

## MANAGING KNOWLEDGE WORKERS IN A SERVICE INDUSTRY WITH SPECIAL REFERENCE TO AUDIT FIRMS

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### ABSTRACT

With the advent of 'Knowledge Economy', knowledge has sidelined Capital and Labor to become the sole factor of production. Knowledge is the only currency in today's knowledge society, which is witnessing a paradigm shift from man-power to brain-power. Knowledgeable employees are originating in every organization and they are the backbone of every successful company. Successful companies of 21<sup>st</sup> century will be those that do the best job of capturing, storing and leveraging what their employees know. One of the best measures of Knowledge Economy is the growth and influence of professional service firms like accounting, consulting, advertising, legal etc. People don't just buy product or services, they seek a solution to a problem and that requires knowledge and experience. The chartered Accountants are knowledge workers who provide knowledge-rich solutions and services to the clients. As knowledge becomes important part of wealth creation managing knowledge workers in emerging Knowledge Economy is extremely important. Managing knowledge workers is finally nothing but to position the right information in the hands of right people at the right time. Indian Economy is evolving from a domestic manufacturing based economy into a global knowledge economy, where raw material is information and business assets are its people. Accordingly, managing a knowledge business such as Accountancy Firm requires managing the abundance of information, turning information into knowledge and maximizing its return on investment in its people. Professional Accountants are at the top of knowledge worker chain. They are the powerful icons of knowledge economy. It is right time for all organizations to embrace the concept that knowledge workers, not physical assets are their most valuable assets. Higher level of professional work which contributes to the satisfaction of customer needs can be achieved by effective management of knowledge workers.

**Key Words:** knowledge management, knowledge workers, Accountancy firms, Information era

“Knowing ignorance is strength, ignoring knowledge is sickness.” - Lao Tsu

**INTRODUCTION:**

Indian Economy is evolving from a domestic manufacturing based economy into a global knowledge economy, where raw material is information and people are business assets. Accordingly, managing a knowledge business such as Accountancy Firm requires managing the abundance of information, turning information into knowledge and maximizing its return on investment in its people. Professional Accountants are at the top of knowledge workforce chain. They are the powerful icons of knowledge economy. It is right time for all organizations to embrace the concept that knowledge workforces are not physical assets but they are their most valuable assets. Higher level of professional work which contributes to the satisfaction of customers can be achieved by effective management of knowledge workforce.

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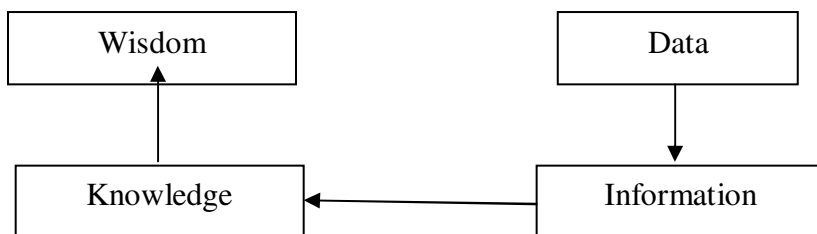
**OBJECTIVES :**

1. To study that knowledge managers and professionals are primary contributors to the success of the Accounting Firms.
2. To study how organizations can enhance the high productivity and better customer satisfaction levels by efficient management of knowledge workers.

**What is Knowledge?**

Knowledge represents high degree of Expertise, Education, Experience and Skill. It is of two types – Explicit and Implicit. Explicit Knowledge is a knowledge which is in the form of documents, policies and procedures. While Implicit knowledge resides in people's head and includes expertise and wisdom. It is said that only 10 % of knowledge is explicit and 90 % is in the form of Implicit.

Fig. 1: Knowledge Creation



Knowledge is becoming an increasingly important source of economic prosperity. Its time for all organization to embrace that people is their most important and precious asset & not only technology.

