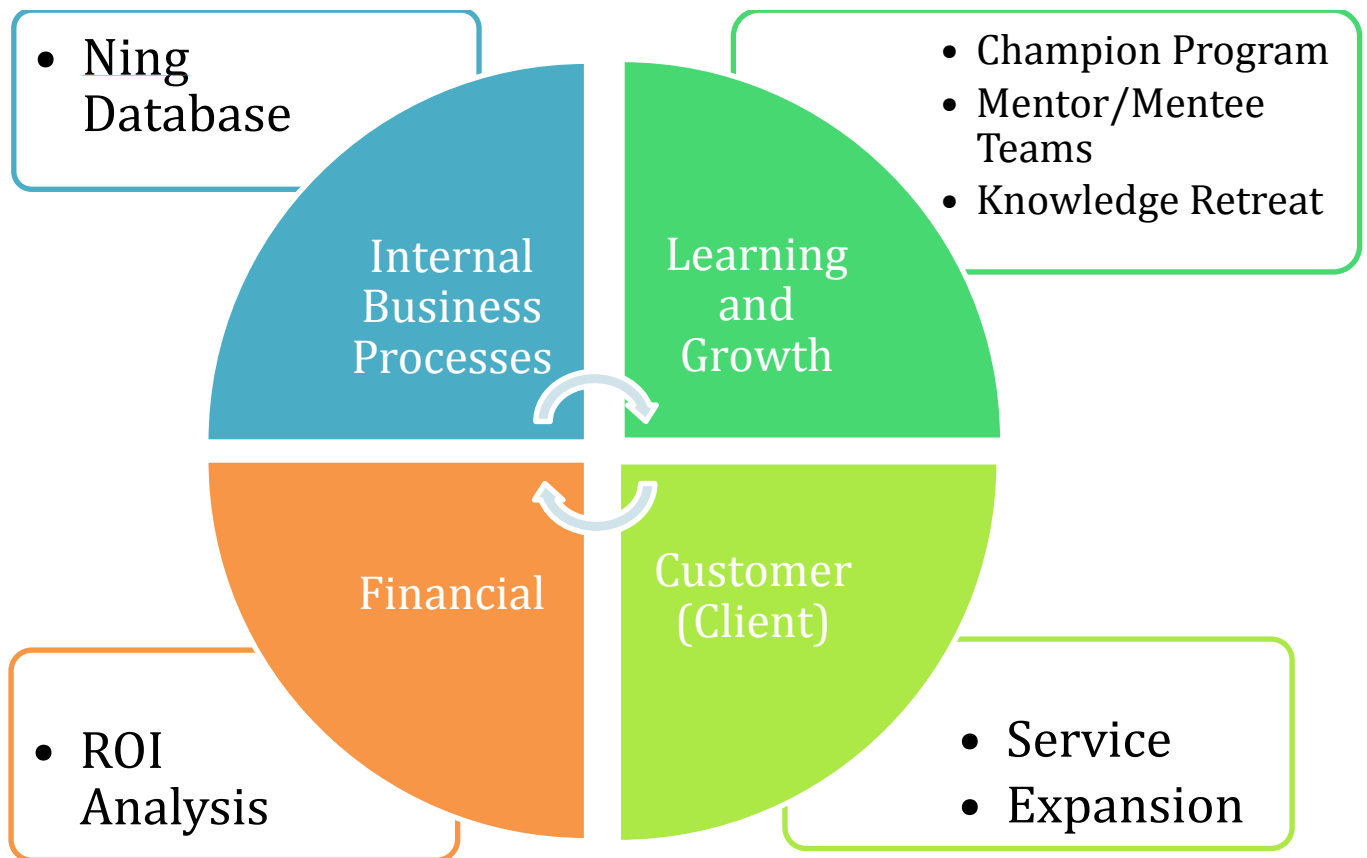
In the medical profession, there is a need for detailed documentation of patient symptoms, leading to a particular diagnosis. These symptoms and diagnosis will need to be thoroughly documented and indexed for immediate reference should another situation arise with another patient experiencing the same symptoms. By creating a knowledge management system

where this is plausible, doctors now will save time and effort diagnosis patients. This indexing and categorizing can also be done in the CPA profession for knowledge management. New information (tactic and explicit) can be categorized based on where it falls in the different services sectors and client industries of the firm. The information will be easily found and referenced if a system such as this is implemented. This information can be organized through completed though knowledge refinery. All of the knowledge that is collected can be processed through a five stage system. Part one is acquisition in which information is collected and created within our firm and also added through external sources. This is the information we want to process. Refining is the next stage in which this captured information is subject to evaluation based on its value adding to the firm. In order to do this, the information will be sorted, labeled, abstracted and categorized. Storage and retrieval is the connection between knowledge going into the repository and information being distributed. The distribution stage represents the way in which the system we implement will make repository content accessible. Finally, the way the information is presented including how it is arranged, selected and integrated, is the final stage in the knowledge refinery process.

MWT KNOWLEDGE MANAGEMENT PROPOSAL

The strategic plan I am proposing for a knowledge management system at MWT, utilizes the balanced scorecard approach for implementation. The following exhibit displays an overview of the four categories of the scorecard and a description of the activities that will take place under each.

Exhibit #3



INTERNAL GROWTH

Social Media

Social media has become a means of communication that has attracted millions of users, including many members of the business world. A new study said that nearly half of the adult American population uses social media networking sites on a regular basis, and 2/3 of that group uses either Facebook or Twitter (http://www.huffingtonpost.com/2011/09/01/growth-social-media-infographic_n_945256.html). Several other social media networks that most people are familiar with today are sites such as LinkedIn, Myspace, and Google Plus. These sites give users the ability to communicate with other users by using different tools that each of the networks have implemented in their sites. The needs and wants of social media users are constantly changing, and so are the tools and applications that the sites have to offer. The creators and developers of Facebook are constantly updating their site and user applications to continue to make their network run smoother and more efficient.

How social media affects MWT?

Social media is becoming more and more popular within firms and presents easy access to a variety of information. There are a range of networks and programs that are used to connect people within a firm. Social media can be utilized in a more professional manner than networks like Facebook or Twitter. In accounting firms, professionalism is a primary focus, which will require any database to be presented in a strategic and professional manner. Applications of the database or network can be used in a similar way to other networks' features.

The tools that are used in an informal network, such as Facebook, can be used not only for basic communication between friends and family, but can also be used for maintaining and passing on meaningful information. For example, Facebook has made it easy for its users to relay information (i.e., event invites) to family, friends, and friends of friends in much less time than through the email or even the postal services.

In MWT's firm, I would like to implement a network that will allow employees to access and create information in an efficient, easy, and secure manner.



There are many different types of programs that accounting firms have invested in to maintain and update the information in a firm. MWT has not previously maintained a network to retain all of the knowledge and information accumulated by its employees. A network of this type could benefit the firm in the long run and to continue to increase its efficiency. As recommended from an external IT consulting firm, I propose to use the network Ning to assist in establishing an overall knowledge management system. This network was created and designed to separate itself from the other 90,000 social networks out on the market by giving its users the ability to store, maintain, and connect pertinent information with other users in the network. NING has provided this for companies of all types industries and organizations. The reason that Ning possesses such a wide-variety of users is because its network is able to adapt and be molded to fit an organization's needs and wants. NING is a great candidate for MWT, and I believe that NING has the ability to represent an efficient and compatible network that will fit the needs and wants of the accounting industry, and more specifically MWT.

When you set up a network on NING, the first thing to do is to create and design the modules of all of your applications within the network. This is where NING has tried to offer users different ways to customize their network to fit the company's theme. In designing the network, the user is able to choose among different themes and layouts, and is also given the opportunity to apply designing tools to customize it further to attain his or her own style. In the customization process, the user is allowed to move and place any of the modules, headings, and navigation tool bars to various places on the layout where the employees would find the applications most effective and convenient for the users. Other parts that can be tailored are the fonts and colors of the text, headers, and footers. These customization tools are all applied in reaching a particular firm's theme.

