



Knowledge Management Strategic Plan

Miller, Walker & Thompson, LLP

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To: James Miller, Partner
From: Carrie Johnson, Partner
Date: November 1, 2011
Re: Knowledge Management Strategic Plan

As requested, you will find an executive summary and a detailed report regarding the knowledge management plan for Miller, Walker, &Thompson, LLP (MWT). The report focuses on:

- Establishing the knowledge management team and their responsibilities in facilitating knowledge accumulation and sharing
- Establishing an IFRS Conversion subcommittee under the knowledge management team that assists in the transition from U.S. GAAP to IFRS, unifying skill sets of the personnel within the organization
- External sources we can utilize in the process of assisting our knowledge management system

As discussed further, a detailed strategy plan is accompanied by our analysis based on MWT's current knowledge base as well as the industry trends.

Carrie Johnson, CPA

ASSUMPTIONS

- My name is Carrie Johnson, the newest and youngest partner at Miller, Walker & Thompson, LLP (MWT), and I have been selected by James Miller to develop a strategic plan that focuses on developing and implementing a knowledge management system and addressing changes in the CPA profession.
- MWT is a CPA firm located in Indianapolis, Indiana with approximately 50 employees.
- The firm employs fifty staff members - seven partners, nine managers, thirteen senior accountants, and eighteen associate accountants.
- The firm also employs three administrative personnel – a receptionist and two IT staff.
- Of the seven partners, the two newly admitted partners have previous experience reporting under IFRS. The remaining five partners will be retiring within the next seven years.
- MWT specializes in attestation and assurance, tax compliance, general business consulting, and basic accounting services.
- MWT’s clients are mainly small to medium-sized, privately owned businesses located in Indianapolis and the surrounding suburbs, with a few located in surrounding states.
- The firm specializes in the following industries: construction, manufacturing, multi-family housing real estate, and non-profit.
- Some of MWT’s clients are interested in developing a global outlook for their business.
- Last year, MWT had annual revenue of \$6 million, expenses of \$5.04 million and a resulting profit of \$0.96 million. Similar revenues, expenses, and profits can be anticipated for this year.
- MWT has a culture that embraces innovation and learning.
- MWT currently has a shared network drive, but it is no longer efficient.

EXECUTIVE SUMMARY

Miller, Walker, and Thompson, LLP (MWT) is a 50 person full-service CPA firm located in Indianapolis. We specialize in attestation and assurance (A&A) services, tax compliance, general business consulting, and basic accounting services. Our client base is primarily small to medium-sized, privately-owned businesses located in the Indianapolis metropolitan area and surrounding states. We have proudly developed our expertise in several key industries, including construction, manufacturing, multi-family housing real estate, and non-profit. The firm has a strong sense of commitment, excellence, leadership, and teamwork, but we are constantly working to improve these four areas to better deliver services to our clients. The accounting industry is beginning to face a situation in which the Baby Boomers are beginning to retire. This leads to the potential loss of accounting expertise, which is the most valuable intangible asset of a CPA firm. Under a globalized environment, the accounting profession is also converging to a unified, high-quality set of standards. We feel that it is necessary to establish and implement a knowledge management system to maintain the current knowledge and effectively capture knowledge for future use.

KNOWLEDGE MANAGEMENT SYSTEM

Definition of Knowledge Management for CPA Firms

Knowledge workers make up the majority of human resources in CPA firms. If employees do not know where to find information necessary to complete a job for a client, non-billable hours will be incurred searching for this information. Effective knowledge management for a CPA firm includes ways to capture and utilize the knowledge of the staff, as well as methods to track critical documentation for completing engagements.

Content in a Knowledge Management System

It is important to consider both types of information, explicit and tacit, when planning the content that should be included in the knowledge management system for MWT. Explicit knowledge includes easily shared information, such as documentation. Tacit information is much harder to effectively share because it is most often learned through informal methods such as direct observation, conversation, and teaching.

Organizing, Capturing, Developing, and Archiving Information

The basic structure of MWT's knowledge management system will be based on the four specialization areas. Formal methods of capturing information will include directly uploading documents and information postings to the document-management system and Ning. Informal

methods will include methods such as cross-training assignments and mentoring to transmit knowledge that would be hard to capture otherwise. Staff will be responsible for adding content to appropriate groups, and a method of revising and archiving information will also be put in place.

Encouraging use of the system

The leadership of the firm will play an important part in getting the staff to use the system, because the rest of the firm will follow the example that management sets. Education and training on the new system is crucial to allowing the staff to utilize all the resources that the knowledge management system offers. Finally, an incentive program has been developed to encourage contributions both initially and over the long-term.

EFFECT OF CHANGES IN THE CPA PROFESSION

Globalization

Globalization has increased the need for a unified financial accounting reporting standard, therefore International Financial Reporting Standards (IFRS) have been established to improve the consistency and transparency of international information disclosure. The establishment of an IFRS Conversion Committee is recommended for the purpose of identifying the impacts of conversion on the firm, as well as training staff and facilitating IFRS knowledge sharing.

Mobility

It is crucial to unify our accountants' skill set upon the globalization of accounting standards. During the process of accumulating and sharing knowledge, MWT should combine partners' extensive experience with younger staff's IFRS educational background to generate a better solution for the firm's knowledge management system.

Collaboration with other accounting firms

Working with other accounting firms could bring benefits to MWT, as we could learn from others' methods of globalization and mobility knowledge sharing. However, a drawback is that this peer collaboration could also lead to potential talent outflow from MWT and losing our competitive edge.

Technology

The advantages and disadvantages of three forms of recent technologies have been analyzed for possible incorporation into MWT's knowledge management system. Along with the use of new technology, we will create a more stable system in businesses for receiving, storing, and sharing

information. MWT should continue to keep current with advanced technology, since utilizing technology may allow us to grow more quickly and efficiently than our competitors.

EXTERNAL RESOURCES

Knowledge Management in other Professions

Knowledge management is not exclusive to accounting firms, or even business. The idea also exists within the fields of law, healthcare, and education. By examining the successful knowledge management techniques used in these fields, accounting firms gain new ideas and insights. Some beneficial practices used within law, healthcare, and education include the use of professional development programs, online databases, and the creation of a centralized knowledge management organization.

Indiana CPA Society and Knowledge Management

The Indiana CPA Society is a state-wide professional association that enhances the professional success of its members while promoting public interest. It provides a valuable service to its members by maintaining a database of informative articles about regulations, policies, reporting, and recent news. MWT can benefit from this service by incorporating this information into the knowledge management system, so that our staff remains current on developments in the accounting profession.

Societies and Associations for Knowledge Management

Knowledge management societies and associates can also be a valuable resource for firms invested in knowledge management. KMPRO and iKMS are two organizations that exist to provide education on knowledge management and promote its benefits through a variety of resources including publications, seminars, conferences, training, and workshops. These features are particularly helpful to firms that are new to knowledge management.

OUR MISSION

We, the professionals of Miller, Walker, and Thompson, LLP, strive to efficiently and effectively utilize our knowledge in conjunction with core CPA values to deliver superior service to our clients within our service lines of assurance, tax, and advisory. We aim to continuously grow and learn, both as a firm and individually. We will strengthen our expertise under U.S. GAAP and develop a forward-looking view in anticipation of unified accounting reporting standards. Our goal is to create a comprehensive internal knowledge management system in order to remain a competitive firm. We stay committed to our employees by enhancing their abilities through developmental education and our clients by providing excellent service in addressing individual needs and concerns.

OUR VALUES

Commitment

We are committed to the success of our clients and employees through exceptional professional services and innovative client solutions. We identify and resolve problems quickly and effectively.

Excellence

We set goals that tailor to each client's needs and objectives, and we seek to provide measurable results. We foster an environment in which not only our clients can grow and thrive, but our employees are able to continuously learn and prosper.

Leadership

We strive to be a leader in the field of public accounting and retain an edge over our competitors. We empower our employees to make decisions that will develop critical leadership skills which benefit our firm and clients.

Teamwork

MWT is dedicated to developing a collaborative working environment in which all different experience levels can contribute expertise in combination with the support of advanced technology. It is through this inclusive environment that we are able to provide a high level of service and understanding to our clients and employees.

KNOWLEDGE MANAGEMENT SYSTEM

Knowledge management is an idea that has been emerging throughout various professions in recent years. It can be defined as the process through which organizations generate value from their intellectual and knowledge-based assets.¹ Knowledge is the most important asset in a public accounting firm, since the product or service that is provided comes from the expertise of the people in the firm. Its importance has been recognized especially due to the retirement of the “Baby Boomers” which will occur roughly within the next 10-15 years. As this group retires, their accumulated knowledge within the field will be gone forever. Corporations are searching for a way in which they may be able to preserve the knowledge of these employees for future reference as it will provide many benefits including:

- Competitiveness amongst organizations of the same profession
- Preservation of knowledge from experienced employees
- Communication of knowledge internally and externally
- Networking between involved organizations
- Transfer of knowledge efficiently

Along with these benefits, organizations will develop a foundation for future growth of knowledge management, which in turn will provide for growth of the organization itself.

In order to lead the knowledge management effort, MWT should hire a temporary knowledge manager. The knowledge manager would work together with the knowledge management team to promote the accumulation, expansion, and sharing of knowledge. The establishment of a knowledge management system within MWT would result in short-term loss on investment, but would become profitable over time as some expenses would be eliminated.

A suggested plan for implementing the system has been provided in this report. It includes seven steps: identifying the objectives, fostering a collaborative culture, assembling the knowledge management team, performing the knowledge audit, providing training, measuring effectiveness, and continuous knowledge acquisition, sharing, and improvements. Finally, this section of the report discusses the features of Ning and the ways in which MWT can utilize Ning as a tool for sharing knowledge within the firm.

¹ Levinson, Meridith. “Knowledge Management Definition and Solutions.” CIO.
http://www.cio.com/article/40343/Knowledge_Management_Definition_and_Solutions?page=1 (accessed October 23, 2011).

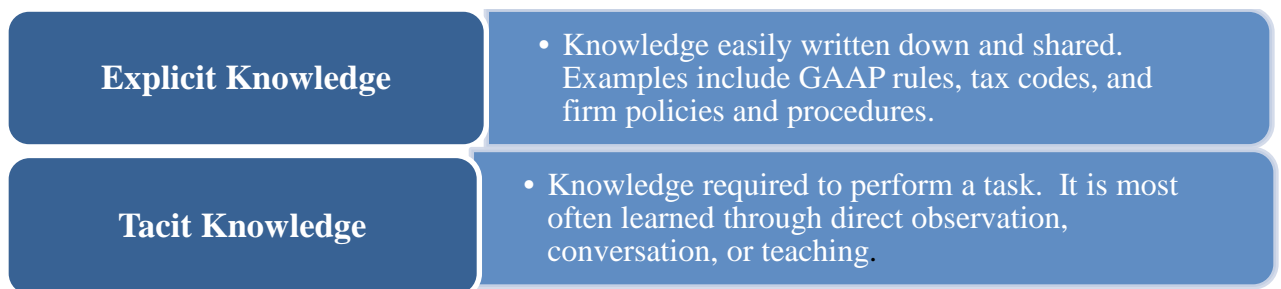
DEFINITION OF KNOWLEDGE MANAGEMENT

Efficiency of the employees in a firm can be greatly reduced when they are unsure of where to find critical information for completing a task. Knowledge workers spend an average of 15-30% of their time looking for information needed to do their job, and about half the time they are unable to find the needed information.² A knowledge management system can be an excellent solution for these types of problems if it is implemented correctly. Knowledge management can broadly be defined as a way to capture and access a company's intellectual capital.³ For a CPA firm, the staff constitutes the majority of this intellectual capital. Intellectual capital, however, is not limited to staff alone. It also includes information such as communications with clients and the records of those clients. Thus, an effective knowledge management system for a CPA firm would include ways to capture the knowledge of its staff along with the documentation necessary to successfully complete a client engagement.

SPECIFIC CONTENT OF A KNOWLEDGE MANAGEMENT SYSTEM

Knowledge can be broken down into two types: explicit and tacit. Explicit knowledge is knowledge that can be easily written down and shared.⁴ Tacit knowledge, however, is the knowledge required to perform a task and is much harder to effectively capture.⁵

Figure 1: Explicit vs. Tacit Knowledge



MWT can greatly benefit from a system that effectively captures both types of information, especially tacit knowledge. The experiences our partners have gained during years of working

² "Mind Power: Managing knowledge in accounting firms." CCH.
<http://www.cchgroup.com/opencms/opencms/web/TAA/PDFs/all/mind-power-managing-knowledge-in-accounting-firms.pdf> (accessed October 24, 2011)

³ Kepczyk, Roman. "Knowledge Management for CPA Firms." *Infotech Update* 9, no. 4 (2000): 1-6.
<http://ezproxy.valpo.edu/login?url=http://search.proquest.com/docview/12069923?accountid=14811> (accessed October 24, 2011).