**Who is the Knowledge Workforce?**

Knowledge workforce is the idea people whose brain power and experience have become more valuable to their companies than physical assets, as they are using more of brain power rather than muscle power. A knowledge workforce is someone who follows a process of accumulation of knowledge from internal and external sources to produce a product that is distinguished by its specific information content. (Kappes and Thomas 1993) Knowledge work embodies experience, innovation, creativity and transformation of experience into knowledge for leveraging products and services. Truly, a knowledge workforce is a person who transforms business and personal experiences into knowledge through capturing, assessing, applying, sharing and disseminating it within the organization to solve specific problems or to create value for organization. In short the knowledge workforce is the product of

experiences, values, processes, education and the ability to be creative, innovative, in tune with the culture of the firm. In this respect, we can assume that the Managers, Lawyers, Doctors, System Analysts and Chartered Accountants are all knowledge workforce.

### **Role of Knowledge Workforce:**

A knowledge worker has supposed to play multiple roles, apart from regular job related roles. It is expected from him to,

1. Maximize the returns on investment in knowledge – people, processes and technology.
2. Share best practices and reinforce the goodness of knowledge sharing among employees on a regular basis.
3. Promote and improve company innovations and the commercialization of new ideas.
4. Minimize ‘brain drain’ or knowledge loss at all levels of the organization.
5. Help in brand building, improving the quality of services and initiative incorporating innovations.

### **What is Knowledge Management ?**

It is about obsoleteing what you know before others obsolete it and profit by creating the challenges and opportunities others haven’t even thought about.

Knowledge Management is accumulating knowledge assets and using them effectively to gain competitive advantage. [Brooking 1996] Knowledge Management is the classification, dissemination and categorization of information and people throughout an organization. [Taft 2000]. It is the process of capturing and making use of firm’s collective expertise anywhere in the business – on paper, in documents, in databases (explicit knowledge) or in people’s heads (tacit knowledge). Knowledge Management is the discipline of capturing knowledge based competencies and then storing and diffusing that knowledge into business. It is also the systematic and organized attempt to use knowledge within an organization to improve performance (KPMG 2000). In short, it is about getting “the right knowledge, in the right place, at the right time,” particularly in influencing an action or a decision.

### **REVIEW OF LITERATURE:**

The recorded history of knowledge dates back to Plato and Aristotle but its modern day understanding is credited to scholars like Daniel Bell (1973), Alvin Toffler (1980) and the Japanese guru, Ikujiro Nonaka(1995). Other writers like Sveiby (1997) and Stewart (2000) promoted the concept knowledge as the core asset of an organization. Veteran management guru Peter Drucker invented the term “Knowledge Worker” more than 35 years ago in his book ‘ Landmarks of Tomorrow’. According to him, the most important contribution management needs to make in the 21<sup>st</sup> century is to increase the productivity of knowledge work and the knowledge worker.”(Peter Drucker) A number of management theorists have contributed to the evolution of knowledge management, among them such notables as Peter Drucker, Paul Strassmann, and Peter Senge in the United States. Drucker and Strassmann have stressed the growing importance of information and explicit knowledge as organizational resources, and Senge has focused on the "learning organization," a cultural dimension of managing knowledge. Chris Argyris, Christopher Bartlett, and Dorothy Leonard-Barton of Harvard Business School have examined various facets of managing knowledge. In fact, Leonard-Barton’s well-known case study of Chaparral Steel, a company which has had an effective knowledge management strategy in place since the mid-1970s, inspired the research documented in her *Wellsprings of Knowledge — Building and Sustaining Sources of Innovation* (Harvard Business School Press, 1995). Baxter and Chua (1999) suggest that there is curiously little agreement about what constitutes knowledge in organisations, except that knowledge can be “highly

situated in nature, dependent on the knower and the particular organisational activities”. Nevertheless, there is an “emerging set of shared concepts” about the way in which knowledge is classified and knowledge management is characterised (Baxter and Chua, 1999, p 4).

Considerable attention has been given to the different “levels” of knowledge in organisations. Nonaka and Takeuchi (1995) classify knowledge at the individual, group, organisational and inter-organisational levels. At the individual level, knowledge is said to reside within individuals, usually as tacit knowledge which is not articulated directly with others (Polanyi, 1997). This individual or personal level of knowledge represents know-how that is embodied in the habitual practices and reflexivity of individuals (Lakoff and Johnson, 1999). The task of an organisation is to generate a knowledge spiral through the process of a “dynamic interaction between tacit and explicit knowledge” (Nonaka and Takeuchi, 1995, p.70). This knowledge spiral is achieved, according to Nonaka and Takeuchi (1995) by knowledge being appropriated by individuals and from individuals in the organisation. The extent to which an organisation is active in encouraging and facilitating the appropriation of knowledge by and from its individual professional workers is referred to by Brown and Starkey’s (1994) as organisational “information consciousness”. This is the processes of making information available, or facilitating knowledge sharing, amongst that firm’s professional staff.