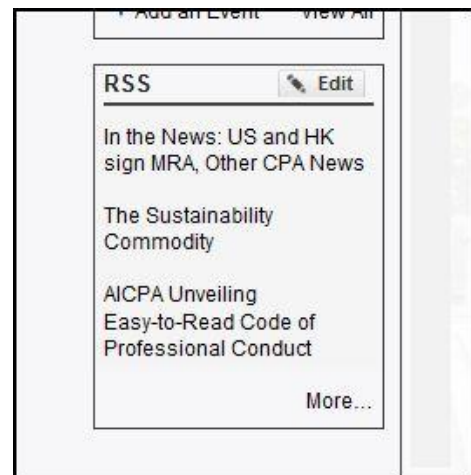
For MWT's purpose and use, I created a version of the network to put together a mock-network that would have the precise module placement and a theme that I believe would fit relatively well for MWT. Refer to Appendix C to view the mock-network. This exhibit shows what my profile would look like on the "Main Page" screen and all of the tools and applications that I have access to (some are not shown due to the incapability of fitting it on one page). The tools that would be most useful for MWT's employees are the emailing and messaging capabilities, the sharing of different blogs, and the space to store videos of seminars or lectures. New applications that are now becoming very prevalent within Ning are the use of live video feed with other employees (similar to Skype) and the ability to operate the Ning network on a smart phone to enhance mobility.

NING's "My Page" uses a lot of the ideas of what a profile is on both Facebook and Myspace. These two sites are a big proponent of a user profile to connect the users to family members and friends. NING uses the same kind of proposal as well. The user (employee) can create a profile and share relevant information about his position and experiences in the firm

with fellow employees. This profile is used in a much more professional manner such that, everything posted, uploaded, and discussed will be business-related information. Employees can release limited personal information on a voluntary basis (i.e., birthdays, statuses, etc.). On these profiles, there are applications such as RSS Feed, My Blogs, Comment Wall, My Videos, and My Events that employees can update. These applications demonstrate how employees will be able to create their own profiles to access, create, and retain information with Ning. Each feature is explained in further detail:

RSS Feed: The RSS Feed provides continuous opportunities for employees to locate and access suitable sources to learn about the ever-changing accounting standards and regulations. Employees can produce their own information and can keep up on posts through the RSS Feed (refer to figure to the right). This feature allows employees to link their profile to another site. When you enter in their website into the URL in the profile you are able to read the headlines of the articles on that page. If you would like to read that particular article, click on the title and you will be directed to straight to the rest of the article in another window.

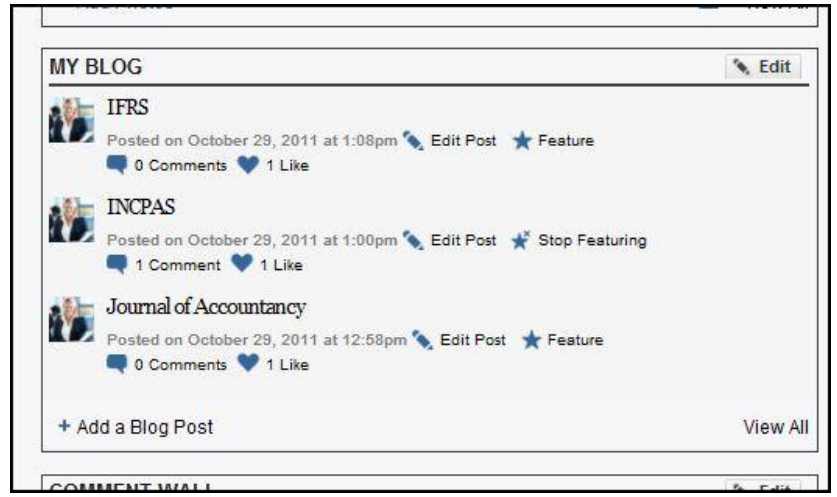
There are a lot of sites that can be relevant to your position, so looking at what other employees RSS Feeds can help you find great articles to read and pass on. For my RSS Feed, I entered in the AICPA website's Insight Page where they provide a list of articles related to current topics in the accounting industry. Because there are a lot of articles on this page, the RSS Feed only allows up to five different articles pop up on my feed. This stops this application from providing too many articles that may take over most of your profile and not allow a lot of visibility to the other applications that are just as important.



This feature allows employees to be able to offer the network different sites that are related to their position in the firm. As an employee, there are many sites that are you could use to correlate your RSS Feed to your position. For those that are interested in your field can further look in these sites to gain more knowledge in your field.

Blog

Another tool that I found to be very resourceful is the “Blog Post” section (refer to figure below). This application of Ning allows employees to post anything they feel is relevant to their position. In the case of a partner, this tool would be helpful for the senior management as they gather more responsibilities in the transition to becoming a partner. The partners can write blogs about different experiences or topics that they feel pertains to his position and field. I



would like emphasize the use of this application more towards the upper management of the firm. It is not that I do not want lower management to participate in this application, they have relevant information as well, but I feel it would be best for the firm to have the partners participate just as much (if not more), because we want to retain as much of their knowledge and experiences to continue to develop as much of an intellectual capital before they retire.

The Blog tool is a great way for others to get familiar with someone’s experiences in his specialized service and industry. For the Senior Managers that are preparing to take a partner’s position in the next few years, they should make sure to check out their blog posts and read through their thoughts and experiences on whatever they are talking about. This applies for anyone that is expecting to be promoted to another position. It is a good way to prepare yourself and get familiar with some of the experiences before you actually accept their responsibilities.

My Events

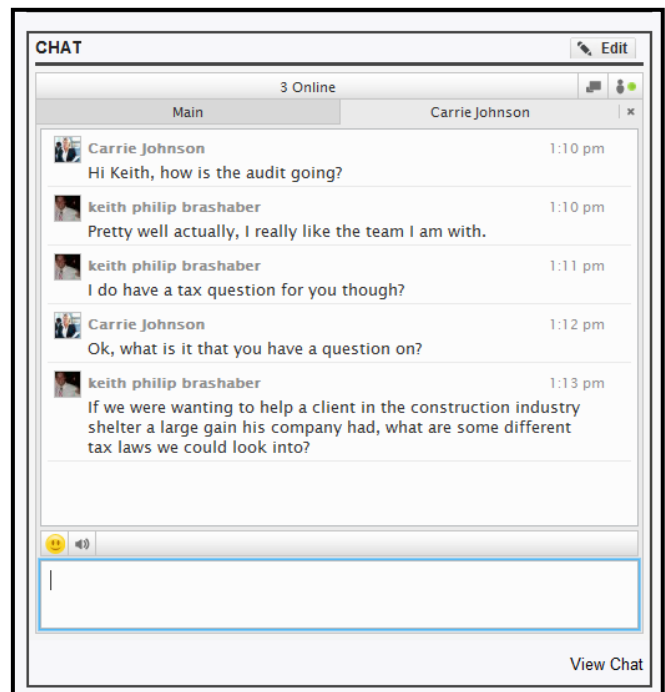
The “My Events” application allows the employee to be very organized. The user can post many events in which the network can see, if you decide to post it public. If the event is private you have the ability to make the event private. This only reaches out to those that are invited to the event. Also if you want to invite the entire network to a Social Hour, you can just as easily make it a public event and invite everyone on the network. You can also feature different events as well, which advertises that event more than if it wasn’t featured.



Chat

In a social media network such as Facebook, they have an application called Facebook Chat. This allows the users communicate straight to another user that is online, rather than the means of communicating through email. It breaks down the process of emails by letting the user send and exchanged sentences back and forth from user to user. Ning has incorporated the same application and applied it to their network. In MWT's case, the employees will be able to send quick sentences back and forth to ask and answer simple questions that might have taken longer via phone or email. Refer to the figure to see how this application can be used in our network.