⁴ Kepczyk, Roman. "Key Concepts in CPA Knowledge Management." Info Tech Partners.
s122204155.onlinehome.us/Vision/2010/20101020CCHKM.htm (accessed October 26, 2011).

⁵ "Mind Power: Managing knowledge in accounting firms."

with clients have contributed largely to the success of the firm. We must capture this knowledge to utilize in the coming years so that we can maintain the reputation of MWT.

ADDING INFORMATION TO THE SYSTEM

Organization

Ning will be customized so that there are separate groups for each specialty:

- Attestation and assurance (A&A)
- Tax compliance
- General business consulting
- Basic accounting services

Documents will be uploaded to the appropriate group in Ning, a web-based platform that will allow accessibility for members at off-site locations. The network document-management system will also be organized in a similar manner so that the documents for each specialty can be grouped in one location.

Capturing Information

There are several ways that MWT can capture information from the employees. Explicit knowledge, such as client documents, is the easiest to capture, so it has traditionally been the area of focus for knowledge management systems. The firm should put as many documents as possible in electronic form if they aren't already, or at least have an electronic copy. Also, employees should archive and categorize emails that contain important information.⁶ MWT currently has a shared network drive that uses Windows Explorer to store important client documents. The firm created a standardized structure that was utilized when the firm first switched over to electronic documents. This system was not adhered to as more and more users were added to the network system. Unfortunately, there are also other issues with this type of system that have arisen within MWT. The Windows Explorer feature allows users to search through all of the files, which becomes significantly slower as more users are added to the system.⁷ Our firm has been encountering this problem recently as more employees have been admitted to the firm.

A solution for this issue is to incorporate a document-management system into the new knowledge management system. Document-management tools have been adopted by many firms because the controls of these systems are greatly improved over shared directories and

⁶ Klassen, Frank. "Knowledge Management, Part II: Capturing Information." Syscom Services. <http://www.syscomservices.com/sp/Knowledge-Management-Part-II-Capturing-Information.aspx> (accessed October 22, 2011).

⁷ Kepczyk. "Key Concepts in CPA Knowledge Management."

include search capabilities that allow every word in every document to be indexed.⁸ MWT could greatly benefit from a system such as this because necessary documents could be found faster and easier, making work more efficient for employees.

Tacit knowledge is much harder to effectively capture than explicit knowledge, but is equally important. “The failure to recognize the importance of tacit knowledge has led to disappointing results among technology-based knowledge management effort.”⁹ The knowledge management system should include content and elements that try to effectively capture this information. The kinds of tacit information to be captured should include best practices knowledge, proposal and engagement knowledge, internal expertise, and knowledge from lessons learned.¹⁰ One important part of capturing and using tacit knowledge in the firm is that technology alone isn’t sufficient to capture and transmit this type of information, because 70 percent of workplace learning takes place informally.¹¹ MWT should incorporate different activities that will encourage the sharing of important tacit knowledge. This could include activities such as “individuals working together in cross-training assignments, creating settings that encourage sharing of work practices, and facilitating opportunities for observation while problem-solving or creating.”¹²

Developing the System

Firm members who have significant professional experience can add their experiences to several databases. One of these would be a best practices database or forum. It may include “diagrams outlining flows of information, war stories discussing the advantages and disadvantages or different best practices, lists of information about the particular best practices, and other resources.”¹³ Using the Ning platform, this could be a forum or an information thread in which employees can post their stories and information that would be helpful to others in the organization. Another kind of forum would focus on lessons learned. Firm members can post stories about lessons they have learned from positive and negative working experiences. A record of methods or techniques that did or did not work will allow other staff to learn from the experiences of others.

The Ning platform can be beneficial in using different social media applications to develop and deliver this content. Blogs and Wikis can be used as another method to develop some of this

⁸ Kępczyk. "Key Concepts in CPA Knowledge Management."

⁹ Howe, Philip E, and Martin C Levin. "Knowledge Management is All about People." *Pennsylvania CPA Journal* 78, no. 2 (2007): 36-39. <http://ezproxy.valpo.edu/login?url=http://search.proquest.com/docview/274687518?accountid=14811> (accessed October 25, 2011).

¹⁰ O’Leary, Daniel E. “Knowledge Management in Accounting and Professional Services.” <http://www-bcf.usc.edu/~oleary/Papers/13%20Chapter13-O’Leary.pdf> (accessed October 24, 2011).

¹¹ Howe, Levin. “Knowledge Management is All about People.”

¹² Howe, Levin. “Knowledge Management is All about People.”

¹³ O’Leary. “Knowledge Management in Accounting and Professional Services.”

knowledge. These tools “produce highly accessible content that is collaborative, easy to search, and intuitively structured.”¹⁴

There should also be efforts to get everyone involved in the process – both experienced and inexperienced staff. One way to do this is to have meetings at the end of projects or engagements. “Firm personnel should be allocated time to analyze what they learned from the engagement, discuss how they could have improved upon it and how this information could be applied to other engagements or future opportunities.”¹⁵ The results of these meetings should be documented and uploaded into the system in a manner similar to the lessons learned forum. The difference between these methods is that the lessons learned forum will focus more on lessons from the past, whereas the meetings will focus on documenting present engagements.

In addition to methods of formal documentation to share knowledge, MWT should develop other ways to share important knowledge informally. One way to accomplish this is to encourage interaction between all employees, but especially between senior members and less-experienced staff. A good way to encourage this interaction is to develop a mentoring system in which newer employees are paired up with senior employees. The mentors should meet with their mentees on a regular basis, such as once or twice a month. Mentors will be able to provide insights and knowledge they have learned in a personal and informal setting, which some staff members may find more appealing in terms of transferring knowledge.

Archiving Information

An important part of adding the valuable information to the knowledge management system is revising and archiving the information. “Knowledge is only useful if it is correct and current, so firms must also develop a process to vet new information for accuracy before placing it into the system.”¹⁶ Much of the content that is captured in the system will be based on opinion or personal experiences. The content that is based on facts or rules should be periodically reviewed to make sure that it is accurate and relevant. For example, information about accounting principles that are no longer valid should be removed so that incorrect information is not applied to current engagements.

¹⁴ “Mind Power: Managing knowledge in accounting firms.”

¹⁵ Kepczyk, Roman H. "Knowledge management: Determining what it means in your firm." *The CPA Letter* 81, no. 8 (2001):C1-C2. <http://ezproxy.valpo.edu/login?url=http://search.proquest.com/docview/211213454?accountid=14811> (accessed October 25, 2011).

¹⁶ Kepczyk. "Key Concepts in CPA Knowledge Management."

USE OF THE SYSTEM

A knowledge management system can be extremely effective for transferring knowledge between employees. However, the information systems alone are useless. Culture plays a crucial role.

“Culture should be considered before practicing knowledge management. Knowledge management, at its core, has a strong human component. An organization’s knowledge management strategy cannot be successful unless the organization has developed a trusting knowledge culture that emphasizes the role and value of knowledge in day-to-day business decisions and enterprises. The culture must be geared towards rewarding innovation, learning, experimentation, scrutiny and reflection.”

-Fareed Hussain, “Managing Knowledge Effectively”

Fortunately, MWT already has a culture that embraces many of these types of values. Implementing a knowledge management system in the firm will allow us to harness the benefits of the existing culture to effectively and efficiently share knowledge among firm members.

Though MWT has a culture that will embrace a knowledge management system, the leadership needs to fully support the system for it to truly be accepted by all firm personnel. The leadership sets the tone for the firm on how the organization is going to operate and how people within the firm should act. “Nothing makes greater impact on an organization than when leaders model the behavior they are trying to promote among employees.”¹⁷ Philip Howe suggests one way of accomplishing this goal: “Senior members of any CPA firm need to avail themselves to the staff, both formally and informally. Simply walking through the office and sharing thoughts with staff members can be invaluable.”¹⁸

Education and Access

Culture and leadership are not the only areas that need to be addressed when trying to get users to adopt a new system. One way to do this is to simply educate the staff on the system, as well as ensuring that all users can access the information that a person needs or wants. “It is important to educate personnel on what those resources are, as well as new resources that are being added.”¹⁹ Employees cannot utilize all of the new resources that are available if they are

¹⁷ Hasanali, Farida. "Critical Success Factors of Knowledge Management." Providersedge.com. http://www.providersedge.com/docs/km_articles/Critical_Success_Factors_of_KM.pdf (accessed October 25, 2011).

¹⁸ Howe, Levin. “Knowledge Management is All about People.”

¹⁹ Kepczyk. "Key Concepts in CPA Knowledge Management."

not familiar with the system or restricted from accessing beneficial content. The knowledge management team should “make sure that knowledge resources are available to whomever needs them and is authorized to access them, regardless of location. This may mean different levels of security clearance, which is easily handled by most KM systems.”²⁰

Incentives

Although MWT will provide training for the Ning network and require staff to join, the employees will not necessarily adopt its use without the aid of incentives to encourage knowledge sharing. There will be two phases of the incentive program. One will be during the implementation period, and the other will be a long-term use incentive. To encourage employees to start using the system, the first 5 employees to write a reply to a post on the Ning account and the first 10 employees who make a quality contribution on Ning will receive a \$25 VISA gift card. After this period, every six months a survey will be sent to all employees, asking them to vote on who they think made the best contribution to Ning. The top person will receive a \$50 VISA gift card. This is to encourage both reading and contributing to groups on the knowledge management system.

MAINTAINING & MONITORING THE SYSTEM

An increasing number of large companies are beginning to capitalize on internal knowledge by hiring CKOs, or Chief Knowledge Officers.²¹ It has been estimated that one-fifth of Fortune 500 have a CKO, or a position that carries similar duties and responsibilities.²² These CKOs focus specifically on methods of transferring knowledge and how to train employees to share and utilize shared knowledge. Chief Knowledge Officers typically differ from Chief Information Officers (CIOs) as CKOs often emphasize the “softer” means of transferring knowledge in addition to technological methods.²³

MWT can alter and adapt this idea of a Chief Knowledge Officer by creating a new position for a Knowledge Manager, who would be given partner status. By hiring a knowledge manager, MWT would have its own in-house expert to guide its efforts in accumulating and sharing knowledge within the firm. The knowledge manager would be responsible for several duties, as follows:

²⁰ Kepczyk, "Key Concepts in CPA Knowledge Management."

²¹ Earl, Michael, and Ian Scott. "The Role of the Chief Knowledge Officer." National Post Online. http://www.providersedge.com/docs/leadership_articles/The_Role_of_the_CKO.pdf (accessed October 30, 2011).

²² McKeen, James, and D. Sandy Staples. "Knowledge Managers: Who They Are and What They Do." www.providersedge.com/docs/km_articles/Knowledge_Managers_-_Who_They_Are_and_What_They_Do.pdf (accessed October 30, 2011).

²³ Michael, Scott. "The Role of the Chief Knowledge Officer."

- Creating and maintaining the knowledge management network on Ning and within the document-management system
- Training new employees and providing continuing education for existing employees on how to use Ning and other resources to share knowledge
- Implementing programs that will allow associates to learn “best practices” from the partners
- Creating and monitoring programs that will allow for the accumulation and sharing of knowledge.

Important qualities for considering a candidate as the knowledge manager include an enthusiasm for learning and sharing information, a self-starter, and extroverted.²⁴ According to one source, the best CKOs fulfill four roles – entrepreneur, consultant, technologist, and environmentalist – as explained in Figure 1.

Figure 2: Roles of CKO

Entrepreneur	<ul style="list-style-type: none"> • willing to champion risky new initiatives • able to develop and discover good ways to communicate knowledge
Consultant	<ul style="list-style-type: none"> • able to match new ideas with business needs • facilitate the expansion of ideas and determine how these new ideas can be useful for MWT
Technologist	<ul style="list-style-type: none"> • fully IT-literate • have a through understanding of technology and the ways the that it can be utilized for knowledge sharing
Environmentalism	<ul style="list-style-type: none"> • able to design settings and processes to maximize knowledge • creator of natural and artificial environments that are conducive to the formation, development, and sharing of new ideas

Ideally, MWT will be able to hire internally to fill the position of knowledge manager. Internal hiring would be advantageous because the knowledge manager would be familiar with the people, the operations, and the structure of MWT.