Although it was Drucker in the 1950s who first coined the term ‘knowledge worker’, it was only until fairly recent that corporate leaders and policy-makers began to strongly acknowledge that successful innovations are increasingly knowledge-intensive. Amidon (1997) has aptly described ‘knowledge innovation’ as the creation, evolution, exchange and application of new ideas into marketable goods and services, leading to the success of an enterprise, the vitality of a nation's economy and the advancement of society. In gist, two key elements are present in Knowledge Innovation. One, it recognises that knowledge is a key element. Two, the actions associated with the management of knowledge is another key element. The literature surrounding knowledge workers provides more than one conceptualization. There are some suggestions that knowledge workers are a group of more elite workers who are highly intelligent and who already has considerable knowledge and who, most importantly, have skills associated with the identification of knowledge that is relevant, can access that knowledge, and who can share it effectively with others. That conceptualization is evident in the Tymon and Stumpf (2003) paper, where they suggest that knowledge workers are people who make their living from those activities. Although there are some suggestions of this in Rob Poell’s paper, he has also suggested that ‘a knowledge worker turns data and information into meaningful knowledge that can be made productive’, and that this is effected by sharing ‘through mutual interaction and collaboration’. Similar remarks can be found in the other think-pieces by Sveiby and Woog. Remarkably knowledge has been the staple source of competitive advantage for many organizations as well as countries for hundreds of years.

### **APPLICATION OF KM IN PROFESSIONAL ACCOUNTANCY FIRM:**

Accounting firms are knowledge-based professional service firms for which the management of expertise is critical to success (Davenport, 1997). Audit firms, as professional service firms, sell knowledge and expertise. Managing their expertise is therefore part of the production and investment functions of such “knowledge-based” or “knowledge-intensive” firms (Starbuck, 1997; Drucker, 1998).

“Processing data can be performed by machine, but only the human mind can process knowledge or even information.” Hence Chartered Accountants can be considered as major pillars in a global knowledge economy. In order to maximize profitability and client service, firms of the future must address the need to store, manage, and access knowledge across the organization being knowledge is integral to service industries like accounting,

Firms build reputations on excellence and expertise. In an age of information era, clients need and expect the right knowledge to their specific accounting, tax, audit, or business needs. When knowledge is

not documented or difficult to locate, it is difficult for the employees to achieve their full potential productivity which may hamper the profit or revenue targets of the firm. Therefore it is extremely necessary for accounting firms to document and manage the knowledge base regarding clients, various laws, practices, applicable legal aspects etc.

Knowledge is the most essential and precious asset owned by any accounting firm. The presence of firm’s unique skills, expertise and experience are what set it apart from competitors. The broad areas for KM application in Chartered Accountancy firms can be enlisted as:

1. Records & Reports Management
2. Documents, tax returns preparation & filing
3. Case Management
4. Tax Modules (Recovery & Refunds )
5. Audit Reports
6. ERP

**Importance of knowledge management in accountancy firms:**

- To provide the firm with a competitive advantage.
- To ensure the growth and sustainability of a firm.
- To enable to improve quality and efficiency of the services.
- To capture and document valuable tacit as well as explicit knowledge.
- To act as a measure or important tool in attracting and retaining key talent.