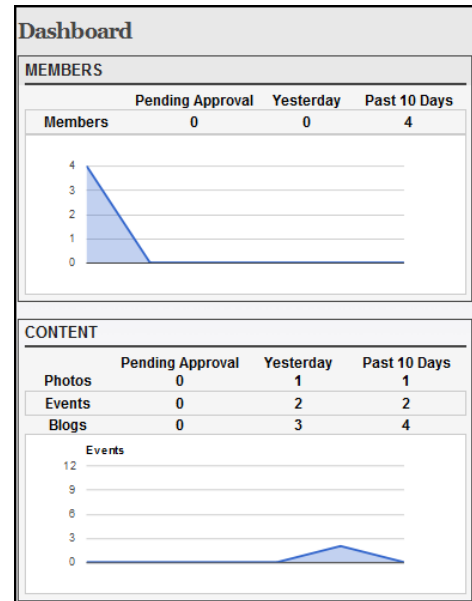
As you may have noticed, the profile page is very accessible for other employees and also very easy to change any information if an employee is promoted. These profiles will carry with an employee as he is promoted up to new levels. As he moves up, the user can change his position title and expertise. As you may have noticed, Ning allows you to provide and submit a lot of data into the network but if you need to change something or add something, the process is very simple and effortless.



Dashboard

One of the ways you are able to manage the growth and use of the site is the use of the Dashboard (Figure to the right). This application measures both the amount of members (numbers of the employees of the firm) and the content that is uploaded on the site.

This tool is a great way to see how the firm is taking on this new system. If the employees aren't contributing enough effort or time to this system, we will be able to see that in this application. This application is only offered on the Manage toolbar (or Network toolbar). This page gives you access to how the firm and the employees in the firm are interacting with everyone in the network. Ways to promote more interaction with this system is by having some sort of competition. On this page, it shows who are the "Top Members", has the "Top Blogs", has the "Top Photos", and has the "Top Content".



Security

The biggest concern when implementing a network to a firm is security. This can be detrimental if the information that we accumulate is not secure. Knowledge is a highly valuable intangible asset in the accounting profession that can be tough to maintain and secure from outsiders that want in on our information. Ning's creators and developers took this into consideration for all of its users when developing this program. Though the security is not guaranteed to stop the "hackers" and unauthorized persons from illegally accessing personal information, the developers stated in their privacy policy that they have an industry standard security to protect against the loss, misuse, and alteration of personal information.

LEARNING AND GROWTH

In order to establish an atmosphere of learning and growth throughout MWT and its knowledge management system, I have created three firm initiatives that focus on sharing knowledge amongst employees. By connecting employees within the firm, I feel that knowledge sharing will become an innate process that promotes learning and development of individuals and best practices. The three initiatives I propose consist of a champion program, mentor/mentee teams, and finally an annual company-wide knowledge retreat.

Champion Program:

The champion program will consist of a minimum of four "champions" within the firm that will specialize in each of the service lines (attestation and assurance (A&A), tax compliance, general business consulting, and basic accounting services) provided. A champion is responsible for acquiring knowledge and experience within the specific service line they represent, and providing his or her expertise to other members of the firm. Ning will contain a database of the name and contact for each champion so they can be readily accessed for consultation by other employees within the firm. Expertise can be shared by physically assisting colleagues or making relevant information available to employees through Ning. While there will be a minimum of four members, there is encouragement for anyone in the firm to participate as a champion once they reach the level of manager, but excluding partners. This will allow additional champions to become specialists in the niche industries of the firm. The program will be conducted on a voluntary basis so anyone who is eligible and willing can become a champion. In order to incentivize employees to participate in the program, MWT will offer an annual bonus of up to \$1,000 based on the performance and participation of each champion. Champions will be evaluated by partners based on their development of resources and quarterly lunch-and-learn presentations. The champions can develop resources within the firm by blogging about news and updates within their area of expertise and posting them to the Ning database. The champion program requires each champion to create four lunch-and-learn presentations to be issued throughout the year. Each champion will prepare a presentation on a topic of their choosing that pertains to their area of expertise. Lunch-and-learn presentations will then be posted to the Ning database and available for viewing by all employees. Presentations will then be archived for future reference. Partners will not be included in the champion program in an effort to share intellectual responsibility with lower levels of the firm, but they may be utilized as resources and consultants when champions are preparing blogs and presentations. Partners have their own requirements for issuing information and blogs to the Ning database, and therefore, will represent evaluators of the work of the champions within the program.

Mentor/Mentee Teams:

The next initiative to inspire learning and growth within the firm is to have each employee of MWT be a participant in a mentor/mentee team. The composition of each team will be as follows:

3-4	Staff Accountants
1-2	Managers
1-2	Senior Managers
1	Partner

Teams will have a quarterly meeting over lunch that will be expensed to the budget of the Knowledge Retreat program. Members can discuss current accounting topics, personal job experiences, and progression through the firm. Utilizing mentor/mentee teams is intended to help integrate the importance of intellectual capital and knowledge sharing into the culture at MWT. Employee retention is also supported by the use of these teams through promoting employee investment in the firm.

Knowledge Retreat:

The third initiative to sponsor learning and growth at MWT is the establishment of an annual knowledge retreat program. The program will provide a weekend long retreat for the entire company, and will include workshops, team-building, training, and a keynote speaker. The first year of the program will discuss and introduce the implementation of the overall knowledge management system at MWT and its impact. Employees will be acquainted with each aspect of the system including: the Ning database, the champion program, mentor/mentee teams, and future knowledge retreats. Employees will learn how they can participate in each aspect of the system, and how it directly benefits them and the firm as a whole. After the first year, the knowledge retreats will follow similar patterns of using workshops, team-building activities, training, and keynote speakers to address the topic of knowledge management.

Features of the retreat:

Workshops: Workshops are designed to highlight relevant issues or topics in the areas of accounting. This feature provides an opportunity for the champions of the firm to present their research on specialized topics. Also, external consultants will be brought in to discuss issues relevant to the industry, such as IFRS and globalization. Partners of the firm also have the ability to lead workshops that may be based on their experience in the profession or topics within the industry. The workshops will be designed to be engaging and include activities for participants to take part in.

Team-Building Activities: Team-building activities will be incorporated throughout the retreat to illustrate the importance of teams in knowledge sharing and overall growth and development. This area will highlight the integration of knowledge sharing into the company's culture.

Training: In the pilot year, the training component of the retreat will mainly illustrate the use of the Ning database and its features. Beyond the first year, this area will encompass assisting employees in new ways to acquire and develop knowledge, whether from external research sources or client-interaction. Also, any updates to the knowledge management system that may require training will be addressed.

Keynote Speaker: Each retreat will host a keynote speaker, which will be an external consultant on knowledge management or accounting that will highlight the theme for the overall retreat.

The newsletter in Appendix _G_: 2013 Knowledge Retreat provides an illustration of a sample program and examples of activities within each of the features.

CLIENT

The implementation of a knowledge management system within MWT will not only be seen within the firm, but outside of the firm. Clients drive our firms growth, so when setting goals or areas for change, clients need to be considered. Will this change help bring in new clients, or will this change be something that could negatively impact them? In developing the knowledge management system generating value in our services for clients was a key priority. The goal of my system was to add “value” to the firm and to our clients. From this concept I have created a slogan for our knowledge management system known as the Value Campaign. The Value Campaign can be summarized by the following definition:

Verify	Verify that information is relevant and accurate before sharing
Analyze	Analyze information provided to offer new solutions
Learn	Learn from experiences of yourself and members of the firm
Understand	Understanding the clients problem enables you to offer the right solution
Explain	Explain your experiences to others, sharing leads to new ideas and solutions for others.