In order for the knowledge management system to be a success, it cannot depend on the knowledge manager alone. The knowledge manager must rely on the support of other staff to add value to the knowledge management system. There are several ways that the knowledge

²⁴Michael, Scott. “The Role of the Chief Knowledge Officer.”

manager can encourage different levels of staff in MWT to expand and refine the knowledge management system:

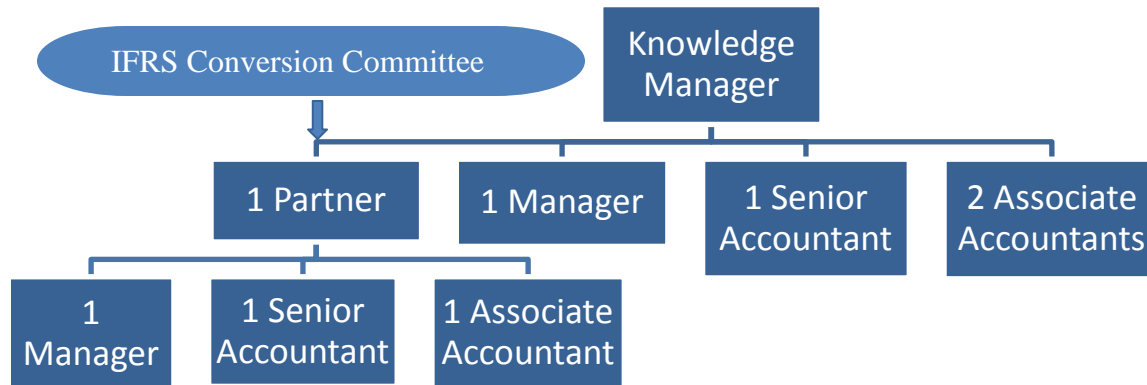
- One of the most crucial elements to the success of the knowledge management system will rely on the support of the partners.²⁵ With years of experience in public accounting, the partners can provide unique insight into the organization's structure, procedures, and client base. The partners' encouragement of the knowledge management system would provide credibility to the program and emphasize its importance within the firm.
- The knowledge manager can identify "knowledge champions" within MWT. Knowledge champions are staff members who are recognized by their co-workers as reliable sources of information, with a willingness to help others learn. These knowledge champions would then form a team who would work with the knowledge manager to encourage others to contribute and utilize the knowledge management system.²⁶
- Those on the knowledge management team would be responsible for reviewing and identifying other individuals who can review the information posted to the Ning account for content – including relevancy and accuracy. The team would have the authority to remove unnecessary, false, or misleading information.
- The team would also be responsible for helping the knowledge manager implement the reward system for utilizing the knowledge management system. Rewards and recognition would be given to those who post valuable content to the Ning account and who give insightful reviews to the work that others have posted to the account.

The knowledge management team should be comprised of six members – the knowledge manager, another partner, a manager, a senior accountant, and two associate accountants. By structuring the team this way, it engages employees on all levels within the firm. Figure 2 shows how the knowledge management team would be structured, along with the IFRS Conversion Committee. The IFRS Conversion Committee will be discussed later in the report, but will be headed by a partner who will serve on both the knowledge management team and the IFRS Conversion Committee as shown in the figure below.

²⁵ Choy, Chong Siong, and Choi Yong Suk. "Critical Factors in the Successful Implementation of Knowledge Management." *Journal of Knowledge Management Practice*. <http://www.tlinc.com/articl90.htm> (accessed October 30, 2011).

²⁶ "Knowledge Management: Making Sense of an Oxymoron." David Skyrme Associates. <http://www.skyrme.com/insights/22km.htm> (accessed October 30, 2011).

Figure 3: Knowledge Management Team Structure



The majority of knowledge managers or positions entailing similar duties are hired with the understanding that their job will eventually be phased out of the organization's structure.²⁷ At MWT, the knowledge manager would design and implement a program for knowledge management and train employees on how to use the system, maintain the system, and devise training for new employees so that the system can sustain itself even after the knowledge manager is no longer leading the effort. The technical maintenance of the Ning account will be taken over by the IT representative, while the team will continue to monitor the content. If hired internally, the knowledge manager would be able to return to his or her former position held within the MWT.

To create a system that will sustain itself in the absence of a knowledge manager, the knowledge manager must accomplish several objectives:

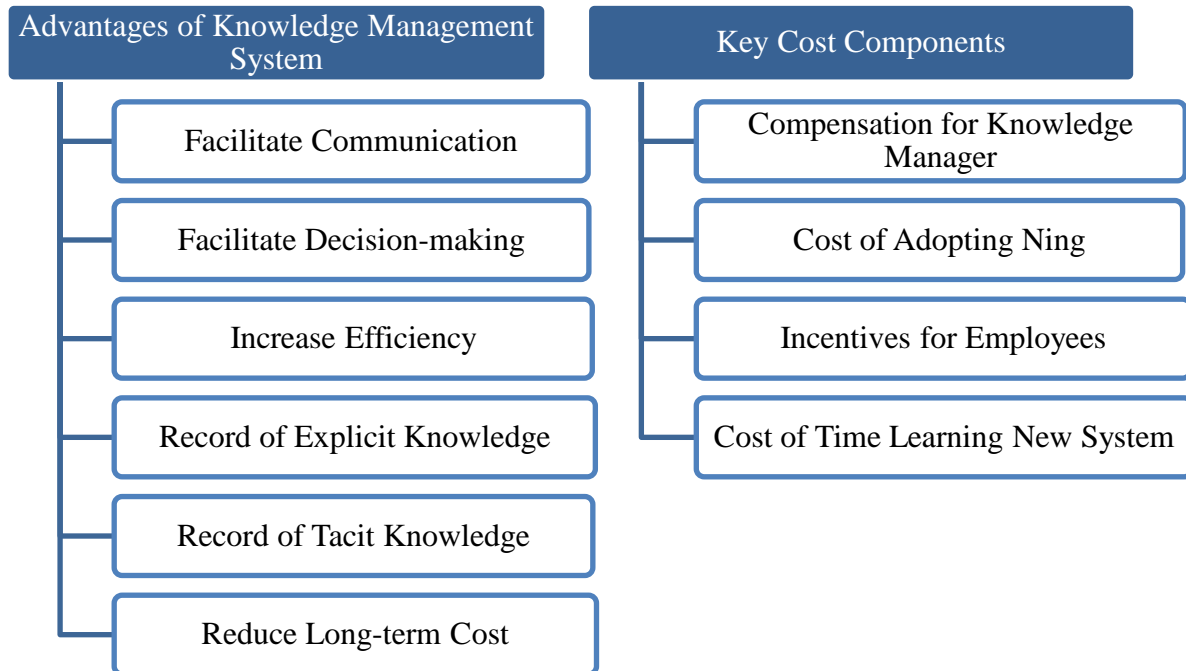
- Training of new and current associate accountants on how to access and obtain information from the Ning network.
- Development of a training program for new staff that the knowledge management team can conduct after the knowledge manager's position is eliminated.

²⁷ Michael, Scott. "The Role of the Chief Knowledge Officer."

POTENTIAL COSTS & BENEFITS

With the implementation of a knowledge management system, we would realize certain costs and benefits. A general overview of the costs and benefits is provided below in Figure 3, followed by a detailed analysis.

Figure 4: Costs and Benefits of a Knowledge Management System



As indicated by the chart, there are six significant advantages derived from knowledge management systems:

- **Facilitate communication.** Through the use of technology, it is possible to break down the physical and divisional barriers that exist within the firm.²⁸
- **Facilitate decision-making.** With more information readily available, key decisions can be reached quickly and confidently.
- **Increase efficiency.** Information can be stored and accessed, so there is no need to “reinvent the wheel.”
- **Record of explicit knowledge.** Employees will have the ability to easily access documented material - including accounting records for clients, memos stating MWT’s official policies and procedures, etc.²⁹

²⁸ "Knowledge Management – Training Module." Victoria: The Place to Be. www.mmv.vic.gov.au/Assets/234/1/KnowledgeManagement.pdf (accessed October 30, 2011).

- **Record of tacit knowledge.** Tacit knowledge that comes as a result of informal communication, experience, and observation can be released to expedite the learning process.³⁰ The information available will eventually decrease training time of new staff accountants.
- **Reduce long-term costs.** As efficiency increases and decisions are reached, training new employees and performing work will become less time-consuming which will ultimately lead to a decrease in overall costs.

However, the benefits of the knowledge management system come at a cost to the firm. From a financial standpoint, there are five key cost components:

- **Compensation for knowledge manager.** The average knowledge manager makes roughly \$59,000 annually.³¹
- **Cost of adopting Ning as the platform for knowledge sharing.** In order to create a network on Ning for employees to share information, there is an annual cost of \$239.90 for the Plus plan.³²
- **Cost of adopting a document management system.** I estimate the cost of adopting a document management system to be roughly \$80/month.
- **Incentives for employees.** In order to encourage employees to adopt the knowledge management system, the program will have to be incentivized. The cost of the incentives for the knowledge management program is estimated to be \$475 annually.
- **Cost of time to learn new system.** A fair amount of time will have to be devoted in order to train employees on how to use the knowledge management system. The cost of the time spent learning the system is difficult to calculate, but will decrease over time as the system is integrated into the firm.

For MWT, the temporary position of knowledge manager would be the most cost-effective way to realize the benefits of knowledge management, without incurring the long-term financial burden of permanently retaining a knowledge manager on staff. In the short term, there will be a substantial cost component involved in starting the knowledge management system. However, these costs will seem insignificant when considering the long-term implications of knowledge sharing within the firm.

As a rough cost-benefit analysis, the return on investment (ROI) for the knowledge management system is shown in the following figure. Refer to *Appendix A* for a detailed ROI calculation.

²⁹ "Knowledge Management – Training Module."

³⁰ "Knowledge Management – Training Module."

³¹ "Knowledge Manager Salary." Indeed. <http://www.indeed.com/salary/Knowledge-Manager.html> (accessed October 30, 2011).

³² "Pricing Plans." Ning. <http://www.ning.com/compareplans> (accessed October 30, 2011).

Figure 5: Estimated ROI Calculation

Estimated Initial ROI:

- Total Benefits: \$ 48,517.14
- Total Cost: \$ 63,989.90
- Initial ROI: -24.18%

Estimated Long-term ROI:

- Total Benefits: \$ 72,517.14
- Total Cost: \$4,989.90
- Long-term ROI: 1353.28%

IMPLEMENTATION PLAN

The knowledge management system can be phased into MWT in a series of steps, as shown in the outline below.

Step 1: Identify the objectives of the knowledge management system.

The first step in implementing a knowledge management system is to identify objectives of the system. It is important for the staff to have a clear understanding of the firms' knowledge management goals. Please refer to *Appendix B* for sample questions to identify objectives.

Step 2: Fostering a collaborative culture.³³

In order to prepare employees for the changes that will result from the knowledge management system, companies need to foster a collaborative culture for employees. Since we value and encourage learning and innovation at MWT, the environment is already conducive to the sharing of information. Therefore, no major changes must be made to our current culture. However, one way that we can further encourage the sharing of knowledge is to shift the incentive structure to reward cooperative rather than individual efforts.³⁴

Step 3: Assemble the knowledge management team.³⁵

Assembling the knowledge management team will explicitly identify staff members who are in support of the system. As previously stated, all levels within the organization will be represented

³³ "Seven Steps to Implementing Knowledge Management in Your Organization." Dataware Technologies. www.systems-thinking.org/kmgmt/km7steps.pdf (accessed October 31, 2011).

³⁴ "Seven Steps to Implementing Knowledge Management in Your Organization."

³⁵ "Seven Steps to Implementing Knowledge Management in Your Organization."

on this team and given the responsibility of monitoring and maintaining the system. Partners should consider selecting staff to be involved in the hiring process of a knowledge manager to raise awareness of the impending changes and to further the collaborative culture described in Step 2.

Step 4: Perform the knowledge audit.³⁶

In order to conduct the knowledge audit, the knowledge management team will need to enlist the help of all the members of the firm. The purpose of the knowledge audit is identify knowledge that we currently possess, knowledge that we currently do not possess, which staff members need specific knowledge, and how it will be used once it is obtained.³⁷

As knowledge is gathered, it should be stored within the proper system. Meanwhile, an effort should be made to release the tacit knowledge of staff members by asking questions and increasing expert accessibility.³⁸ One way to increase expert accessibility is through the Ning network. Members of the network can list specialized skills and knowledge on their profiles to make it easier for others to identify and contact the right person with questions.

Once knowledge is obtained, we must organize it within the Ning network and document-management system so that that it is easily accessible.

Step 5: Provide training

In order to realize the benefits of the knowledge management system, we must teach employees how to use the system. The training will cover how to use Ning and the document management system effectively to search and post knowledge. More information on Ning will be provided later in the report.

Immediately after the training, the staff will be expected to begin using the system. In order to encourage the staff to use the knowledge management system, the rewards system will be implemented.

In addition to training the employees, the knowledge manager will have to develop a training program that can be used by the team once the manager position is eliminated. This will be particularly important if the knowledge manager is hired externally and will not be returning to another position within the firm.

