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## UNIQUE BUSINESS SOLUTIONS

KNOWLEDGE PRESERVATION SPECIALISTS

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### THE STRUGGLE FOR SURVIVAL: VALUE OF KNOWLEDGE PRESERVATION

BY GAIL TRUGMAN-NIKOL



We've all seen the statistics and the articles regarding retirement. In 2006 the oldest of 77 million baby boomers turned 60. In 2010, 40% of the most experienced portion of our workforce will be eligible for retirement. In less than three years, approximately 31 million baby boomers can walk out of their company's doors along with a huge body of accrued knowledge, including procedural and historical information, as well as contacts built over the years and insights born of experience.

Consider this:

- 70%-80% of "big company" executives are concerned about the knowledge loss
- 70% of big company employers haven't begun to identify what wisdom they will need to keep or how to keep it
- Fewer than 20% have begun to do anything about knowledge loss

The business impact of this knowledge drain is one of the greatest threats to the stability and continuity of business in the near future. Similar instability has affected companies on a smaller scale when key employees have left on long-term disability or for employment elsewhere.

While it is important to understand that management leaving your company will have a major impact, nobody seems to have taken notice of the staff members who are also part of the statistics. There are critical tasks in the daily operations of the company performed by these staff members.

#### OTHER BRAIN DRAIN FACTORS

- ▶ Unforeseen accidents
- ▶ Maternity Leave
- ▶ Long-term illness for employee and employee's family member
- ▶ Employees leave for other employment opportunities

#### THE CPA FIRM PERSPECTIVE

Most businesses— probably 90% of them— operate at considerably less than operational efficiency. The reason they do is that they don't have the operational controls to manage operational efficiency or the process of control. Who better suited to bring operational efficiency and profitability to a company than its CPA who looks at that company through the correct window and applies the firm's intellectual capital focusing on enhancing the operational efficiency? Working together with the client, the CPA can generate a result and the clients' investment in the relationship is cemented. In other words use your knowledge to create profitability and efficiency to reduce frustration at the client firm and get paid for it. This is profitability consulting at its finest.

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A senior manager at a Long Island CPA firm and I had a discussion about the stress at his firm. He brought up a sore point that must affect every accounting firm today with retirement looming on so many of the management staff.

When losing lower management, a CPA firm stands the risk of losing an account. There is very little documentation about relationships with clients. Losing a senior manager can put a firm in jeopardy as well. At the senior manager and manager levels, there is considerable contact with the client. However, it's extremely difficult to capture information about a client because you can't document rapport. If the next person handling the account doesn't establish the relationship quickly, the client will find a new firm.

While talking to my friend, I discovered that while there are a lot of memos distributed throughout a CPA firm, there is very little documentation on the "how to's" associated with many of the processes that staff needs to use. Filing of electronic documents is new and there is so much to learn. The firm's IT department has sent memos informing the staff how to use the electronic filing, yet when a new employee starts there is no central depository of information from which to access the information.. We can all agree that if there were a central depository for documentation, training phases could be cut and productivity increased and, as a result, the stress level would be reduced.

### EXAMPLE

While working with a Professional Services firm, the Managing Partner admits that procedures are in place, however nothing documented; many times the partners and staff do not follow the procedures, causing frustration in the firm. This firm has recently acquired a new software package that will prove to be a challenge unless everyone follows the procedures 100% of the time. The partners agree that now is the time to put policies, procedures and training in writing to continue productivity during this challenging time. Additionally they agreed that it will shorten the training phase of the new software for many of the staff who are accustomed to the old ways.

In the same conversation that I had with the senior manager, we spoke about the opportunities that audits create for the CPA. We know audits are done on internal controls; looking for the checks and balances of a process. Many times these checks and balances are not properly documented; they leave a company open to fraud because the same person in your client's accounting department is paying the bill, writing the checks and entering the expense into the system. On the other hand, cash receipts can be received, recorded and deposited by the same person.

There are numerous processes that can be reviewed by the CPA to determine not only the violations of good internal control, but can also identify where there are inefficiencies. The CPA firm can make suggestions and offered to perform an operational audit, which generates additional revenue for the CPA firm. As their accounting firm you are attuned to the company's strengths and weakness in both the existing controls and the processes that can stunt business growth.

When processes are documented, it is always revealing to see where a lack of controls exists in a process. This is a great opportunity for the CPA to review the process and consult with the client. The bottom line is the bottom line!