Clients can be attributed for every aspect of our “Value” campaign. Information provided by the knowledge management system should help our employees verify accurate solutions to potential client problems that they might be experiencing ex) verifying proper exemptions were taken for business tax forms. MWT employees should use our knowledge management system to analyze company knowledge to provide new solutions for our clients. Being able to offer our clients new services or advising them in a new way to solve a problem will help our firm build rapport.

While on site at the client, our employees should always be learning. Each client is different and has different needs. Learning from these experiences and sharing about them will help our firm be able to offer better solutions to future clients with similar needs. It is imperative for our employees to never get complacent, and to assume that they can’t learn any more from clients or

other employee's experiences. If our employees do not truly understand the client's problems, we are doing them a disservice. When we understand the client's problems we offer them the most accurate solution, and we can help others understand how to solve problems related to the area. From this understanding it is imperative that our employees can explain the solution to the problem. Being able to explain what is happening to the client, will make the client feel better about the service we are offering. Our knowledge management system will be ineffective if our employees are unable to explain the experiences they have had in the field.

As stated above the Value Campaign is truly focused on adding value to the firm and to our clients. When looking at Exhibit 1.1 through the implementation of our best practices our clients should be the direct recipients of new company knowledge.

Aside from offering our clients better service through new knowledge gained, we should also be able to offer our clients a broader variety of services. Currently we operate in niche markets such as construction, manufacturing, multi-family housing real estate, and non-profit. One of my goals for our knowledge management system is that we start to establish ourselves as leaders in new industries such as education and health services and natural resources & mining. According to the jobs growth forecast for 2012 by USA today, in Indiana we should expect to see growth of 2% and 2.8% in these industries respectively. These are industries in which we currently have not established a presence in. Utilizing or knowledge management platform should allow employees to gain knowledge in these new fields and establish credibility. Bringing in new clients in these industries will help MWT gain new experience in these fields, adding value back to the knowledge management system. Not only will it add intellectual value back into MWT, but it will add an increase in firm revenue. As MWT establishes ourselves in these new areas, not only is it important that we perform to the highest standard we can, but we need to share what we are doing within the firm. As we gain experience in new industries it is imperative that we incorporate "Value" back into the firm. Sharing our experiences and current events that are changing in the industry will help others in our firm be aware of these practices. While it is important for some people in the firm to specialize in certain industries, in a small accounting firm it is relevant for all employees to be aware of different things going on in growing industries in their area of service.

Another area of service that I plan for our knowledge management system to address is globalization in respect to IFRS. As partners it should be part of our duty to use Ning to pay attention to websites such as IFRS, AICPA, and INCPAS to stay current on accounting related topics such as IFRS. As I am sure you all are aware the transition to IFRS has been going slower than anticipated, and looking into an article published by the Journal of Accountancy it appears that the SEC is thinking of the idea of “Condonement” for IFRS. This idea is more of a compromise as the article states, “After the transition is complete, FASB would continue as the U.S “endorsement” body that would ensure ongoing changes to IFRS meet the needs of U.S stakeholders.” Communicating announcements and topics like this with our firm, will enable us to be prepared for the change as it happens. Keeping up to date on this topic will help keep us an industry leader among small accounting firms. It is also important for our firm to keep in mind that as more and more ecommerce companies emerge, their customer base is worldwide. Being fully aware of what is happening with IFRS and the way it will impact these companies can help our firm increase clientele and help MWT establish credibility in the subject area.

As stated above the implementation of our knowledge management system should increase our list of clientele. While we are a small firm, we need to be able to grow to fit our customer’s needs. It will be important for our firm to train new employees on the benefits of Ning, so that they can become integrated quickly with MWT’s current knowledge in the industries we are operating in. In hiring new employees MWT should look for candidates that have knowledge in our niche markets, but also markets we currently don’t operate in. They then can add “value” back into our system to help further develop our staff. Implementing our system in this way should lead to an increase in our client base, which will result in more revenue for the firm. Exposing MWT to new clients and industries will provide new revenue will add to the return on our investment in the “Value” Campaign.

FINANCIAL

To determine if the knowledge management system was worthwhile the first thing would be to ask do the costs of the system outweigh the benefits? Normally this would be a very easy mathematical calculation, but in our case it is not. Part of the question becomes how to you put a price on knowledge gained by the firm? A firm’s knowledge is often its most valuable asset. The firm’s knowledge is what separates itself from its competitors, so one can’t really deny that a firm constantly gaining knowledge is invaluable.

Keeping this in mind I made an ROI calculation that will show a positive return for our firm by implementing this knowledge management system. As mentioned above it is hard to put a price on how valuable knowledge actually is to our firm. Knowledge does however affect other things that go on in a firm such as efficiency. According to a CCH Knowledge white paper “Managing knowledge in accounting firms,” “knowledge workers on average spend 15-30% of their time looking for information needed to do their jobs.” If our system could help increase the efficiency with which our employees could find the information they need, it is our assumption that we can increase our billable hours. Time that was normally spent trying to find information can now be used to increase billable hours to clients. **Currently we are matching the national average of each staff worker billing 1500 hours each year.** This national average was taken from the Rosenberg survey which was made to show benchmarking standards for CPA firms across the nation.

Table 1.1	Billable Hours per year	
Current	1500	
Year 1	1515	Increase 1%
Year 2	1545	Increase 3%
Year 3	1620	Increase 8%

Above is the projected timeline of how a knowledge management system could impact our firm. The first year I expect a very minimal increase in efficiency. Using social media as a useful means of knowledge management will presumably be very different for members of the firm. The first year it will be important for our firm to stress the sharing of useful information. Irrelevant information that employees post could potentially hinder employee use of Ning, so it will be imperative for our firm to update Ning to prevent unusable information from populating the platform. I anticipate time will be lost the first year as employees will be cautious to use Ning as a reliable source for information, so we need to demonstrate in the opening training seminar how effective Ning can be. In the second year we expect to see an increase in efficiency by 3% as employees become more comfortable our system. It is my assumption that this increase is on the low end, as employees are still getting used to the system. I would assume that realistically the increase could be 5%, but for a profitability standpoint I would like to build slack into the budget. The third year is the year we really start to see extreme benefit from the knowledge management system. From where we currently are, an increase in efficiency by 8% will be an increase of 120 billable hours per employee. It is through this efficiency, and increase in billable hours that our knowledge management system will provide a monetary value to our firm.

Revenues

Implementing a knowledge management system for our firm can greatly increase our firm's cash flow which will help grow our business. As shown above it is one of the goals of our knowledge management system that MWT becomes more efficient in our billable hours. If we are currently operating at the national average, we should push ourselves to bill above that average. The table below shows the impact that implementing a knowledge management system will have on our firm based off an increase in billable hour efficiency.

Table 1.2	Billable Hr Rate	Billable Revenue Present	Billable Revenue Year 1	Billable Revenue Year 2	Billable Revenue Year 3
Partner	\$ 244.00	\$ 2,562,000.00	\$ 2,587,620.00	\$ 2,638,860.00	\$ 3,162,240.00
Senior Manager	\$ 190.00	\$ 2,280,000.00	\$ 2,302,800.00	\$ 2,641,950.00	\$ 3,078,000.00
Manager	\$ 136.00	\$ 2,040,000.00	\$ 2,060,400.00	\$ 2,311,320.00	\$ 2,643,840.00
Staff	\$ 93.00	\$ 3,487,500.00	\$ 3,522,375.00	\$ 3,735,810.00	\$ 4,067,820.00
Total		\$10,369,500.00	\$10,473,195.00	\$11,327,940.00	\$12,951,900.00
Gain on Investment			\$103,695.00	\$958,440.00	\$2,582,400.00

Seeing the potential impact this could on the firm have is outstanding. I was extremely excited seeing that our potential revenue stream from this could be close to \$13,000,000 within three years. To look into how these revenues were projected, the billable hour rate for each group of was multiplied by the projected billable hours each year shown in **table 1.1** above. For the purpose of this projection we assumed all employees would have the same billable hour's goal, even though this will likely not be the case. The billable hour rate and projected billable hours were then multiplied by the number of employees the firm has in each position over a 50 week work schedule to get the billable revenue in each year. Also in calculating these revenue streams I accounted for growth in our firm. **Table 1.4** shows projected growth of employees in the firm. The addition of employees combined with an increase in efficiency allows MWT such a large increase in revenue. See **appendixes 3** to see a graph of the projected revenue.