Step 6: Measure effectiveness

The benefits of the knowledge management system will be both tangible and intangible. Some of the metrics that we can use to measure effectiveness include the following:

³⁶ "Seven Steps to Implementing Knowledge Management in Your Organization."

³⁷ "Seven Steps to Implementing Knowledge Management in Your Organization."

³⁸ "Seven Steps to Implementing Knowledge Management in Your Organization."

- Measure training time for new associates and partners to note any change before and after implementing the knowledge management system.
- Measure the time and cost of performing tasks before and after implementing the knowledge management system.
- Survey employees to gain input on how they are using the knowledge management system, what the most beneficial aspects of the system are, what practices they have put into practice as a result of the knowledge management system, and if they have gained more confidence as a result of the implementation of a knowledge management system.

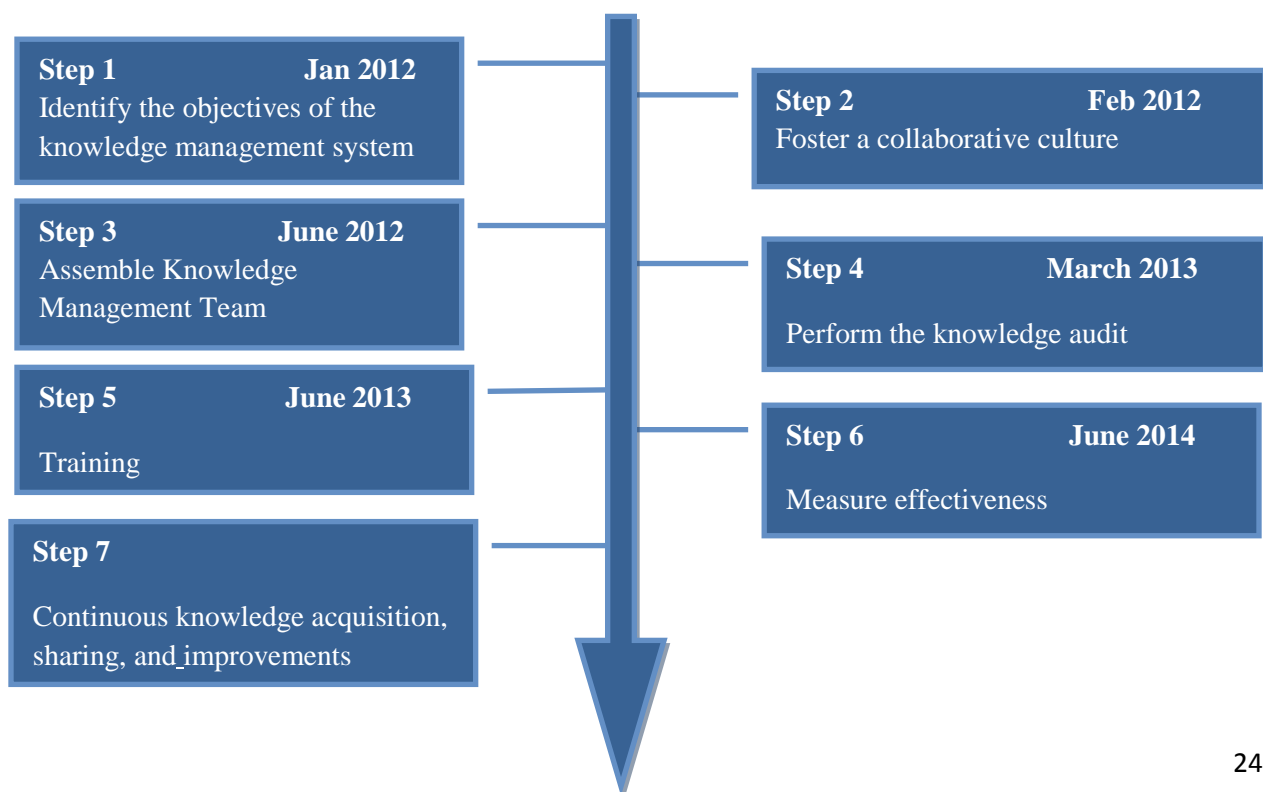
Step 7: Continuous knowledge acquisition, sharing, and improvements

The acquisition of knowledge is an endless process. As new information is released and accounting standards and procedures are changed, MWT must continue to collect new information and revise and delete outdated information within the system. For this reason, the team must constantly monitor the system to assess what information has become obsolete and what information is missing within the system. Also, changes must be made to the system as feedback is received from other employees.

Creating a Timeline

Now that the implementation plan has been developed and methods for expediting the system have been established, we can create a timeline for installing the knowledge management system.

Figure 6: Implementation Timeline



According to the plan, the knowledge management system is set to be fully implemented by June 2014. At this time, there will likely be some alterations and improvements that will need to be made by the knowledge manager and team. The knowledge manager should also begin training the team to create a self-sustaining system in the absence of a full-time knowledge manager in December 2014, when the position is tentatively scheduled to be eliminated.

Expediting the Process

Given the current demographics of our firm, there is a sense of urgency involved in implementing the knowledge management process. In developing this plan, we have already taken into consideration some factors that will help expedite the setting of the system in place.

First, I have recommended hiring a knowledge manager who will be fully dedicated to the accumulation and dissemination of knowledge within the firm. Second, we have already identified the technology that we will use in storing the knowledge – the Ning account and the shared network.

In order to further expedite the knowledge accumulation process, we can take advantage of certain tools and programs:

- **“Job rotation.”** In order to identify missing knowledge, it would be beneficial to develop a “job rotation” program. In this program, an accountant who is not familiar with a certain client or industry would join accountants who work in those areas. During that work experience, it will be easier for the “rotator” to identify where information is missing or unclear.
- **Knowledge conferences.** Another method for expediting the knowledge sharing is to organize knowledge conferences within the firm. During these conferences, a partner would prepare a presentation on best practice techniques or other important topics. Key personnel who could benefit from this knowledge would be invited to attend the conference. In addition, the presentation would be recorded as a video and posted to the Ning account for future reference.
- **Mentorship.** Setting up a mentorship program is another way to expedite the process of knowledge accumulation and sharing. In the mentorship program, less-experienced staff members would be paired with more experienced staff members in order to gain advice and insight. These programs would be especially helpful for people who learn best with a more personal approach.

UNDERSTANDING & UTILIZING THE FEATURES OF NING

Ning is an online social networking system used to share information within a system of networks.³⁹ Members of Ning can create and join networks that match their interests. Networks can either be public or private and, within a network, groups can be created narrow interests even more.⁴⁰

For our purposes, we can create a private network for MWT that all associates and partners would be required to join. Within the network, we can create groups for the four major fields within MWT - attestation and assurance (A&A), tax compliance, general business consulting, and basic accounting services. Each group would contain useful information related to that field – via articles and discussions on the forum and videos. The information posted on the Ning account could be from external sources or from employees at MWT. These articles and videos would focus more on the tacit knowledge aspect of the firm, rather than the explicit knowledge which would be captured more effectively using the document management system.

Another advantage of the Ning network is the ability to reply to the posted items. The replies will help give feedback on the content posted in terms of accuracy and professionalism. The replies will also aid the knowledge manager and team in monitoring the content on the Ning account.

In order to ensure that employees are receiving information from the Ning network, e-mail notifications will be used to update others on what information is available on the Ning account. Now, it is even easier to stay up-to-date on Ning networks because Ning offers a phone application so that updates come directly to the users' phone. Furthermore, Ning provides a home for all social media since it allows users' to post links to personal blogs, Facebook, and Twitter accounts on the users' profile.

At first, the knowledge management team will have to spearhead the project of posting content to the Ning account during the knowledge audit. Once there is enough information on the account, then the organization-wide training can begin on how to use Ning as a resource.

In order to encourage the use of Ning, MWT can offer incentives for posting content to Ning. Every six months, we can ask for feedback on which employee posted the most valuable content to Ning during the quarter. A reward and recognition will be given to this employee for their contributions. As Ning becomes more and more integrated into the organization, the incentives can be offered on a semi-annual basis rather than quarterly.

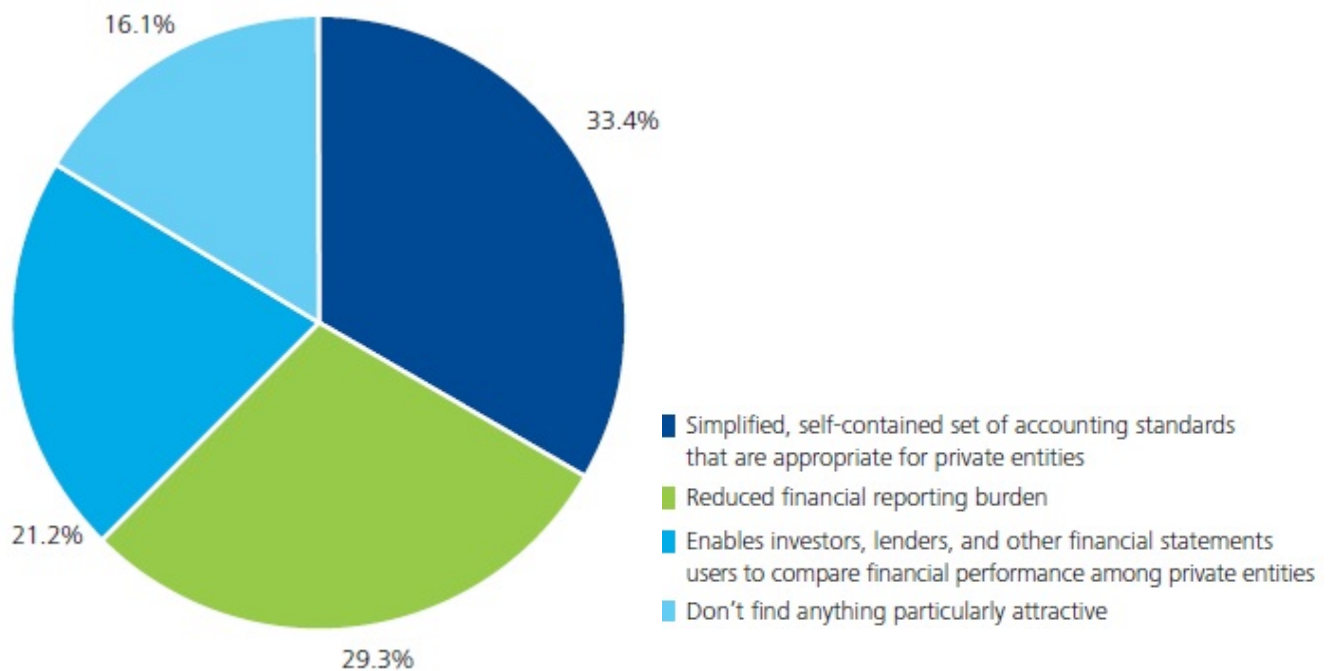
³⁹ "7 Things You Should Know about Ning." Educause Learning Initiative. <http://net.educause.edu/ir/library/pdf/ELI7036.pdf> (accessed October 30, 2011).

⁴⁰ "A Sample Ning Network." YouTube. <http://www.youtube.com/watch?v=gG9Bj8RA7vs&feature=relmfu> (accessed October 30, 2011).

EFFECT OF CHANGES IN THE CPA PROFESSION

Globalization has accelerated the process of interconnectedness between different regions around the world and it has involved an increased openness in the international economy, politics, and culture. The unification of the world's economic environment has nurtured remarkable growth in traditional international trade and financial transactions. MWT must be proactive in utilizing our knowledge management system to address the changes in globalization, mobility, technology, and the resulting impacts on our CPA practice. Small to medium size privately held firms, which composed the majority of MWT client base, are not yet required to comply with International Financial Reporting Standards (IFRS) by Securities and Exchange Commission (SEC). Yet, the IFRS convergence process for public firms is likely to have a related impact on private company reporting.

Figure 7: What aspects of IFRS for Private Entities do SMEs find more attractive⁴¹



In order to gain a competitive edge over our peers in accounting field, I recommend the following:

- Establishing an IFRS Conversion Committee that will oversee MWT's convergence to IFRS standards.

⁴¹ Becher, Mike, Jeff Carr, and Nathan Andrews. "International Financial Reporting Standards - What it means for private company reporting." Deloitte. www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Tax/us_tax_IFRSforprivatecompanyreporting_052010.pdf (accessed October 24, 2011).

- Capturing the impact of global accounting standards on certification, as well as unifying accountants' skill sets.
- Utilizing advanced technology to improve the quality during knowledge sharing process.