### FROM THE COMPANY PERSPECTIVE

When a group of CEOs were asked if their company has an operations manual it was incredible to see only 20% of the hands raised. They were asked why they did not have documentation that could save their operational efficiency when staff leaves. They were asked if they believed that documentation could bring economic value to their company and avoid most frustration and stress for both management and staff.



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It was amazing to hear the comments from the CEOs in the group. Some of the CEOs said they did not have the staff to create these operational manuals; others said they don't have people with writing skills; others said it isn't that important to my company.

A question was posed to the group, "what would happen if you lost a key employee today; could you get somebody fully operational within two weeks"? They all shook their heads "NO". Another question was then posed, "what would happen if you could get somebody fully operational in two weeks - what economic impact would that have on your company"? Most of the CEOs agreed that having the "correct" documentation would add to operational efficiency, profitability and reduce stress.

The following quote from Anne Shybunko-Moore, the President of GSE Dynamics Inc. proves the point.

*"One of my key employees was retiring. I was able to hire a new employee and have her operational within two weeks. The return on the investment is clear as the training phase is decreased, and the productivity phase is almost immediate. The need for operational documentation has proven to be critical in my company."*

### WHAT NEEDS TO BE DOCUMENTED?

During this discussion a CEO in this group asked if it makes sense to document everything within the company. The answer is you can't. You can't document creativity and you certainly can't document some of the technical knowledge that your staff has. What you can document are the tasks that are important to running your company daily. These tasks could be as simple as how do you get a Certificate of Insurance. While it sounds simple, the person that will perform this task needs to know:

- a) Who do you call?
- b) What e-mail address would you access?
- c) How do you get your insurance company to e-mail a copy?

Documentation is not a "job description". While the job description is an important piece to begin this process, a job description does not give a new employee the "step by step" procedure on "how-to" perform the task. The job description also will not give a person in a "backup position" the "know how" to perform the task.

The challenge for the business owner is to understand the knowledge that will be lost if an employee leaves; what are the consequences of that knowledge loss and what are the damages to the continuity and stability of their business. By the way, it isn't only when an employee leaves; what do you do when you have vacations or illness and miss a critical deadline because no one in the company is aware of the deadline or possesses the knowledge to perform the task? Use the "job descriptions" to your advantage.

#### KEY AREAS FOR DOCUMENTATION

- ▶ Key tasks only
- ▶ Complex tasks or those difficult to remember
- ▶ Tasks prone to errors
- ▶ Tasks to be performed consistently
- ▶ Tasks done by positions that have frequent turnover
- ▶ Computer applications – this requires criteria for what needs to be conducted
- ▶ Forms that need to be completed correctly, especially government-required forms



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### EMPLOYEE JOB DESCRIPTIONS

#### TERMS

##### **JOB**

A job is a collection of tasks and responsibilities that an employee is responsible to conduct. JOBS have titles.

##### **TASK**

A task is typically defined as a unit of work, that is, a set of activities needed to produce some results, i.e., writing a memo, sorting the mail, setting up new accounts, etc.

##### **FUNCTIONS**

Complex positions in the organization may include a large number of tasks, which are sometimes referred to as FUNCTIONS.

##### **JOB DESCRIPTIONS**

Are lists of the general tasks or functions, and responsibilities of a position.

#### **SHOULD ALSO INCLUDE:**

Who the person reports to

Specifications such as the qualifications needed by the person in the job

Salary range for the position

Any special requirements of the job (lifting heavy weight)

Another CEO pointed out, "this documentation provided a huge R.O.I. in a short time period for our company, when a team member had a family emergency. She would be out for one week. Another employee from a different department was trained, enabling them to perform the tasks using the documentation." Here again is using knowledge to the company's advantage. Don't try to assign one designated person to back up a particular individual. Take four or five people to back up the same number of tasks. The difference is all of the work gets done productively and the extra task is not a burden on the staff.

#### **WHAT HAS WORKED FOR OTHER COMPANIES?**

Using the job descriptions, choose the tasks that should be documented. These are tasks that you do not want reengineered, tasks that are simple but require specific knowledge, tasks that are difficult to perform and will take time to learn. Think of the tasks that are important to your company. Drill it down to the minutiae – then document it!