Costs

Implementing our knowledge management system will come at a cost. As stated earlier this is an investment in one of the firms most valuable tools, that is company knowledge. Listed below are the estimated costs of implementing our program

Table 1.3	Year 1	Year 2	Year 3
Knowledge retreat	\$20,000.00	\$22,000.00	24,000.00
Champion Bonuses	\$7,000.00	\$10,000.00	\$12,000.00
Human Resources	\$40,000.00	\$45,000.00	\$48,000.00
Ning	\$625.00	\$650.00	\$700.00
Opportunity Cost of 2 billable hours	\$691,300.00	\$733,200.00	\$799,500.00
Total	\$759,000.00	\$810,900.00	\$884,200.00

Costs for the annual Knowledge Retreat are projected over a three year period, adding to the cost of the program each year. The bonuses add incentives for employees to establish themselves as knowledge management champions within the firm. Each year we would like to add to the champion budget to encourage more champions within the company. In regards to the human resources portion of the estimate, it is our plan to hire a human resource manager. This person is in charge of keeping the knowledge management system updated and planning the company retreat. This person is also in charge of training company new hires on the benefits of Ning, company policies, and our hopes for the Ning system. This position was created so that company partners and management could focus on the knowledge management aspect of Ning that can help bring new ideas to the firm. The salary was benchmarked from glassdoor.com comparing the starting salary for an E&Y Human Resources consultant. The pay will also include full benefits which is included in the budget. The starting pay is low for industry average, but I have accounted for salary growth into the estimate. This growth I feel makes the job opportunity very competitive, and fair for the work that this employee will be doing. The Ning platform is a fixed fee of \$600 per year. I have budgeted that each year we will spend more than \$600, based on the

fact that only 20 GB of data can be stored on Ning. For a knowledge management system I feel that it is extremely important to not limit the amount of information that can be found on the site. If the information is relevant and informative there is no reason why it should not be on our platform. Evaluating the numbers, the big cost of our knowledge management system is the opportunity cost of billable hours for our employees. The program encourages employees to spend time each week investing in knowledge management. This can involve researching relevant accounting laws and changes that are happening in the industry, blogging about a new solution that was very helpful to the client (providing all confidentiality is kept), or watching webinars about accounting practices from across the country. This will take time away from our employees every day job activities. It is not the purpose of the program that our employees should be taking time at the client to research these opportunities, but during free time or time in the office take 20 minutes to look up what is happening in our industry. In doing this there is a cost for MWT, which is their opportunity cost. Theoretically when our employees spend time doing other projects that aren't client based, we are losing billable hours from them. That would be the assumption that we do not wish for our employees to do anything other than bill hours, which is important to do, but a bad way of doing business. To calculate how much it would actually cost if all employee time was spent billing clients, and the opportunity of that cost would be for them to invest value into our knowledge management system my budget calculated cost on that basis. Below is my projection of the firm's growth over the next three years. My budget for our knowledge management system accounts for growth in the company by 3 in the second year, and 4 more new hires in the third.

Table 1.4 Employee Projection Table				
	Year 1	Year 2	Year 3	Billable Hour Rate
Manager	7	7	8	\$244.00
Senior Manager	8	9	10	\$190.00
Manager	10	11	12	\$136.00
Staff	25	26	27	\$93.00
Total	50	53	57	

Beside the number of employees I have included their current Billable Hour Rate. (Note that this rate is calculated from the Illinois CPA society average for a firm of our size). For my calculation of each employee's opportunity cost I took the number of employees in each position, and multiplied by their billable hour rate. I then multiplied this number by two, which is the number of hours we would like employees to initially invest in the knowledge management system each week, and then multiplied that number by our 50 week schedule within the year. I performed the same calculation each year to come up with the estimated opportunity cost of the firm. This cost is probably high as not all employees will miss their billable hours each week. The ultimate goal would be to add value to our knowledge management system, while employees have down time. Doing this would not cause a loss in any potential billable hours.

Table 1.5 Knowledge Management System % of Total Cost			
Year 1	Year 2	Year 3	
9%	10%	10%	

Listed above is the percent of the cost that will be cash flowed by the firm over the next three years. In the first year the company will only cash flow \$68,303.25 based off of estimated costs. Looking past the opportunity cost, the knowledge management system can be implemented without investing large amounts of cash.

ROI

For any investment, it is necessary to show what kind of return the asset will bring. I think it is important for us to consider the investment in two ways. Each way will show that knowledge management system is profitable, but each is different.

Table 1.6 ROI Calculation with Opportunity Cost Included			
	Year 1	Year 2	Year 3
Gain on Investment	\$103,695	\$958,440.00	\$2,582,400.00
Cost of Investment	\$758,925.00	\$810,850.00	\$884,200.00
ROI	(.86)	.18	1.92

Table 1.7 ROI Calculation without Opportunity Cost included			
	Year 1	Year 2	Year 3
Gain on Investment	\$103,695.00	\$958,440.00	\$2,582,400.00
Cost of Investment	\$67,625.00	\$77,650.00	\$84,700.00
ROI	.53	11.34	29.49

The first chart above shows the true cost of the knowledge management system as it accounts for opportunity cost the firm would experience. It is by far the most realistic of the models presented as it shows slow growth, but as the system progresses it shows profitability. Management should keep in mind that too fully account for a cost of a program that opportunity cost should be taken into account.

The second chart I included to show how the cash flows affected the firm. In the second chart opportunity cost is left out as it just shows expenditures that the firm would have to pay out. From cash in cash out standpoint the knowledge management system is great for the firm. A graph of the ROI's is included in **Appendix 4**. As stated earlier we must keep track of opportunity cost of the investment, but we shouldn't ignore the potential cash flow possibilities that this chart illustrates.

Other Revenue Possibilities

My analysis of the financial impact of the new knowledge management system focused on the firm becoming more efficient, and profiting through this efficiency. I believe this is where we will initially see most of the financial returns of implementing this system firm wide. That is not to say that the knowledge management won't be profitable in other areas. The time invested in adding value to our knowledge management system should be reflected into implementing our best practices. Our clients should notice a difference in the work we are preparing for them as a result of our efforts in knowledge management. In the accounting profession client referral can have a huge impact on firm revenue. The more satisfied the client, the more likely they are to refer MWT to other firms that they are networked with. According to the Census Bureau there are 63,805 firms in the Indianapolis area and 482,847 firms statewide. Establishing ourselves as leaders in the knowledge management area through social media will help MWT brand itself as an accounting solution provider. There are becoming more and more ecommerce companies start up with new business ideas. Being a leader in effectively using social media to develop our knowledge management will help expand our client base as these companies start up in Indiana and the surrounding states. As we look into our knowledge management system, it would be wise to realize that it becomes an opportunity cost for our firm if we miss the potential new clients by not implementing a social media knowledge management system within our firm. Failure to do this will prevent us from being a leader in the area, and ultimately find our firm struggling to stay atop of an ever changing area. Staying on top of the knowledge management curve will greatly help our firm as we look towards the future.

IMPLEMENTATION

Now that the plan has been laid out, it is important to discuss how the plan can be implemented at MWT. Using the balance scorecard approach I have laid out through the course of the plan will help provide our firm guidance through the implementation of the knowledge management system. Adding “value” to the firm and clients will be core at the focus of the firm as we implement this system into our daily work schedule.