GLOBALIZATION

The tremendous expansion, diversification, and integration of the world's capital market has called for a transition from the diverse local financial reporting standards toward a single set of universal auditing and accounting standard, in order to create a more consistent and comparable financial reporting environment. To date, there are approximately ninety countries that have fully conformed with International Financial Reporting Standards (IFRS), the unified global accounting standard.⁴² U.S. public companies are undergoing the process of convergence from U.S. GAAP to IFRS

Some of our business clients have been growing rapidly over the past few years, and I predict that those companies have the potential to grow larger in the future. Under the influence of globalization, these companies may start to consider international involvement and expand their operations overseas. This leads us to believe that more and more firms will look for CPA firms with the expertise in IFRS. The convergence process from U.S. GAAP to IFRS is a long-term commitment and requires careful long-term planning. MWT should start early so that we will be ready to provide IFRS services when needed. To ensure a smooth transition, MWT must first manage effective development and distribution of knowledge of IFRS. An IFRS transition mandate can be based on two major stages:

- (1) Establishing an IFRS Conversion Committee⁴³
- (2) Identifying, training and knowledge sharing for IFRS

Throughout the entire conversion process, there should be strong commitment and involvement from all levels of the organization and distribution of significant IFRS resources. The importance of effective communication amongst partners, senior accountants, and accounting associates should also be highly emphasized.

⁴² AICPA. "AICPA | www.IFRS.com : IFRS FAQs." AICPA | www.IFRS.com - International Financial Reporting Standards Resources. http://www.ifrs.com/ifrs_faqs.html#q3 (accessed October 24, 2011).

⁴³ Difazio, Nicholas, Glen Feinberg, and Susan Hogan. "The IFRS Center of Excellence." Deloitte. webserver3.deloitte.com.co/Servicios%20compartidos/us_css_IFRSCoE.PDF (accessed October 25, 2011).

Establishing an IFRS Conversion Committee

According to experienced CPA firms that have converted to IFRS, a major transition challenge is the shortage of IFRS knowledge. Having a talent pool for international standards is a prerequisite for efficiently sharing and utilizing the accounting standards within MWT.

An IFRS Conversion Committee responsible for communicating and issuing the consistent application of the accounting policy, facilitating training for staff in MWT, and assisting all parties in adhering to a single, unified plan should be formed. The company should “start to identify current staff members who could be developed into IFRS specialists. Those who are already well-versed in company accounting policies and procedures are in an ideal position to undertake intensive IFRS training.”⁴⁴ Including a full range of MWT’s staffing would be helpful for the team to execute the plan at different levels of the organization. Therefore, the ideal team should consist of a partner, senior accountants and younger associates.

One of the newly admitted partners with IFRS experience should head the committee, as it is crucial to initiate IFRS conversion from the top down. The more experienced senior accountant or partner can understand the accounting issues and make better judgment calls. Thus, the partner who oversees the IFRS Conversion Committee can function as a facilitator as well as an advisor to younger staff about the impact of IFRS. Another option to fulfill this leadership role would be to bring in an IFRS expert. Since MWT is planning to admit new partners over the next seven years, we should consider hiring a former expatriate, who previously helped private issuers convert IFRS financial statements to U.S. GAAP⁴⁵.

The newly hired staff (especially the class of 2011) coming into MWT has knowledge of IFRS because of the new accounting major curriculum that is being implemented in universities and more recent requirements of the Uniform CPA Examination. MWT has also been working with its human resources personnel and has started evaluating interviewees’ familiarity with IFRS when conducting interviews for the firm’s full-time positions.

Identifying, training, and knowledge sharing for IFRS

Once the IFRS Conversion Committee is established, the members of the committee can fulfill their duties within MWT:

- **Identifying** key differences between the current GAAP and IFRS, including the impact on accounting policy, tax provisioning, as well as the financial reporting process, will play a vital role in the implementation of future procedures. (Please refer to *IFRS/U.S. GAAP Comparison for Private Entities* in Appendix C.) The IFRS Conversion Committee should focus on creating a solution that meets our firm’s specific needs and objectives.

⁴⁴ Beresford, Dennis. "International Financial Reporting Standards for the United States - Making the Talent Transition." Robert Half Management . www.ifrs.com/pdf/RHMR_AICPA_0709_WP_IFRS_US%5B1%5D.pdf (accessed October 25, 2011).

⁴⁵ Beresford. "International Financial Reporting Standards for the United States - Making the Talent Transition."

Based on the expertise MWT has developed over the years, the committee should particularly address significant industry-specific IFRS issues, including construction, manufacturing, multi-family housing real estate, and non-profit.

- **Training** for all personnel throughout the organization can commence once the IFRS Conversion Committee has established the convergence goals. Such training opportunities could be provided both inside and outside the firm. A training plan established by the IFRS Conversion Committee may include regular training from in-house IFRS specialists, tailored seminars provided by outside expertise on a monthly basis, and other external learning opportunities from professional associations and other accounting firms.

An IFRS transition case study from a Canadian company, Husky Energy, has shared some of their experience of adopting IFRS⁴⁶:

“Training has primarily been in the form of self-study by the firm’s staff. Cowan notes that employees are motivated to gain IFRS knowledge because they see it as a future necessity. To supplement self-directed efforts, Husky also sends employees to IFRS seminars and has occasionally partnered them with external consultants working with the firm to gain opportunities for face-to-face learning.”

- Cowan, Husky Energy

Since MWT has the advantage of having an IFRS Conversion Committee, the self-study process of the staff will be more efficient with the committee’s assistance. On the other hand, we could draw on Husky Energy’s experience of bringing in external IFRS consultants for staff training. If MWT’s budget permits and the benefits outweigh the costs, we may also consider sending our in-house IFRS specialists to train with other CPA firms who are considered early IFRS adopters. In doing so, we can improve our level of expertise with firsthand experience.

- **Sharing** knowledge is one of the most critical steps of an IFRS adoption project. Clear, continuous and consistent communication with the staff will reduce the risk of misinterpretation and will assist with a smooth transition. The committee should generally include a standing IFRS agenda update item and communicate with the rest of the firm in a timely manner. Communication methods consist of various forms:

⁴⁶ Beresford. "International Financial Reporting Standards for the United States - Making the Talent Transition."

- **Mentoring Program & Presentations.** Weekly IFRS presentations tailored to different levels of the organization, with occasionally one-on-one coaching by our trainers, if necessary;
- **Mock Case Study Exercises.** Mock case study exercises developed by the IFRS Conversion Committee can further reinforce the IFRS skill sets that staff have obtained. By placing them in a hypothetical situation and utilizing the knowledge they have learned, the committee can assess how well the staff has retained what they have been educated. At the same time, group case studies can also offer a great opportunity for all the staff to share their learning experience from common development;
- **Email Alerts.** Emailing IFRS update-alerts to every staff member will allow the Committee members to share the important IFRS updates with the entire firm effectively. The email alerts can also include external e-learning opportunities, such as IFRS related webinars and publications. This will encourage the staff to keep updated on current IFRS issues; and
- **Feedback.** Members of the committee may also find it appropriate to obtain feedback from the rest of the organization in order to assess the overall extent and complexity of the conversion project, thus aiding the committee in make future decisions on how to plan, structure, and resource the project and determine the next step.

There are several internet resources we can incorporate into the knowledge sharing experience. One prime example is the IFRS for SMEs-U.S. GAAP Comparison Wiki⁴⁷ on the American Institute of CPA's website (<http://www.aicpa.org>), a simplified version of full IFRS targeted at meeting the needs of private company reporting. This tool is particularly useful for our firm as most of our clients are small to medium-sized privately owned businesses. "But this is more than just a comparison resource, it is a Wiki. That means it is a collaborative, ongoing work in progress for anyone to contribute and use."⁴⁸ MWT staff can use this Wiki tool in the course of learning and sharing the knowledge with regards to IFRS for SMEs, while collaborating with other CPAs on certain issues. AICPA Accounting Standards team members serve as administrators, monitoring all edits made to the Wiki to confirm the accuracy of the edit.⁴⁹ Meanwhile, our own IFRS Conversion Committee can also provide certain guidance to the firm on how to utilize this online tool more effectively.

⁴⁷ Defelice, Alexandra. "IFRS For SMEs-U.S. GAAP Comparison Tool Available Online." Journal of Accountancy. <http://www.journalofaccountancy.com/Issues/2010/Apr/20102564.htm> (accessed October 26, 2011)

⁴⁸ AICPA. "AICPA | IFRS for SMEs - U.S. GAAP Comparison Wiki : Wiki Home." AICPA | IFRS for SMEs - U.S. GAAP Comparison Wiki : Wiki Home. <http://wiki.ifrs.com/> (accessed October 28, 2011).

⁴⁹ AICPA. "AICPA | IFRS for SMEs - U.S. GAAP Comparison Wiki : Wiki Home."

MOBILITY

“In an increasingly global economy, business no longer stops at national borders much less at state lines. With advancements in technology, even relatively small companies have little difficulty extending operations across the nation. All businesses – big and small – need the services of certified public accountants. But should CPAs’ ability to provide services to their customers end at the state line? We think not.”⁵⁰ --- CPA Mobility

Active international transactions, together with an increasingly unified financial accounting reporting environment (the implementation of IFRS) are influencing accountants to consolidate their knowledge and skill sets to better suit the needs of various financial decision-makers. On the other hand, the globalization of accounting standards also indicates the impact of diverse international influence on the accounting profession. There is a need for MWT to establish a knowledge management strategy to capture the impact of global accounting standards on certification and skill sets requirements.

MWT Current Talent Status

Each individual brings their own unique strengths to the firm and they will develop new skills in the course of their employment. However, there are still areas for potential individual growth, especially with the movement towards a single set of high-quality international accounting standards. By effectively accumulating and sharing knowledge amongst our staff, we can thrive as a group to achieve a new level of excellence. With a general assessment, the following table exhibits the current composition of MWT’s talent pool:

⁵⁰ "CPA Mobility ." AICPA . <http://www.aicpa.org/Advocacy/State/Mobility/Pages/default.aspx> (accessed October 28, 2011).

Figure 8: MWT's Talent Pool

7 Partners	9 Managers	13 Senior Accountants	18 Associate Accountants
<p>There are a total of 39 people that are Certified Public Accountants. Among these, 6 of them were certified in 2011 and those 6 pass the CPA Examination which incorporated IFRS</p>			
<ul style="list-style-type: none"> • Extensive experience under U.S. GAAP reporting • Two newly admitted partners have previous experience with clients reporting under IFRS 	<ul style="list-style-type: none"> • Extensive experience under U.S. GAAP reporting • 5 managers have previous experience with clients that have international presence 	<ul style="list-style-type: none"> • Specialized in attestation and assurance (A&A) • 5 specialized in tax compliance • 3 specialized in general business consulting 	<ul style="list-style-type: none"> • 12 had IFRS curriculum in their college education

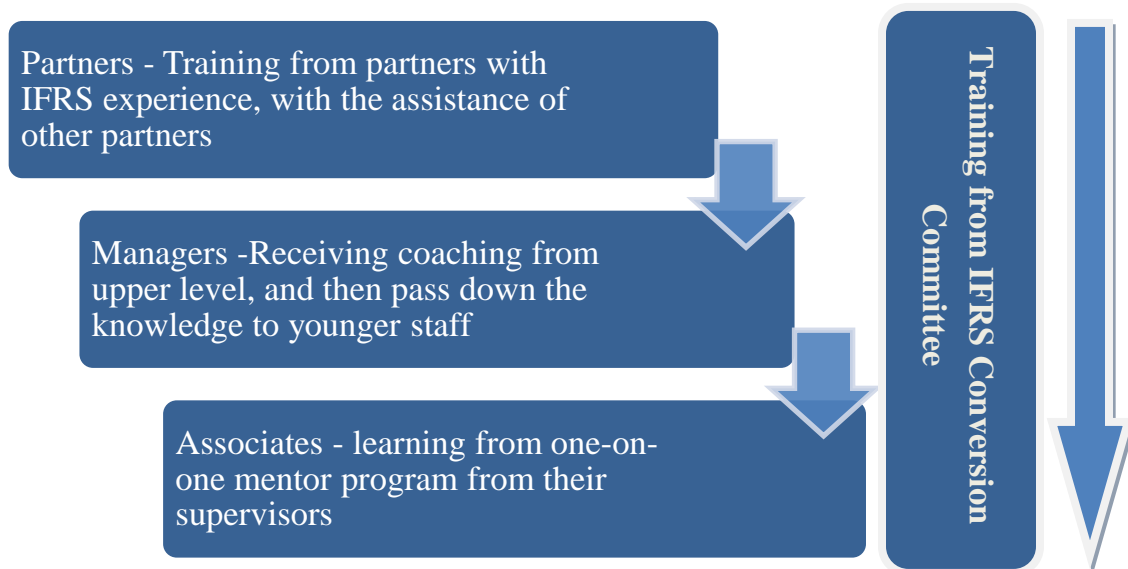
After analyzing the current composition of the firm, I have come to the conclusion the experienced CPAs and the younger CPAs each have their respective strengths in terms of potential to grow in the transition to IFRS. To be prepared for IFRS, the management team has to get everyone thinking on the same page. The entire firm should have a culture in which every individual shares his or her knowledge with the rest of the organization. That way, our skill sets will be unified and everyone will be ready to take on possible challenges of an international environment.