**RESEARCH METHODOLOGY:**

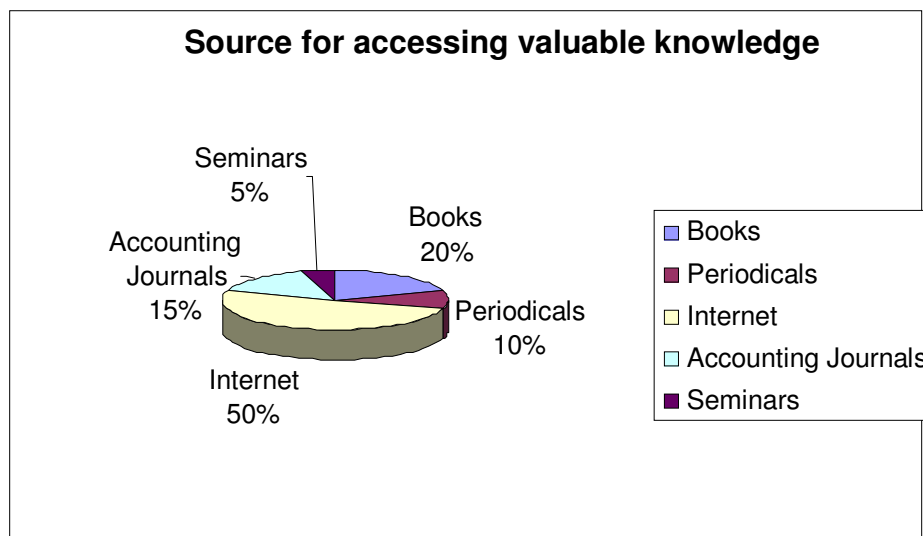
**Sample:**

The total population of Audit Firms in Nashik are around 250 .Out of this population Premiere and major 25 Audit Firms ( 10 % of population) were selected for the purpose of study.

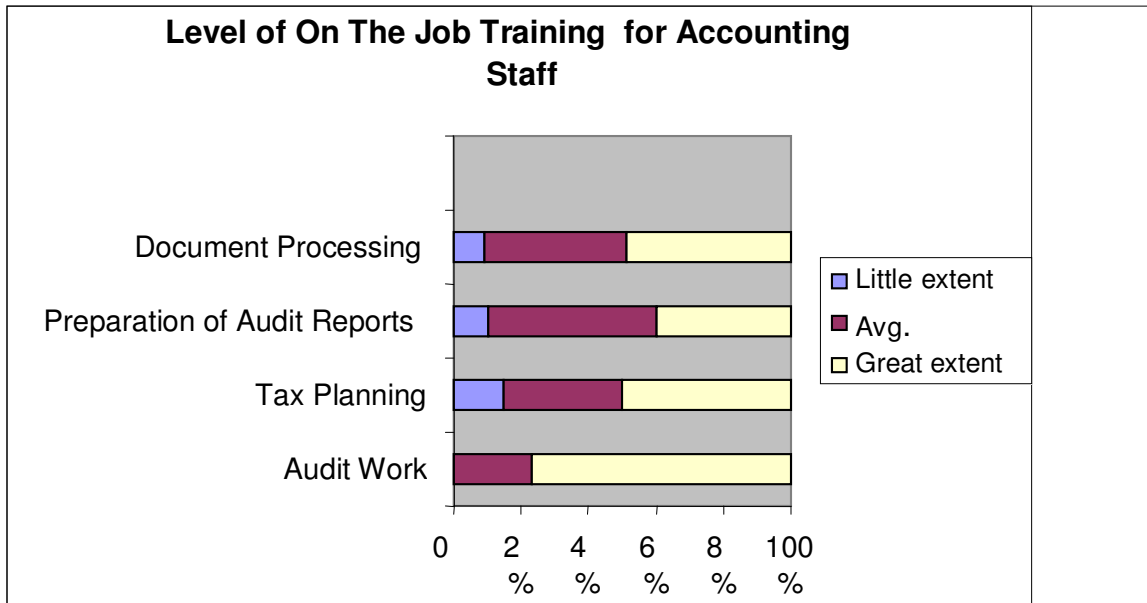
**Methodology:**

The data used in this study paper is derived from a standard questionnaire developed by the researcher. The questionnaires were mailed and distributed to Chartered Accountants and their views on Managing knowledge and knowledge workers were considered.