The knowledge management program will be kicked off at the knowledge retreat, which the firm will establish as an annual event. At the first program we as partners will explain the goal of knowledge management program, expectations we have for its uses, and train employees on the tools they will need to effectively use the knowledge management system. These workshops will focus on the utilization of the knowledge management platform, and instruct employees on efficient and effective ways to gather and share new information. It is critical that we do a great job of this the first year of the program, so employees see firsthand how relevant this will be to their jobs. Each program will be led by a keynote speaker that will develop an overarching theme for the weekend relating to accounting and knowledge management. This will add outside knowledge too our firm as we will have the ability to bring in consultants or accountants that specialize in industries we are looking to grow into. At the end of each knowledge retreat time will be spent evaluating the program as employees will be encouraged to share what parts of the program were helpful, and those that weren't. This will be helpful as we do not want to become complacent with this program. The knowledge retreat is intended to help employees add “value” back into the knowledge management system, and when we become complacent with our retreat our system becomes complacent.

Implementing Ning into everyday use of the firm will take time to develop. Many employees will be slow into incorporating it into their everyday use, so it will be important that we as partners stress the benefits that employees can find by using Ning. In the beginning it will be important for us to be very active on the Ning site providing relevant and useful information for employees to find to solutions to their client's problems. Dedication to the platform will help pass on our industry knowledge, and encourage our employees that this is system we find value in. Based on my first year goals, I have anticipated slow growth in the increase in our billable hour efficiency, as employees will still be growing in effective ways of using Ning. As we mentor younger members of our firm through the mentor/mentee system we have the opportunity to discuss the value we have find within Ning, and encourage our mentees to incorporate new “value” that they have into the system.

Our knowledge management system will help MWT address the current problem of the risk of knowledge lost by retiring partners. The knowledge management system needs to be implemented soon, to prevent years of industry knowledge and expertise walking out the door. As partners it is our duty to care for the future of the firm. If we neglect our duty to be active participants in the implementation of the knowledge management system, we simply would not be doing what our job calls us to do. It is our call to leave the firm in a position of stability when we retire from the industry. If we retire today, and do not share what we have learned from clients, the industry, or MWT we have

done the firm a disservice. One way we prevent this from happening would be to contract partners for clients that they have been with for numerous years. It would be foolish for MWT to assume that we can extract all the knowledge and expertise that our partners have in a short amount of time. The policy of contracting partners out while we look for their replacements, will lower the impact of a partner's retirement from our firm. It will be of utmost importance for our senior managers that are placed on projects with these former partners to learn the knowledge they have about this client or industry the client operates in. This knowledge should then be added back into the firm through the Ning platform for others to analyze and understand.

MWT must plan for the day when partners must retire. It is our duty to replace the partner with the same level of knowledge, and expertise they operated with. Part of the knowledge management system involves a mentoring program where partners are paired with senior managers in their service area. This will help partners prepare senior managers for their next steps in the company. This is one of the best ways we as partners can make sure that we have left MWT in a sound position for the future. Sharing knowledge and tools that have allowed us to become leaders in the accounting profession will help our senior managers be ready for the next step when the time comes. When the knowledge management program begins each partner will be assigned a senior manager in their service industry. Partners should begin to mentor and prepare them for roles as partners in MWT. I am very excited about this part of the knowledge management program, as it will be an effective way for us to transfer the knowledge we have to different members of the firm.

Looking into the future of knowledge management implementation, and partner retirement MWT needs to remember our firm should also be growing. Constantly looking for quality individuals to come into upper management in MWT, and offer new knowledge to our firm is a practice we as partners need to begin doing. Using the Ning platform will be a great tool for us to do this. Ning offers quick access to many social media points, such as LinkedIn. The accounting profession is using LinkedIn more and more to find qualified employees to help grow their firm's knowledge base. As we strive to enter new industries, not only should we encourage internal growth in these areas we should consider bringing in someone with industry expertise. These potential employees can immediately add "value" to our knowledge management system on Ning sharing hot industry topics via webinars, and what MWT can do to capitalize on these areas.

Going forward it is our duty to prepare for MWT for the future, and effectively implementing a knowledge management system will help MWT accomplish this. To successfully implement this into the firm, I have laid out some short and long term goals that will help our firm establish an effective knowledge management system that will prevent knowledge being lost to the firm. Please refer to the table below for these goals.

Short Term	Long Term
Internal Business Strategy	
Ning- Introduce employees to platform, and encourage employees to spend time becoming familiar with the uses of Ning.	Ning should be the first place employees turn to for new information.
Employees should begin to utilize their personal RSS feeds to gather new knowledge.	Employees should be actively sharing knowledge adding “value” back to the firm.
	Employees become industry knowledge leaders, and invest this knowledge back into MWT.
	Use Ning to locate potential new candidates for firm management via LinkedIN
Learning and Growth	
Champion Program- First year our goal is a minimum of 4 champions.	Champion Program- By year three our goal is to have 12 company champions
Mentor/ Mentee program- Partners should spend time with their mentees sharing tools that have allowed them to find success in the industry.	Mentor/Mentee program- Mentee’s will integrate value learned from upper management back into the firm.
Knowledge Retreat- Establish benchmarks for our knowledge management system	Knowledge retreat- Each year reevaluate previous benchmarks, and set new standards for firm knowledge management growth.
Client	
Begin to integrate new company best practices into current clients.	Use our knowledge management system to add “value” back into clients to establish better rapport.
Encourage employees to invest time into learning about industry practices we currently aren’t leaders in.	Begin to offer new industry services to clients, and invest the knowledge gained from those experiences back into the firm.
Partners should begin to use Ning to evaluate potential new employees to invest knowledge into industry services MWT could offer	Begin to see increase in revenue streams from increase in clients and services offered.
Financial	
Track time spent researching new knowledge to prevent from decrease in efficiency	Benchmark a set number of hours spent each week by employees in adding “value” back into MWT
Monitor costs of knowledge management system to avoid it being a financial burden of the firm	See positive financial impact of knowledge management system to establish growth in the firm.

Conclusion

For MWT to effectively implement a new knowledge management system within the firm, it is crucial for the firm to follow the balance scorecard approach outlined in aforementioned business plan. If MWT is to be successful in establishing credibility in our new system, the knowledge management system must have the commitment of the partners. It is our duty as partners to invest back in the firm, which we would not be doing by not implementing this plan. The knowledge and experiences that upper management at MWT contains is what separates our firm from our competitors. Investing and sharing this knowledge back with the firm will not only increase firm value, but increase the value of our services offered to our clients.

The knowledge retreat is a great way for us to demonstrate that we have fully endorsed MWT's support of the knowledge management system. This idea of knowledge management will be new for multiple employees, and it is imperative that we as partners show the benefits and impact it can have on our firm. Promoting positive uses of the Ning platform at the retreat will be critical as this will be new software for our employees to become accustomed with.

Ning offers a great social media platform for MWT to use, but every tool isn't effective unless used correctly. The knowledge management plan will help employees realize the benefits of Ning, and show them how to effectively use it in their work at MWT. Through the knowledge sharing capabilities of Ning I am confident that our firm can become more efficient in its use of knowledge sharing.

The "value" added through the new knowledge management system will lead to an increase in firm billable hour efficiency, and will expose us to potential new clients. Continually managing our knowledge and investing it back in the firm, will be critical in time where technology and business are constantly changing. Becoming complacent with our knowledge management system and not investing our knowledge back in the firm will hinder the growth potential of MWT.

Following the balance scorecard approach laid out in my suggested business plan will successfully enable the firm to implement a knowledge management system that adds “value” to both employees and clients. By investing back into company knowledge, MWT will show that it cares for the future of the firm and its clients. The suggestions presented in this proposal will allow MWT to retain invaluable company knowledge, and prevent it from being lost stunting the growth of MWT for years to come.