How Can Experienced CPAs Contribute?

The most valuable intangible asset for skilled CPAs is their experience. For those who have already been with MWT for many years, they are familiar with the firm's culture and understand our company's accounting policies and procedures. The two partners who have previously worked under IFRS standards should initiate an IFRS plan that communicates their experience to the managers and senior accountants, At the same time, the rest of the partners in the group should assist in the process by sharing their experience on making judgment calls. IFRS is more of a principle-based set of standards; thus it requires many decision-making skills. The managers who have had prior experience with international firms can provide their input during the process. This knowledge-sharing process will be more efficient if it can be merged into the training by the IFRS Conversion Committee. As managers and senior accountants learn the major differences between the two standards and the resulting impact on reporting procedures,

they will be able to pass down their knowledge to the associate accountants through one-on-one mentoring.

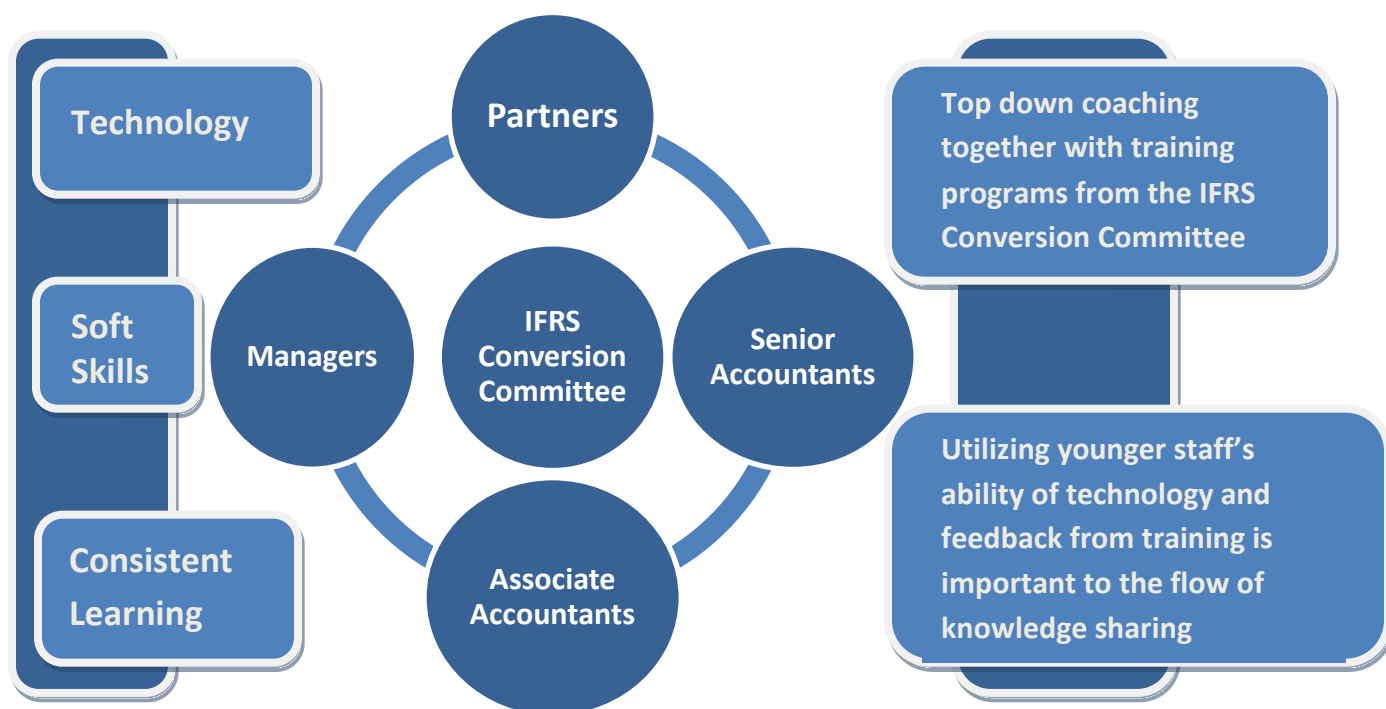
Figure 9: Top-Down Training for IFRS



How Can Younger Staff Contribute?

Many of the accounting educators are aware of the urgency of IFRS conversion, so IFRS has been integrated into university curriculums as well as the Uniform CPA Examination. Input from younger staff, including their feedback from mentoring, may also be valuable during the IFRS knowledge sharing process. There are also many external learning opportunities related to international accounting standards, many of which are provided through advanced technology, such as webinars and podcasting. The younger generation of associate accountants tends to be more tech-savvy and adaptive to new technology. For this reason, they should actively share their knowledge of technology and its benefits with other members of the firm.

Figure 10: Training Diagram



Assisting Tips for the Entire Group

1. **Technology:** MWT should utilize relevant technology in conjunction with core CPA values to deliver superior service. Keeping up-to-date with technology will assist accountants in being more efficient at exploring IFRS knowledge. For instance, E-collaboration is often used by CPA firms and the most common forms consist of real-time communication (e-review) and collaborative content management (electronic workpapers)⁵¹. These forms of technology increase the efficiency and effectiveness of communication. Another example is the IFRS Center of Excellence (CoE). This IT platform “aggregate(s) work into a single organization that allows (the) process to be redesigned so that the work can be performed more efficiently than when it was parceled out among multiple groups⁵²”. MWT should consider importing any suitable IT platform to assist the firm in sharing and accumulating IFRS updates and relevant knowledge.
2. **Consistent Learning Experience:** “Lifelong learning will take on greater importance as a way for CPAs to stay up-to-date as the pace of change accelerates.⁵³” Accountants

⁵¹ Shea, Vincent. "E-Collaboration and the Financial Auditor ." Kent State University. www.iglobal.com/viewtitlesample.aspx?id=12420 (accessed October 27, 2011).

⁵² Nicholas, Feinberg, and Hogan. "The IFRS Center of Excellence."

⁵³ " CPA Horizons 2025: A Road Map for the Future." Journal of Accountancy. <http://www.journalofaccountancy.com/Web/20114688.htm#> (accessed October 29, 2011).

must be familiar with the most recent regulations and standards and be well informed of international business issues and trends. This information may have influence on the international accounting standards. The IFRS Conversion Committee may wish to select certain articles and post them on Ning to assist staff in filtering information.

3. **Soft Skills:** Soft skills are just as important as technical skills. Therefore, management should place an emphasis on communication skills throughout the IFRS conversion process. Communication and interpersonal skill will be useful when accountants share and present their experiences to others, provide effective feedbacks to higher level managers, and interact with clients.

Without practical experience or demonstrated performance, there is a risk that the IFRS conversion would serve merely as only an “academic” exercise. Furthermore, lack of deep knowledge of the implications of the IFRS conversion can lead to missing critical IFRS accounting and reporting conversion issues.⁵⁴ The combination of training through the top-down management system, together with in-house IFRS specialists, and interaction among different levels of the organization can unify various skill sets and accelerate the knowledge sharing process.

COLLABORATION WITH OTHER ACCOUNTING FIRMS

Besides MWT’s strategy plan for IFRS Conversion, external collaboration with other accounting firms can also help improve the efficiency of knowledge sharing. However, potential drawbacks may arise in the process of working with peers.

Advantages:

It is important to stay up-to-date with the actions of peer accounting firms where IFRS is concerned. “Most CPA firms will want to know what their peers are doing as it relates to IFRS and, specifically, the financial reporting decision that are being made. This is especially challenging when the selection of accounting policies is influenced by local industry practices and peer group comparisons, both of which are also in a state of transition.”⁵⁵

Peer Review

Periodic peer review can make the IFRS conversion process more effective. During peer review, firms usually share:

⁵⁴ King, Bill. "IFRS Risk Manager." NorthPoint. <http://ifrsrisk.wordpress.com/tag/ifrs-knowledge/> (accessed October 30, 2011).

⁵⁵ Nicholas, Feinberg, and Hogan. "The IFRS Center of Excellence."

- Best practices of how to unify accountants' skill sets under the practice of IFRS, how to retain upper-level managers' knowledge within the firm, and how to develop younger staff to be quickly immersed into the firm's culture
- Valuable insights on external resources of which firms can take advantage, such as publications from authorized organizations (AICPA) about the most recent updates on IFRS practices and seminars from the Big Four public accounting firms, as they are the earliest adopters for the IFRS Convergence
- Efficient procedures from their own firms and others with which they have worked, such as the types of knowledge management systems worth adopting to capture, share, and retain the knowledge of IFRS, as well as the IT system they have been using
- Obstacles and limitations firms have experienced during the conversion process. Please refer *Appendix D for Issues Encountered and Key Lessons Learned*⁵⁶.

Connecting with similarly-sized accounting firms who are also undergoing the same process of transition from U.S. GAAP to IFRS allows for the collaboration of ideas in order to generate better solutions for our organization. Prior to peer review, the management may consider using a questionnaire to make the firm's objectives clearer throughout the peer review process. A sample questionnaire is located in *Appendix E*.

At the conclusion of the peer review process, partners and appropriate staff should discuss the improvement of the knowledge management plan discovered in the peer review process. In doing so, we can provide better solutions for MWT and utilize the suggestions to improve the efficiency of IFRS knowledge.

Exporting Training Program

Through interactions with other accounting firms, MWT may find it more cost effective to outsource some of its initial IFRS education and training to outside firms if these firms have a more experienced training program. Instead of establishing an in-house training program from scratch, MWT can reserve its budget and human resources for focus on the more pressing aspects of IFRS transition. For example, another firm is creating incentives to encourage their accountants to attend courses for Certificate of Educational Achievement in International Financial Reporting Standards.⁵⁷ It might be beneficial to the firm to have staff members to be trained in the same way. Based on that firm's experience, MWT may also look into the IFRS Certificate Program for its in-house IFRS specialists.

⁵⁶ Nicholas, Feinberg, and Hogan. "The IFRS Center of Excellence."

⁵⁷ " News | AICPA Introduces IFRS Certificate Program Based on Comprehensive, Integrated Curriculum, Online Study ." GAAP-IFRS. Theory and practice of financial and management accounting. <http://gaap-ifs.com/news/119837/> (accessed October 29, 2011).

Disadvantages:

Working with other firms can be a win-win situation for all parties, but it can also generate some pitfalls for participants, such as the potential loss of MWT's own accountants to other firms. This will result in a loss of our competitive edge.

Talents Outflow

When interacting with other CPA firms, the other firms have the opportunity to gain the talents of our employees. Despite working with these firms, they are still considered MWT's competition. As such, it is possible that other firms may contact our own employees and raid out our talent.

1. Our accountants have the experience or skill set that other firms are looking for, therefore those firms may offer better compensation to attract our employees
2. Our own accountants may consider leaving, should they discover that they are more interested in working in specific fields which MWT does not practice, but other firms do.

If an employee leaves MWT, we risk the loss of knowledge that he or she takes to another firm.

Losing Our Competitive Edge

The knowledge sharing process can be advantageous to MWT's own knowledge management system by enabling us to avoid errors that other firms have experienced during the conversion process. On the other hand, by presenting to other firms some of our innovative ideas regarding IFRS knowledge, we could lose our edge in the competitive accounting field. Indirectly, this may affect our client base if our clients believe that we are not able to provide the benefits that our competitors can provide.

Technology

Technology has been an integral part of business, and MWT should maximize the benefits it can provide regarding knowledge sharing. As technology develops, so do the businesses using it. Technology helps to improve businesses by creating efficient use of time, reductions in cost, and furthering employee education. In particular, the use of technology is growing in terms of knowledge management. Knowledge management systems are a trend for many businesses today that are trying to improve on the ways in which their employees receive, store, and share information. How can new technology affect knowledge management?

Figure 11: Advantages and disadvantages of technologies to use with KM

	Advantages	Disadvantages
Podcasts	<ul style="list-style-type: none"> • Captures information as soon as its stated through interviews • No location restrictions • Efficient use of resources⁵⁸ 	<ul style="list-style-type: none"> • No interaction • Accessibility issues • Productivity issues
iPhone, iPad, iPod Applications	<ul style="list-style-type: none"> • Numerous applications that are solutions to problems 	<ul style="list-style-type: none"> • Some cost money that employees may not be willing to spend
Dropbox application	<ul style="list-style-type: none"> • Simple user interface • Integrated with the desktop • Allows you to share files with anyone⁵⁹ 	<ul style="list-style-type: none"> • Low storage amounts (2GB)

Podcasts:

Podcasts are being implemented in the world of business today as a way of improving on knowledge management. Podcasts are low cost and can be stored for later use. Our employees will benefit from the use of podcasting in sharing information and education. MWT will look to use podcasts in the future to continue to grow knowledge management internally.

iPhone, iPad, and iPod Applications:

When purchasing the latest technology from Apple such as the iPad or iPhone, there are a variety of applications available for purchase. Many of these applications can assist MWT with its time management and documentation. This new technology is beneficial especially for our staff members who travel more frequently.