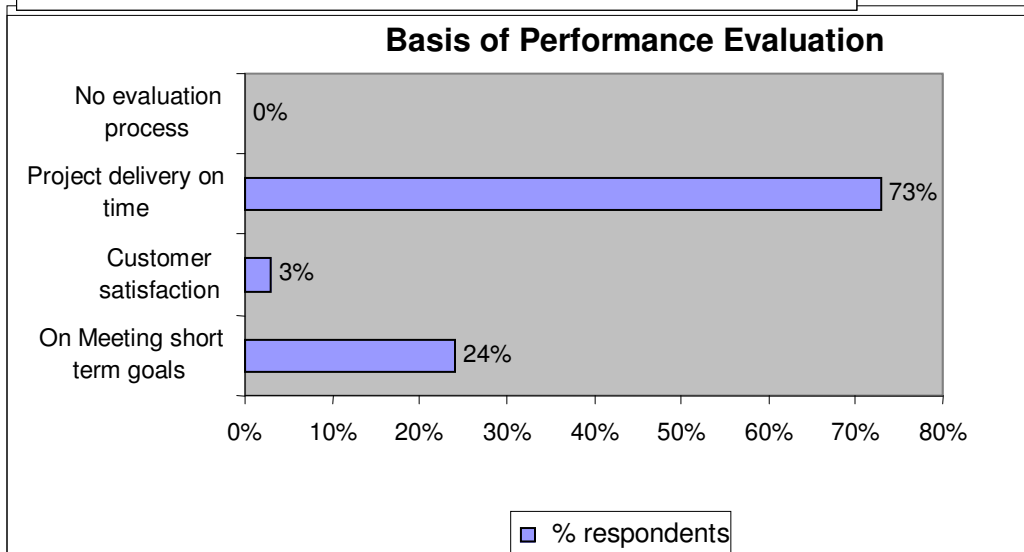
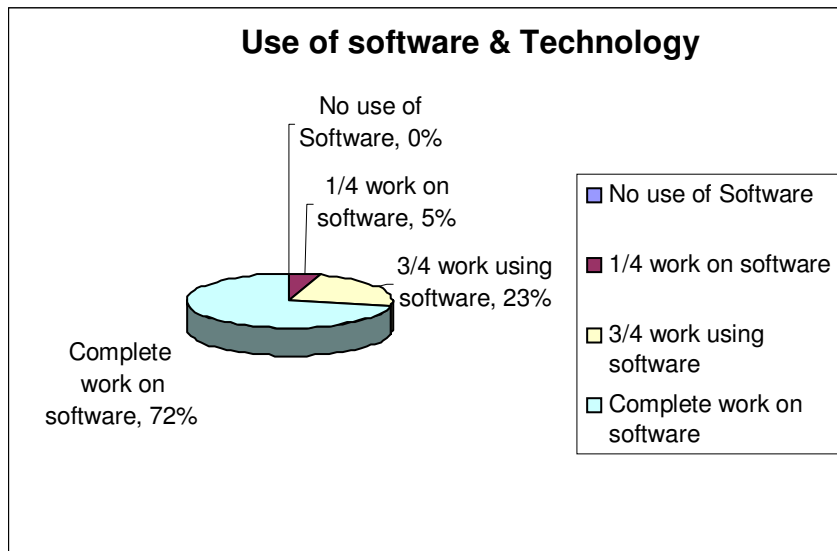
**Data Analysis: Graph 1 : Sources of Knowledge Acquisition:**



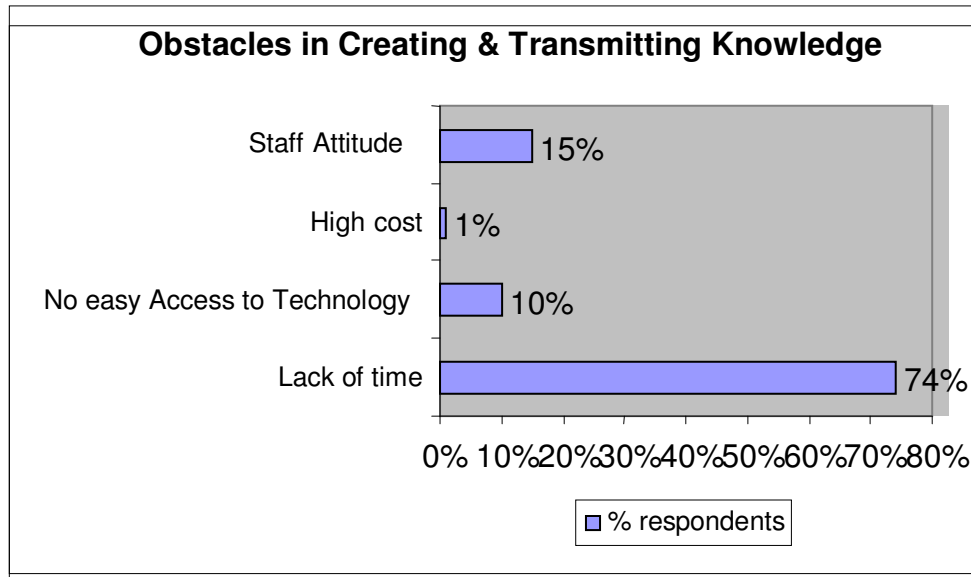
Graph 2 : Level and type of work profile