Once you have identified the tasks and knowledge to be documented, work with each individual department, getting buy-in from the staff. When you get the buy-in from your staff, they are more than happy to help you document for the future growth of the company. The simplest way to achieve successful buy-in is to remind your staff they have been a part of the company's past; they have gotten the company to the present state; and you know that you can count on them to help the company grow in the future. This buy-in statement is the most powerful part of getting documentation from your staff for the survival and growth of your company.

Make this a "fun" project for the company. At the beginning of this process have a kickoff meeting department by department to explain why you are putting together an operations manual. This kickoff can be fun providing employees with the understanding that this is not a threat to their positions but a process that the company should have undertaken years ago. When you ask all employees in all departments for their help, it takes away the suspicion of "why is my job being documented".

Giving each individual a task to document and rewarding them for their participation in the documentation process is a key factor. If you do not want to pay overtime it is important that you put aside one hour a day for the employee so that they can work on this project for the company. At the end of the project, have a company event that rewards the employees for their help!



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### IF IT ISN'T WRITTEN DOWN, IT DOESN'T EXIST!

A proposition that on its face sounds simple. But how often do we run across people who for whatever reason cannot commit to documenting procedures; either it is too onerous a task for them or they think if they share the information they lose employment leverage?

Ask the individual as they perform the task to write the task or type it in a Word file. Request that any contacts they use within that task or websites is documented, as well as any paperwork associated with this task — they should include a copy with explanations.

Many times someone will be working on a computer system for a task. They want to know how I get a copy of the screen into my documentation. While most of you know how to accomplish this screen capture, it never hurts to provide a gentle reminder on how to perform some of the simpler computer tasks, such as copying and pasting; tracked changes; and formatting a document.

#### DOCUMENTATION TIPS: CONSIDER THE VISUAL

- ▶ Use both visual and text in the documentation as adults learn quicker through visual presentations
- ▶ Visual aids are great tools for learning new systems when outside the office
- ▶ Great reference material should system enhancements be undertaken in the future

### COORDINATION OF THE MANUAL

Once an employee has completed documenting a task, give that task to another employee to test. The purpose is to see if there are steps missing from the process. Many times we know what we know; we do what we do. However, committing this to written form is less than perfect. Once you have a completed task, pass the file to a coordinator.

The manual can be coordinated by department, using the flow of information necessary to complete a departmental process. The person responsible for the coordination should take all documents and review for accuracy, spelling and completion. The procedures have to be clear and comprehensive; they will help the company grow in the future.

Once a year you should review your processes to see if they have been reengineered or changed. Additionally check with the staff or the new hire to see if any steps were left out of these processes as they use the documentation. It's not uncommon to find a step that inadvertently was left out.

### WHAT DOES ALL THIS MEAN?

As stated earlier, only one of five companies have an operations manual. If you ask yourself why your company needs a manual, consider that it —

- ▶ Reduces training costs.
- ▶ Captures knowledge; reduces errors.
- ▶ Makes the job safer.
- ▶ Provides a form of staff backup.

If you are looking to grow your business or sell it in the future, the operations manual gives you documentation to present to the buyer. Don't fall prey to the usual excuses:

- ▶ I'm too busy working in the business
- ▶ I don't know how to get started
- ▶ Our staff members are not good writers



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- ▶ We don't want to make the time to go through this
- ▶ Why should I, it won't change anything anyway. (This is my favorite excuse).

While turnover may not be a problem, staff members take vacations and have illnesses. Your processes may be simple or complex. Controlling your operational efficiency and profitability with a comprehensive and well-documented procedures manual will have a positive impact on your company and prove to be a great return on investment.

### WHY A COMPANY NEEDS A MANUAL

- Reason to control, direct or inform
- Reduce training costs
- Capture knowledge
- Agree on a proper and consistent method to do something
- Save time
- Reduce errors
- Make the job safer
- Look like they have their act together
- Provides a form of staff backup
- Want to sell their business

### ABOUT THE AUTHOR

Gail L. Trugman-Nikol is the President of Unique Business Solutions, a knowledge preservation specialty firm located in, Long Island, NY. She develops training, operational and procedural manuals for companies of different sizes in various industries. Gail also has a regular lecture series, "Value of Knowledge Preservation" that is given to groups of CEOs, CPAs and attorneys. Readers can visit Gail's website at [www.UBSassociates.com](http://www.UBSassociates.com).