An application can be made for virtually any aspect of our business, and it is important that we are able to recognize this as an area for improvement in knowledge management. Applications

⁵⁸ “Podcasting: A New Way to Create, Capture and Disseminate Intellectual Capital.” The Free Library. <http://www.thefreelibrary.com/Podcasting%3a+a+new+way+to+create%2c+capture+and+disseminate+intellectual+...a0184765288> (accessed October 28, 2011).

⁵⁹ Accattato, Dominick. “File Storage: Microsoft Mesh vs. DropBox.” <http://www.newviewnetworks.com/nvnhome/blog/client/?p=48> (accessed October 28, 2011).

such as StaunchTalk from Matrix Knowledge Management allow for free communication for members in the same network.⁶⁰ Another application, GoodReader, is a PDF reader which makes reading PDF files on a mobile device easier. The application can download PDF files from a URL and can also connect to Google Documents.⁶¹ Both of these applications can help with communication in MWT.

Dropbox Application

Although we are a single office CPA firm, our accountants need to access information from multiple client locations. Dropbox is an online file folder which is accessible anytime, anywhere, on any computer or mobile device. Dropbox is a good application for sharing information that we can utilize for our knowledge management system when employees are off-site.

⁶⁰ "Staunch Talk." Appolicious.

<http://www.appolicious.com/tech/apps/194986-staunch-talk-matrix-knowledge-management> (accessed October 29, 2011).

⁶¹ Warren, Christina. "6 Best iPad Apps for Business Users." Mashable Business. <http://mashable.com/2010/04/18/ipad-apps-business/> (accessed October 29, 2011).

EXTERNAL RESOURCES

Our company must look into the future and realize the importance that knowledge management will play in our growth and success. In order to develop a system of our own, it will be helpful to research the systems put into place by other accounting firms and professions. Although our needs may not exactly match those of another profession, many of the knowledge management tools and technology used in other professions will be helpful in the creation of our own knowledge management system. As a new partner of this firm, I want to recognize the importance of knowledge management, set forth a plan to implement a knowledge management system, and enforce this plan in order to maintain the knowledge our firm already possesses. Through these actions, our firm will be equipped to transfer new knowledge and remain a competitive CPA firm.

KNOWLEDGE MANAGEMENT IN OTHER PROFESSIONS

Knowledge Management in Law

Today law firms are facing an increasingly competitive market due to specialization and a desire to compete globally. These forces have prioritized the value of knowledge in the profession. The practice of law can be viewed as the practice of knowledge, which creates an inherent need for the development of an efficient knowledge management system.

The structure of a law firm provides more insight to the significance that knowledge plays in this profession. Ideally, a firm consists of individuals who create and transfer knowledge quickly and efficiently.² Most law firms wish to deliver client satisfaction through service, to provide professional fulfillment to employees, and to achieve financial success. These same goals can apply to any profession, as these are the driving factors of a successful organization.

Additionally, these objectives provide the incentive to develop a knowledge management program.

The issues to be addressed in law firms relating to knowledge management are:⁶²

- Efficiency
- New competition
- Poor communication
- Retirement

⁶² Kabene, Stefane M., Philip King, and Nada Skaini. "Knowledge Management in Law Firms." Warwick. http://www2.warwick.ac.uk/fac/soc/law/elj/jilt/2006_1/kabene/kabene.pdf (accessed October 23, 2011).

Figure 12: Knowledge Management Issues in Law

	Issues Within the Law Profession
Efficiency	<ul style="list-style-type: none"> • Clients expect to receive services more efficiently through the use of technology. The firm incurs costs to improve technology, resulting in declining profitability. • Work is often inappropriately assigned to lawyers unfamiliar with the type of work.
New Competition	<ul style="list-style-type: none"> • Firms must have the ability to meet the needs of globalized clients.
Poor Communication	<ul style="list-style-type: none"> • Information obtained in one-on-one conversation is not readily available to other lawyers who need it.
Retirement	<ul style="list-style-type: none"> • Knowledge that is not shared is lost when lawyers retire.

When addressing these issues, law firms are currently using a variety of knowledge management tools. These tools include: wikis, document management systems, professional development programs, client-relationship management systems, and skills and expertise locators.⁶³

Wikis. Wikis are websites that can be edited by users on their personal web browser.⁶⁴ Public and private wikis allow the creator to control who is able to see the content on the wiki and who is able to make changes to the wiki. Some firms are implementing the use of wikis to effectively share knowledge among members. This may be done internally through a personal website or externally with the collaboration of other law firms. Wikis are proving to be an easy way to collect information, but need to be strictly monitored to ensure that all information is accurate.

Document-Management Systems. DMS are systems of electronic organization in businesses, which include images, messages, electronic documents, scanned documents, and other computer documents.⁶⁵ Through the use of DMS, organizations can retrieve and search for files with ease. Many systems offer web access so that files may be retrieved globally by the internet. Additionally, there are various controls that can be placed on the files such as a record of

⁶³ Rusanow, Gretta. "Global Law Firm Knowledge Management Survey-2006." LLRX. <http://www.llrx.com/features/kmsurvey2006.htm> (accessed October 23, 2011).

⁶⁴ "Wiki." Tech Terms. <http://www.techterms.com/definition/wiki> (accessed October 23, 2011).

⁶⁵ Electronic Legal Document Management System." Document Locator. <http://www.documentlocator.com/industries/legal-document-management.htm> (accessed October 23, 2011).

changes and correlation of files with related subject matters. DMS are just one aspect of knowledge management systems that aid law firms in organizing information.

Professional Development Programs. Programs for professional development are a growing trend in many professions. This education can come in two ways: a senior lawyer helps to mentor and train a newer lawyer, or a group of specialists is brought in to educate all members of the firm how to operate more efficiently.⁶⁶ Both methods can be advantageous to the firm because each allows for the exchange of knowledge from person to person. This form of knowledge management is much more personal and can be a great asset to any business. Many organizations have specific departments dedicated to the training and further education of employees that allow employees to receive experience in their specific field or practice.

Client-Relationship Management Systems. Systems providing information on client relationships are a popular tool used in business. However, these systems can be a bit complicated. Client-relationship management systems are used to maintain records on already existing clients and potential future clients. The main disadvantage of these systems is the inability to quickly update all the information.⁶⁷ Law firms may use these systems to retrieve past case information from the clients.

Skills and Expertise Locators. Locators are systems in which data on specific employees can be stored and searched. The data in the system defines special skills and knowledge that a certain employee possesses. These systems make it easy to trace which employee has experience or knowledge in a particular area. However, these systems just as client relationship management systems must be routinely updated.⁶⁸

A combination of these various management techniques can be used by law firms in order to better manage knowledge. There are areas where improvement could be made; however, the ideas do provide an example for CPA firms to follow. Other professions such as healthcare and education are also developing ways in which to manage knowledge.

Knowledge Management in Healthcare

Knowledge management is especially important in the medical field because this field has an impact on the health and wellness of individuals. The medical field is constantly growing with new advances in technology, discoveries of diseases and cures, and the issuance of new drugs. It

⁶⁶ " Professional Development." Hamilton Brook Smith & Renolds. <http://www.hbsr.com/careers/26> (accessed October 24, 2011).

⁶⁷ Klabunde, Tim. "The Perfect Client Relationship Management System." Cofebuz. <http://www.cofebuz.com/2009/09/21/the-perfect-client-relationship-management-system/> (accessed October 24, 2011).

⁶⁸ Ackerman, Mark S., and Christine Halverson. "Sharing Expertise: The Next Step for Knowledge Management." Electrical Engineering and Computer Science. <http://www.eecs.umich.edu/~ackerm/pub/03e06/ackermanhalverson-sharing-expertise.pdf> (accessed October 24, 2011).

is nearly impossible for all those who work in healthcare to gain knowledge on all the advances while still maintaining past information.

Open Clinical is an association of individuals, organizations, and commercial companies working together to provide better knowledge management in the area of healthcare. The association recognizes the many advances that have occurred within the field and works to promote the various informative mediums that are available to healthcare workers.

The goal of Open Clinical is to provide a system in which the informants can be recognized and reached by more individuals. In order to accomplish this they are providing a number of services including:

- Briefings on medical knowledge, management methods, technologies, and products.
- Demonstrations of technologies and applications which can be accessed through their website.
- Presentations of clinical knowledge-management projects and discussion papers.
- Links maintained by Open Clinical staff.
- Access to knowledge management software, which can be downloaded from the website.⁶⁹

This practice of a coordinating various individuals, organizations, and companies can provide a model for the CPA profession. In the future, this concept may be an especially important in knowledge management systems due to the globalization of accounting standards.

Knowledge Management in Education

Education is another profession where ideas on knowledge management can be found. Open Education Resources (OER) is a recent global movement dedicated to providing access to knowledge in the field. One organization, the Institute for the Study of Knowledge Management in Education (ISKME), is a leader in the movement toward knowledge management in education.

To date, ISKME has started 38 projects focusing on the open access of education to those who seek it. For instance, in 2009 ISKME started a project titled “The KC.org: Moving Knowledge Collaboration to Solutions that Scale”. This project focused on how knowledge is transmitted and transformed through individual participants and groups. In the second part of the project, the focus was to develop a way in which this knowledge could be easily shared through members of the education community. Ideas behind this project relate to those of a database in which information can be accessed and shared.

⁶⁹ "Open Clinical White Paper - The medical knowledge crisis and its solution through knowledge management." OpenClinical. <http://www.openclinical.org/docs/whitepaper.pdf> (accessed October 24, 2011).

A second project started by ISKME in 2009 is the OER Fellowship Program. The program is similar to a professional development event in which educational leaders can meet to mentor others. Topics being covered include:

- How to incorporate technology (wikis, Twitter, etc.) into teaching.
- How to collaborate, create, and share innovative OER projects.
- Mentoring of those new to OER.
- Advocating OER use in communities.⁷⁰

Promotion of knowledge management and open resources is important for the education field as it continues to grow. As information is made readily available to those in the educational field, it allows for growth and new ideas.

Relating Knowledge Management in Other Professions to CPA Firms

CPA firms are demanding more attention to be focused on knowledge management as the professional world moves towards a new era in technology. Past information must not be forgotten, new information must be disseminated, and the use of technology must be implemented. Taking time to research how other professions are handling their knowledge management issues will help the CPA profession to gain their own knowledge management systems.

There is a growing need for all professions to provide education on how to take advantage of new technologies. Experienced members need to be taught about newer technology and how it can be used to increase efficiency in their work. At the same time, less experienced members need to be taught the basic principles behind technology. Professional Development programs which are used by a variety of professions will help to address these issues.

Professional development has worked well, especially in the field of law. As CPA firms look to better manage their knowledge, they should follow the law profession and make professional development programs a part of their plan. Senior mentors will be able to share their knowledge gained throughout the lifetime of their career with the newer members in the firm. In return, the newer members of the firm may be able to educate other members on how to use the technology more effectively throughout the organization. Additionally, training programs provide a great way for firm members to practice and improve on the skills in which they already possess. The person to person contact helps to address more firm specific issues regarding knowledge management. Creating a Professional Development Department is a good option for larger firms, whereas bringing an outside specialized trainer regularly may be more beneficial to smaller firms. Regardless, the costs of professional development programs will prove to be beneficial in the future of the CPA profession.

⁷⁰ "OER Fellowship Program." ISKME. <http://www.iskme.org/our-work/oer-fellowship-program> (accessed October 24, 2011).

In addition to implementing some type of professional development program, CPA firms would benefit greatly by continuing to use online firm databases such as those used by various other professions. These databases will allow for firm members to share information with one another while keeping it organized for easy accessibility. Information stored in the databases will include research done by members, personal knowledge from members, and websites that members use for reference, such as wikis. Each firm may choose to create their own wikis as well. The information added to the wikis is readily available to all lawyers (or restricted to specific lawyers if the wiki is private) and can be edited once new information is learned. Wikis provide professionals with a community in which they can reach out to gain knowledge.

Thirdly, the idea of a centralized knowledge management organization for the entire field of public accounting would benefit all firms. Public accounting is in the process of adapting globally standardized accounting principles, and having a centralized organization to manage these principles along with other knowledge would be logical. The organization could follow the procedures of those in the healthcare and education profession by providing services such as:

- Seminars explaining knowledge management and how to develop a system within a firm
- Open education resources such as a website containing information on knowledge management from various firms
- Projects to help promote knowledge management in the field of accounting and to present solutions to various knowledge management issues within firms
- Professional advice to firms through means of blogging, phone conversations, magazine releases, and other various types of media.