APPENDIX A

MWT's Social Media Policy

Principle

Social Media is currently all around us, and is beginning to impact the way CPA services do business. To establish ourselves as a leader in this field, MWT fully encourages the use of social media within the workspace. MWT wants its employees to use social media to find and share information, build knowledge, and communicate new ideas. The ability to access information through social media sites does require KWT's employees to exercise caution while using these platforms.

To help employees exercise caution using social media, our firm has designed a guideline to help distinguish appropriate use of social media within the workplace. Each employee is expected to use professional judgment when sharing ideas, as these thoughts often will reflect on MWT. This is an ever changing topic, and MWT will monitor the policy for updates when they are needed. If questions arise please contact our HR department and they will help advise you on your situation.

KWT's 6 Steps for Effective Social Media Use

1. Think before you Ning

Ning is the official social media platform of MWT. MWT's new knowledge management system strongly promotes our employees to be active on Ning sharing and understanding new ideas that can be applied at our firm. It is imperative that employees exercise professional judgment when posting on Ning. Employee blogs, links, and videos should be appropriate and relevant for members in our firm. Exercising common sense in all comments or posts will dramatically lower the chances of negatively affecting MWT, remember "Think before you Ning."

2. Follow MWT's Code of Conduct

As you are "speaking" remember to be aware of the MWT Code of Conduct as well as other MWT Policies. Employees should be respectful and not demeaning in anyway, as your thoughts will ultimately reflect on our firm. Posts that are harmful to others will be removed, and disciplinary measures will be taken for failing to follow company policy.

3. Client Confidentiality

We are a client service firm, and it is our responsibility that client information is not shared. When discussing experiences and ideas on Ning employees should remove all details that would enable people to figure out client specific knowledge.

4. Effective Time Use

KWT encourages time spent educating oneself in accounting matters, but urges employees to be respectful of company time. The knowledge management system should be used as a tool, not a hindrance for your performance at KWT. Ning should be used to post relevant information that will help others grow, and should not be used for personal use.

5. Do not speak on behalf of MWT

It is important for employees not to speak on behalf of MWT. If you are sharing an idea, link, or video on Ning it is important to remember that these are your thoughts. An example of an appropriate way to do this would be, "I am a current employee of MWT. My opinion on this link is my own, and does not necessarily represent the opinion of MWT on this matter."

6. Give Credit

MWT wants our employees actively seek out knowledge management online to add value to our firm. In doing this it is important to give credit to the person or persons responsible for the original work. Doing this is not only ethical, but establishes credibility to your posts. Growing MWT's credibility as a CPA firm is a hopeful product of our social media push.

The above six guidelines should be a helpful tool when considering what to post on Ning. As stated earlier, common sense in what to post will go a long way in helping you decide if what you are about to post is a good idea. It is important to remember that once something is on the internet, it is there forever. Effective use of Ning will help all employees grow, adding value daily at MWT.

(Policy design based off benchmarking Roche social media policy)

APPENDIX B

Mentor Mentee Knowledge Development System

Overview

Part of our knowledge management system involves implementing a system that will encourage employee development, and provide employees an opportunity to establish points of contact to help problem solve. Everyone in the firm will be paired with upper management, who will be their assigned mentor. It is imperative for us, as partners to invest back into the development of younger employees in the firm. Each pairing will be strategically designed so that younger employees in each of our four services can learn from upper managements experience in that area. It is our duty as partners to care for the sustainability of the firm, and make sure that when we leave it can continue. The mentor mentee system addresses this issue by also having partners pair up with senior managers. This relationship should be more apprenticeship driven, as we should be preparing them for advancement within the firm.

Setup

Each partner will be responsible for mentoring two groups. The first group will consist of new staff and new managers. Based on the size of our firm, there will be some managers in this group that will soon be promoted to senior manager. The idea behind this design is that new employees will be given direct access to partners, allowing them to ask personal development and best practice questions. This will also give newer managers time to discuss with partners events happening within the industry. In the second group the partners will mentor our senior managers. As stated earlier, we need to be preparing them to become partners. The time spent with senior managers in this system should be spent discussing current projects and our plans for the future. It would also be beneficial for us to get their intake on some of our current projects, as it would be foolish for us to assume that outside ideas wouldn't be of help.

It would be optimal to assign a partner to everyone in the firm to pass on knowledge we have learned over the years, but this would appear to be inefficient. Our senior managers also will play a big role in our mentor mentee system as they will be responsible for mentoring the senior staff, and managers who will soon be ready for roles in upper management. I feel like this will be very helpful as senior managers will be able to discuss their future roles in the company, and share ways to help them stand out to win clients in the industry.

APPENDIX C

The screenshot displays the Ning homepage for Miller, Walker, and Thompson, LLP. The header features the company name in large blue letters and the tagline "Are you NINGing yet?". Below the header is a navigation menu with tabs for MAIN, INVITE, MY PAGE, MEMBERS, PHOTOS, BLOGS, EVENTS, LEADERBOARDS, CHAT, NOTES, and MY NETWORK. The main content area is divided into several sections:

- EVENTS:** Lists two upcoming events: "MWT-Social Hour" on November 18, 2011, and "AICPA - Financial Services Conference" on December 15, 2011. Each event includes a date, time, location, and a "View All" link.
- BLOG POSTS:** Displays three recent posts from users IFRS and keith philip brashaber. The posts cover topics like public announcements, INCPAS website updates, and videos from the Journal of Accountancy. Each post shows the author's name, a timestamp, and engagement metrics (comments and likes).
- RSS:** A section titled "RSS" with an "Edit" button, listing recent news items such as "In the News: US and HK sign MRA, Other CPA News" and "The Sustainability Commodity".
- ABOUT:** A section with the heading "ABOUT" and a "More..." link.
- USER PROFILE (CARRIE JOHNSON):** Located on the right side, it includes a "Sign Out" button, an "Inbox" icon, and options for "Friends - Invite" and "Settings".
- MEMBERS:** A section showing a grid of member profile pictures and a "View All" link.
- LATEST ACTIVITY:** A section showing a tweet from Carrie Johnson with 140 shares and a comment on an event: "This looks awesome. I will definitely be there." dated 1 minute ago.

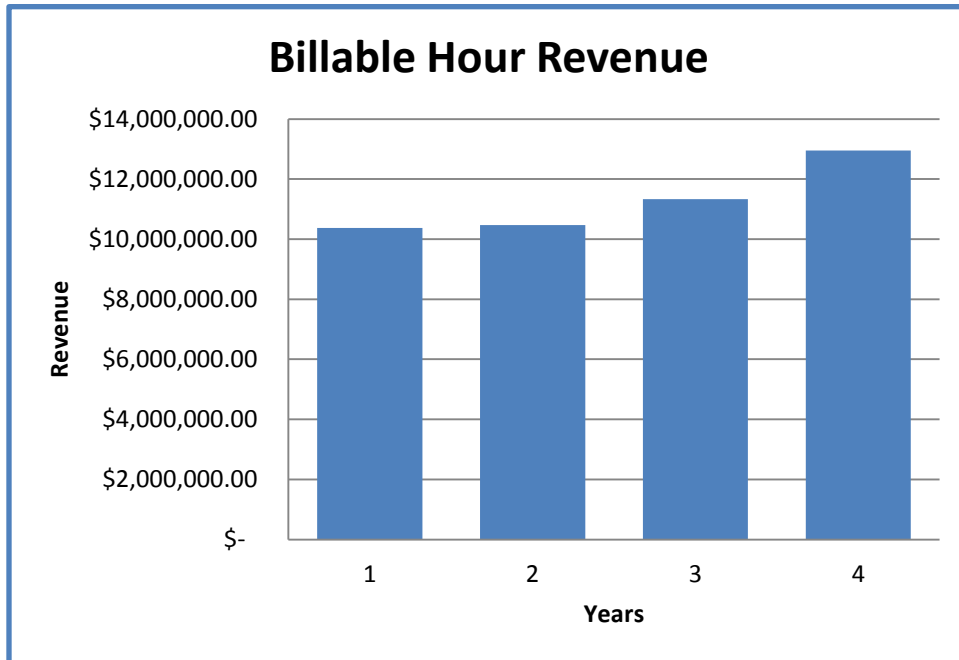
Above is a screenshot of the MWT Ning homepage. Here employees are encouraged to blog about different accounting topics, and post videos of relevant information that other employees can use to generate “value” back within MWT’s knowledge management system. Also highlighted is the RSS feed which features the main articles from, whatever professional website the employee would want, Ex) Bloomberg.com, WSJ.com, AICPA.com, etc.