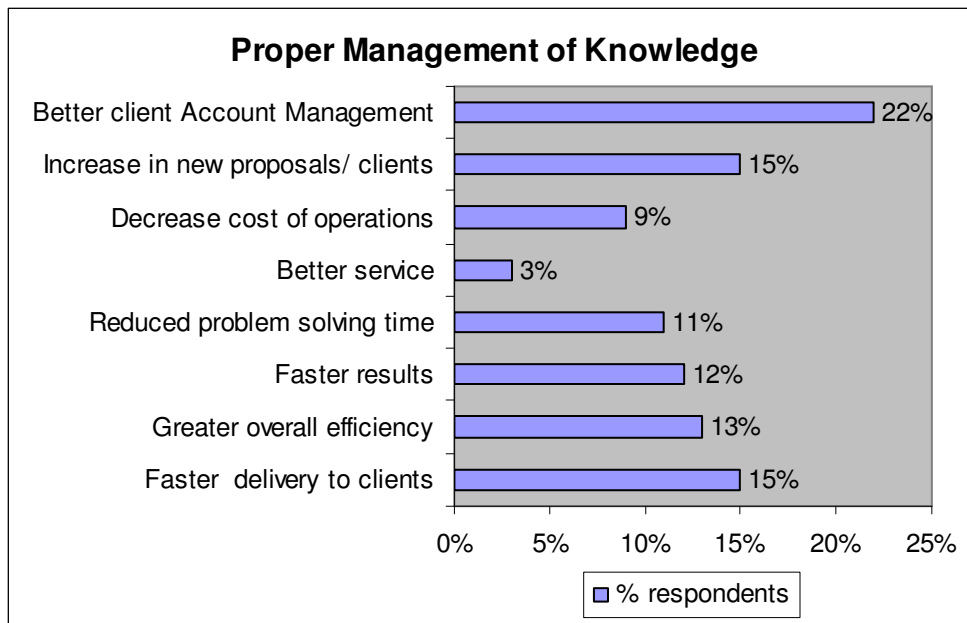
Graph 3 : Use of Software as KM tool:



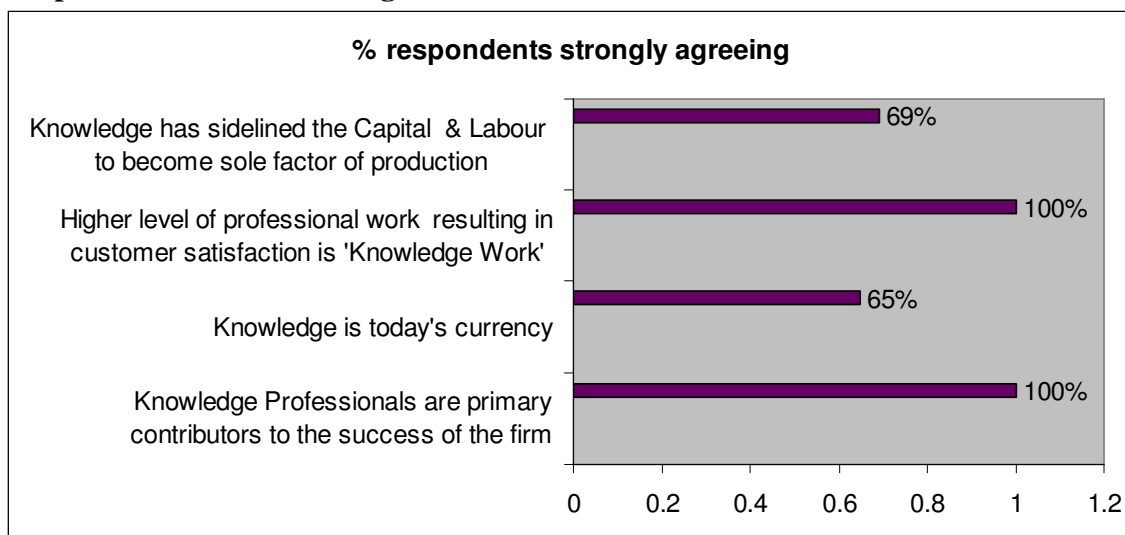
Graph 5 : Obstacles in KM application



Graph 6 : Knowledge Management in Audit Firms



**Graph 7: Views of Knowledge Professionals**



**INTERPRETATION:**

In this research based survey it is found that chartered Accountants are knowledge workers who provide knowledge-rich solutions and services to the clients. As knowledge becomes important part of wealth creation managing knowledge workers in emerging Knowledge Economy is extremely important. Holsapple and Whinston [1996] & Zack [1999] define six types of knowledge that knowledge management application can contain. These include:

- Descriptive
- Procedural
- Reasoning
- Linguistic
- Presentation
- Assimilative knowledge

These six types of knowledge can be applied to Audit Firms in following ways which will help in knowledge dissemination very effectively:

<b>Type of knowledge</b>	<b>Meaning</b>	<b>Application in Audit Firm</b>
Descriptive	Knowing What ?	Accounting Std. , SAP etc
Procedural	Knowing How ?	Taxation, Audit process
Reasoning	Knowing Why ?	Tax planning, consultancy
Linguistic	Knowledge communication	Audit Reports
Presentation	Knowledge Delivery	Financial Statements
Assimilative	Knowledge Base	Future predictions & planning

The results of this study demonstrate the importance of ‘tacit’ knowledge of human resources in the implementation and direction of knowledge management. It has been found that, knowledge is instrumental in:



- a. Creating sustainable organisational growth.
- b. Value for customers.
- c. Wealth for investors.
- d. Great careers for employees.

In fact knowledge is now pre requisite for creating and grabbing future profitable opportunities. Irrespective of business models, the creation of new knowledge and its adaptation in innovation process is the core of the business organisation.

As world economies are moving towards knowledge economies, enhancing knowledge workers performance has emerged as a most important economic issue. Peter Drucker has remarked, “ we are entering into knowledge society in which the basic economic resource is no longer capital, natural resources or labour but is and will be knowledge, and knowledge workers will play a central role.”

In industrial age workers work was clear and well defined with required mechanical skill. However, knowledge workforce as we found, have to perform various roles from management consultancy to customer support.

During the survey the researcher noticed that CAs as a knowledge workforce are highly educated, experienced, creative and have practical skills that make it possible for them to use their intelligence, talent and service anywhere .Their main task involves manipulation or dissemination of Knowledge. They identify themselves with their role rather than the workplace.

Managing knowledge workers is finally nothing but to position the right information in the hands of right people at the right time.

### **Limitations and Ideas for Future Research:**

Our findings are based on the reports from a small random sample comprising only Chartered Accountants, wherein other segments of knowledge workers in the society are not considered.

Assessment of knowledge managers and their activities in terms of economic values would be a valuable future research direction. Quantification of Human worth in rupees and putting people on Balance Sheet would provide meaningful picture of Knowledge Management.

### **CONCLUSION:**

The role of knowledge manager in organisation is growing phenomenon. Our studies suggest that knowledge managers are highly qualified and experienced individuals who are making deeper use of brainpower rather than the muscle power. Chartered Accountants are the knowledge icons of knowledge Economy and are the major players in Service industry. Quality Service is the output of any service industry, wherein the inputs are people and knowledge. This paper is an attempt to study the potential of the knowledge manager’s role in shaping the future and making the destiny of the current Knowledge Society.

“ Knowledge is the only treasure you can give entirely without running short of it.” - A Proverb

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