Public accounting firms can choose a variety of directions when it comes to improving on their knowledge management systems. By incorporating the methods that other professions use to manage knowledge, CPA firms can realize greater benefits from the experience of others in implementing knowledge management systems.

INDIANA CPA SOCIETY & KNOWLEDGE MANAGEMENT

Just as other professions are able to provide knowledge management help to the CPA profession, so can the Indiana CPA Society. The Indiana CPA Society is a state-wide professional association, representing more than 7,000 CPAs from various practices including: government, education, public, and industry.⁷¹ INCPAS has a mission to enhance the professional success of

⁷¹ "INCPAS Mission Statement." Indiana CPA Society. <http://incpas.org/About/Mission/> (accessed October 26, 2011).

its members while promoting public interest. The organization has several means in which member firms and individuals can receive information regarding the CPA profession.

On the Indiana CPA Society's website, various articles can be accessed containing information regarding regulations, policies, reporting, and recent news. Becoming a member will grant access to all of the articles and also provide means of contacting other CPAs in the area. Involvement in this community of CPAs will provide more information on knowledge management by helping firms to connect with one another to discuss how they are solving their knowledge management issues. Additionally, firms will be able to receive input from college students participating in the INCPAS's annual case study competition.

MWT would benefit greatly by becoming a member firm of the INCPAS. Not only will our firm be able to receive new ideas about creating a knowledge management system, we will also be able to ask for help and opinions from other firms. Once we are able to create our own system, we will be able to share our knowledge management information with other firms, helping the accounting profession grow as a whole. Along with the knowledge gained from other firms, MWT will be able to better advertise ourselves as a firm in the community. Membership will open up opportunities for our firm to become more involved with local companies and individuals through reference on the site.

If INCPAS already had a knowledge management system available for its members, our firm would be able to create a small similar model within the firm. Structural ideas could be taken from INCPAS' management system and used to help create a system within MWT. Although the systems may not be exactly the same, INCPAS would provide a backbone for development. The content in MWT's knowledge management system would be able to directly reflect the various accounting issues MWT has seen. Furthermore, MWT would be able to capture new information from INCPAS when new issues are presented. This continuous growth of knowledge management would help in the future growth of MWT.

SOCIETIES & ASSOCIATIONS FOR KNOWLEDGE MANAGEMENT

In addition to the aid that the INCPAS could provide for knowledge management, there are several societies and associations for knowledge management dedicated to helping others understand what knowledge management is, how to better manage knowledge, and help connect business professionals in developing ideas for knowledge management.

KMPro. Knowledge Management Professional Society is an international professional society located in Washington, D.C. With more than 120,000 members, it is one of the world's largest knowledge management societies. The mission of KMPro is to encourage the practice of

knowledge management, reflect the diversity of thought found in this growing field, and disseminate the best ideas and tools from the many disciplines that facilitate organizational learning and improvement.⁷² KMPro offers many services to members such as training and collaboration seminars among members, advertising and publishing opportunities, and partnerships with members. Additionally, KMPro offers knowledge management certifications which can be obtained by attending the knowledge management certification program, an educational program based upon a best-practice strategic knowledge management approach. The certificates of knowledge management are recognized by a variety of professions as being a high credential.

iKMS. A non-profit association aimed at serving information and knowledge management professionals. The mission of iKMS is to create an awareness of knowledge management through publications, seminars, and conferences, to promote the development of effective knowledge management in both private and public sectors, and to promote research and development in the field of knowledge management.¹¹ An association such as this would be beneficial to our company because of the support it provides to its members through knowledge management training and workshops, alerts on knowledge management events, and education from other members. Although iKMS is headquartered in Singapore, we may be able to take advantage of certain tools that the organization offers such as the publications and any web-based training or conferences.

As we continue to move forward in our development of a knowledge management system, it would be beneficial to have the support and assistance from a related organization to further our education on knowledge management.

In addition for sources for knowledge management, there are also other resources we can utilize for knowledge and information on the changing environment within the accounting field. The Securities and Exchange Commission, Financial Accounting Standards Board, American Institute of CPAs, and the International Auditing and Assurance Standards Board are all organizations with public information on accounting standards. These organizations have been designated the power of developing and enforcing the accounting standards used by public and private firms in the profession. Each organization offers their own website where information can be found easily when our firm is faced with an unfamiliar area of work.

⁷² "About Us." Knowledge Management Professional Society. <http://www.kmpro.org/static.php?file=about.htm> (accessed October 29, 2011).

¹¹ "About Us." Information and Knowledge Management Society. http://www.ikms.org/about_us (accessed October 29, 2011).

APPENDIX A:

ROI CALCULATION

Initial ROI Calculation:

Benefits		Costs	
Facilitate communication	Intangible value	Salary for Knowledge Manager	\$ 59,000.00
Facilitate decision-making	\$ 517.14	Ning	\$ 239.90
Increase efficiency	\$ 48,000.00	Document Management System	\$ 960.00
Record of explicit knowledge	Intangible value	(estimated to be \$80/month)	
Record of tacit knowledge	Intangible value	Incentives	\$ 475.00
		Cost of time to learn	\$ 3,315.00
Total Benefits	\$ 48,517.14	Total Costs	\$ 63,989.90

Initial ROI: -24.18%

Detailed benefit/cost breakdown:

Facilitate decision-making = mean hourly salary for accountants of \$33.15 x 15% decrease in time x 100 decisions annually

Increases efficiency = \$960,000 expenses x 5% increased efficiency

Incentives = (5 reviews x \$25) + (10 contributions x \$25) + (employees' choice x semi-annually x \$50)

Cost of time to learn = mean hourly salary for accountants of \$33.15 x 2 hour training x 50 employees

Long-term ROI Calculation:

Facilitate communication	Intangible value	Ning	\$ 239.90
Facilitate decision-making	\$ 517.14	Document Management System	\$ 960.00
Increase efficiency	\$ 72,000.00	(estimated to be \$80/month)	
Record of explicit knowledge	Intangible value	Incentives	\$ 475.00
Record of tacit knowledge	Intangible value	Continuing Training	\$ 3,315.00
Total Benefits	\$ 72,517.14	Total Costs	\$ 4,989.90

Long-term ROI: 1353.28%

Detailed benefit/cost breakdown:

Facilitate decision-making = mean hourly salary for accountants of \$33.15 x 15% decrease in time x 100 decisions annually

Mean hourly salary for accountants obtained from:

Month. "Accountants and Auditors." U.S. Bureau of Labor Statistics. <http://www.bls.gov/oes/current/oes132011.htm> (accessed October 30, 2011).

APPENDIX B:

SAMPLE QUESTIONS TO IDENTIFY OBJECTIVES OF A KNOWLEDGE MANAGEMENT SYSTEM⁷³

The following questions are taken directly from Frank McKenna of Knowledgeone Corporation:

1. What are the outcomes you are striving for?
2. What kinds of knowledge are you trying to create?
3. What will you use the knowledge for?
4. Who will be involved in the knowledge generation process?
5. Who will benefit from the knowledge management process?
6. Who will drive and manage the knowledge management process?
7. Who will drive and manage the knowledge management process?
8. How will you know when you are successful?
9. What sources of knowledge do you need to connect to?
10. How will your knowledge management system affect your customers?

⁷³ McKenna, Frank. "A Knowledge Management System: A Discourse." Knowledgeone Corporation. www.knowledgeonecorp.com/news/pdfs/A%20Knowledge%20Management%20System%20-%20A%20Discourse.pdf (accessed October 30, 2011).

APPENDIX C:

FINANCIAL REPORTING UNDER PROPOSED IFRS FOR PRIVATE ENTITIES: COMPARISON WITH U.S. GAAP IN SELECTED AREAS

Topic	Differences from U.S. GAAP
Financial statement presentation and disclosure	<ul style="list-style-type: none"> • Generally uses liquidity format for balance sheet • May have a combined statement of comprehensive income and retained earnings • Simplified disclosures in areas such as share-based payments, pensions, leases, and financial instruments
Financial assets and liabilities	<ul style="list-style-type: none"> • Greater use of cost for financial assets and liabilities • Simplified classification and de-recognition criteria
Revenue recognition	<ul style="list-style-type: none"> • Focused on general principles versus complex detailed guidance
Property, plant, and equipment	<ul style="list-style-type: none"> • Depreciation based on a "components" approach
Goodwill and indefinite life intangibles	<ul style="list-style-type: none"> • Amortized over a period not exceeding 10 years • No annual impairment test requirement
Asset impairment	<ul style="list-style-type: none"> • Requires an assessment of impairment indicators at each reporting date • Impairment based on the asset's "recoverable amount" versus fair value • Reversal of impairment charges, if certain criteria met
Employee benefits and pensions	<ul style="list-style-type: none"> • Immediate recognition of actuarial gains/losses • Subsidiaries may recognize a charge based on a reasonable allocation of the group charge from parent
Inventory	<ul style="list-style-type: none"> • LIFO prohibited
Income taxes	<ul style="list-style-type: none"> • Simplified "temporary difference" approach for income taxes • Non-current classification

Approximately 250 pages in length, the proposed IFRS for Private Entities are organized by topic. IFRS for Private Entities are focused on improving financial reporting by:

- Removing choices, eliminate topics that are not relevant for private entities, and simplify the recognition and measurement treatments in certain areas.
- Enabling investors, lenders, and other financial statement users to compare financial performance among private entities.

- Reducing the burden of financial statement preparation for private entities, with particular attention given to cost/benefit considerations.

Source: [International Financial Reporting Standards for Non-publicly Accountable Entities](#), pages 3-4; February 18, 2009.

APPENDIX D:

ISSUES ENCOUNTERED AND KEY LESSONS LEARNED

<i>Issues identified</i>	<i>Key lessons learned</i>
<i>Scale and complexity of the project and the time frame needed were underestimated.</i>	<i>Start early! Conducting a thorough impact assessment followed by a detailed planning exercise up front is crucial to a successful transition. Conversions could entail functional changes as well as technical accounting changes.</i>
<i>Project lacked adequate buy-in from senior management early on in the project.</i>	<i>The tone from the top is an important driver of change. Board sponsorship of the project is crucial.</i>
<i>Projects suffered from poor project management.</i>	<i>It is important to have a proper Project Management Office function capable of co-ordinating project activities and a well-structured conversion methodology.</i>
<i>Project teams were unprepared to deal with the technical issues encountered.</i>	<i>Developing IFRS technical knowledge early on will prevent last minute "fire drills" and minimize the risk of missed reporting deadlines.</i>
<i>Slight accounting differences can have a significant impact on financial results.</i>	<i>A methodical approach to reviewing accounting differences is essential to assessing financial impacts.</i>
<i>Unfamiliarity of "numbers" and principles arising from changes.</i>	<i>Technical training will be a critical component of the IFRS conversion, especially for business unit heads who may not be familiar with the implications of the changes that IFRS will bring. Investor relations personnel will also need a strong educational grounding to communicate the impact to investors.</i>
<i>Poor communication existed between project team and business units regarding impacts of changes.</i>	<i>Invest the time necessary to roll-out business process changes such as accounting practices, updated control mechanisms, and changes in reporting requirements to the wider organization.</i>
<i>IFRS changes were often not fully embedded in back offices and general ledger systems. As a result, "stand alone manual workarounds" were created, including "spreadsheet accounting."</i>	<i>EU companies that used manual workarounds to meet short IFRS deadlines are now redesigning processes and augmenting their systems to eliminate the inefficiencies these workarounds created. Canadian firms will benefit from longer lead times to proactively address these changes.</i>
<i>Top side solutions didn't work.</i>	<i>Top side solutions don't cause the organization to adjust, and the Finance group feels "all the pain." It is important to "push down" the IFRS conversion to the transaction level throughout the organization as early as possible.</i>
<i>Insufficient communication with stakeholders.</i>	<i>Capital markets are reactive and companies should more proactively manage investor communications and perceptions.</i>

APPENDIX E:

SAMPLE QUESTIONNAIRE FOR PEER REVIEW

11. How are you prepared or preparing for IFRS integration?

12. How do you see integrating IFRS as benefiting to your strategic goals?

13. When did you first incorporate IFRS into your corporate knowledge system?

14. What is your process in implementation the conversion process?

15. How are you preparing your staff regarding IFRS?

16. Has your firm invested in continuing education with regard to IFRS?

17. What types of training and coaching program have you offered to different levels of staff in your organization?

18. Who is responsible for this training?

19. How well are your accountants receiving and utilizing the International reporting standards?

20. Do you have any clients who are interested in reporting under the international accounting standards?

21. What are some of the stumbling blocks in converting to the unified standards from U.S. GAAP?

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