APPENDIX D

The screenshot displays the Ning administrative interface. At the top, there is a navigation bar with tabs: MAIN, INVITE, MY PAGE, MEMBERS, PHOTOS, BLOGS, EVENTS, LEADERBOARDS, CHAT, NOTES, and MY NETWORK. A sidebar on the left contains a menu with categories: Dashboard, My Account, Members (Moderation, Invitation, Profile Questions, Message Broadcast Management, Controls, Sign up/Sign in), Content (Moderation, Activity Feed Message Controls, PRO File Manager, Archive), Settings (Network Details, Terms of Service, Email, Privacy, Appearance, Features Layout, Tabs & Pages, Add-Ons, Paid Access, Language Editor, Features, Ning Labs), and Tools (Search Bots, Flickr Integration, Facebook Integration, Twitter Integration, Custom Code). The main content area is titled 'Dashboard' and includes a 'Shortcuts' link. It features four primary panels: 1) MEMBERS: A table showing 'Pending Approval' (0), 'Yesterday' (0), and 'Past 10 Days' (4) for 'Members', accompanied by a line graph showing a sharp decline from 4 to 0. 2) CONTENT: A table showing 'Pending Approval' (0), 'Yesterday' (1), and 'Past 10 Days' (1) for 'Photos', 'Events' (0, 2, 2), and 'Blogs' (0, 3, 4), with a line graph showing a small peak for photos. 3) NING ANNOUNCEMENTS: A list of three announcements with 'View »' links. 4) MESSAGE BOARD: A list of four promotional messages for network features. At the bottom, there is a 'Leaderboards View All' link.

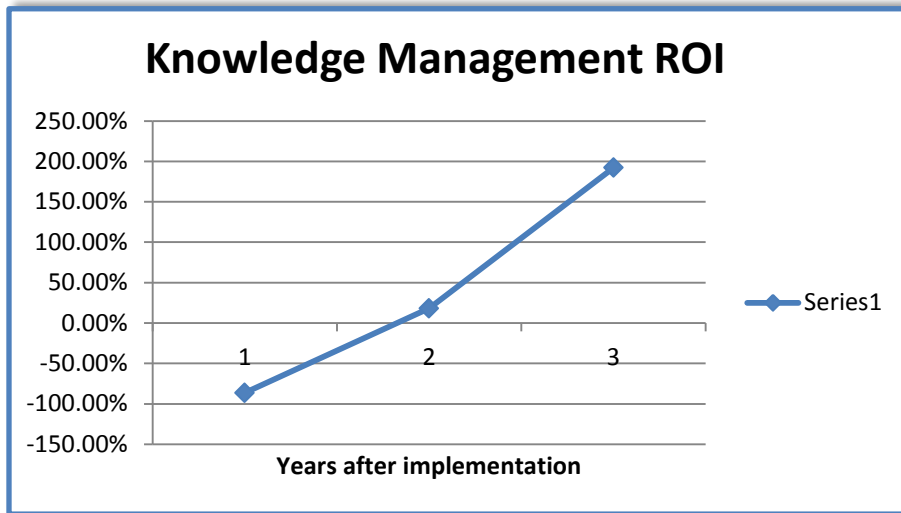
The screenshot shown above displays the administrative content that the person in charge of MWT's Ning platform would have. Listed to the side are different tools and areas the controller would have to edit the platform. This employee would also have the ability to grant access to Ning for new employees.

APPENDIX E

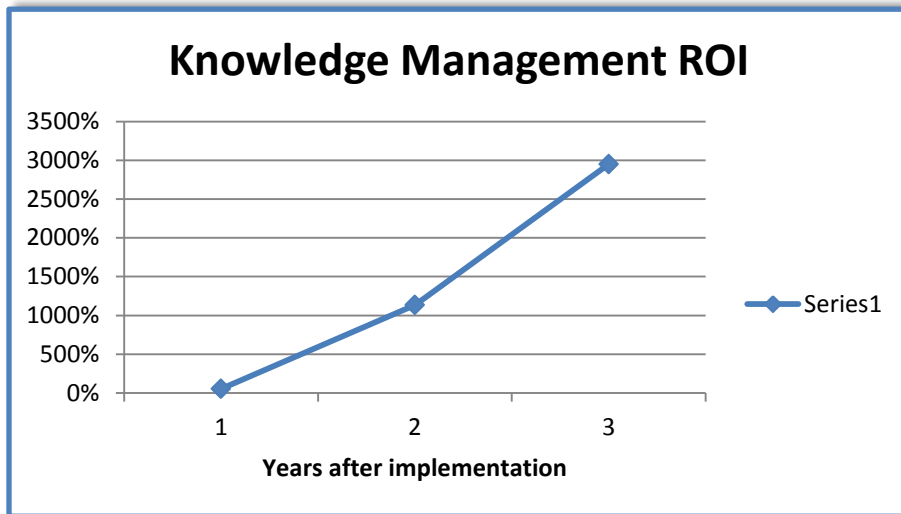


The chart represented in this appendix shows the current revenue stream, which is year one, and the potential future revenue streams over the course of the next three years. In three years the firm's projected billable hour revenue growth is \$2,582,400.

APPENDIX F



This ROI calculation shows the return on investment, including the opportunity cost of potential billable hours lost. This would be the true cost of the knowledge management system. The ROI does show slow growth, but in the second to third year of the program MWT begins to see a tremendous amount of value in the knowledge management system.



This ROI calculation shows the return on investment, excluding the opportunity cost of potential billable hours. This was done to show the return on the actual cash invested by MWT.

APPENDIX G

Knowledge Retreat



Annual Retreat September 21-23, 2012

JW Marriott Hotel Indianapolis, Indiana

APPENDIX H

To be signed and presented by MWT and Knowledge Management Committee:

Miller, Walker, & Thompson LLP
892 N. College Ave
Indianapolis, Indiana 46260

October 30, 2011

Dear Michael Roberts,

*Appointment as Knowledge Champion
Attestation and Assurance (A&A)*

I am pleased to appoint you as Knowledge Champion in MWT's Attestation and Assurance Department beginning on November 15, 2011.

As a Knowledge Champion, you will be leading MWT into new endeavors in retaining and making knowledge more accessible for our firm. Given your years of experience and establishment with MWT, we see you as someone who is flexible, adaptable and improvement oriented.

As a KM Champion, you will act as a "knowledge broker" by providing the Attestation and Assurance department with useful information and resources. Some of your efforts as a Champion will include:

- Taking part in MWT's Mentor and Mentee System
- Active involvement in Ning, MWT's newest KM online site, in which you will update information, blog about relevant news in the accounting profession, answer staff questions, and speak at webinars
- Attend and present at MWT's Knowledge Retreat

More information on your position and responsibilities will be following in the next few days.

I would like to thank you for your consideration and support as MWT takes its first steps into the new area of Knowledge Management. I look forward to working with you and seeing how you will transform our firm into a more efficient knowledge based workplace.

Sincerely,

Carrie Johnson, CPA

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