Information Technology Resurgence at BKD, LLP

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Abstract

BKD, LLP is an accounting firm with a rich history dating back to 1922. Through a series of acquisitions, BKD grew to break into the top ten accounting firms in the U.S. based on size in early 2001. By the time CEO Neal Spencer took over in 2007 however, competing accounting firms had slowed BKD's growth and threatened to push it out of the top ten. One of the factors identified as a barrier to BKD's growth was its culture regarding technology or Information Technology (IT). BKD's culture put it on a low priority level that resulted in IT platforms that were obsolete or severely outdated. With competing firms gaining a competitive advantage through technology, BKD must implement large IT change initiatives that not only change platforms but also the underlying culture, moving BKD from IT aversion to a proactive stance, willing to accept and embrace new IT systems as tools for positive overall user and client satisfaction.

Information Technology Resurgence at BKD, LLP

When BKD started, Information Technology didn't exist as it does today. Radio was king, the Ford Model T was the most popular car and the Reader's Digest Magazine had just launched. It was 1922 and the Montgomery Firm, a CPA firm in Kansas City, had just disbanded. Three men from the Montgomery Firm, William Baird, Wade Kurtz, and Claire Dobson thought there was plenty of work left in the area and they promptly started their own CPA firm. They opened an office in Kansas City and Joplin Missouri on January 2, 1923 with $1,700 in the bank (BKD 2011).

Background

With Joplin a booming mine town in the 1920's a great amount of business was created for Baird, Kurtz, and Dobson. Dobson would take the downtown Joplin trolley out to the mining company offices, which were directly in the mine shafts. There he would conduct audits with a cot, card table, and a direct current light bulb flickering overhead (BKD 2011).

In the late 1920's the firm looked to expand to St. Louis and Chicago, but the 1929 stock market crash and the following Great Depression curtailed all growth plans. Instead the firm went back to its core businesses, Baird in tax and the grain industry, Dobson and Kurtz in mining. The firm survived the Great Depression and based on a booming market decided to move the headquarters from Kansas City to Wichita, Kansas (BKD 2011).

Years later, under the leadership of Bill Fingland, the firm would move its headquarters once again, this time to Springfield, Missouri, where it resides today. Fingland would also preside over several other defining moments in the firm's history, the merger in 1992 of Baird Kurtz &Dobson and F.B. Kubic & Co. boosted annual revenues by almost $2.5 million, and

made Baird Kurtz &Dobson the largest accounting firm in Wichita Kansas with nine partners and 68 employees (Pickering 1992).

The merger of Baird Kurtz &Dobson and Olive, LLP on March 3, 2001 pushed the firm into the top ten accounting firms in the US. At the time, Baird Kurtz &Dobson was the 11th largest CPA and consulting firm and Olive, LLP was 18th. The combined firms also adopted the new name of BKD, LLP, dropping the names of the founders. The merger brought additional offices and personnel to the BKD, LLP fold with the new firm having 27 offices throughout the mid-west and over 1,500 accountants and supporting staff (Accounting Web 2001).

What's the Problem?

Neal Spencer entered public accounting in 1986, joining BKD's Little Rock, Arkansas office as a staff accountant. He was elected partner eleven years later in 1997. After ten years of managing the Louisville, Bowling Green, and Owensboro offices in Kentucky and the Evansville, Indiana offices, Spencer took over as CEO of BKD in the summer of 2007. After a decade of leadership, Fingland handed over the reins and assumed the newly created role of chairman (Accounting Today 2007).

Prior to Spencer taking over as CEO, BKD was number ten on the list of top accounting firms (by size) in the US. The mergers Fingland had presided over had pushed BKD to the top ten but barely. BKD had become a large "small firm" as a result of several factors. While the number of employees had reached over 1,500, there were still a relatively small number of staff employees manning the headquarters in Springfield. This resulted in many of BKD's 27 offices pursing needed resources on their own, such as marketing activities, IT resources, and office supply contracts.

While there was communication between offices and headquarters, there was not enough to facilitate a collaborative and sharing relationship among the offices to truly leverage the experience and talent that was available for a client's special needs. A client in Colorado for example, may have a company valuation need that could be well met by a team in the Kansas City office, but the closed culture and limited communication methods prevented this from happening in many circumstances.

One constraint in communications and a result of each office acting independently was the fractured and disparate IT resources throughout BKD. Many offices had researched, purchased and implemented email systems, fax systems, backup devices, and other computer and network gear that was not compatible with other offices. The independence in IT resources between offices reflected a deeper divide in overall process between offices as well. There were firm wide standards for many events, but each office had also adopted their own way of accomplishing tasks that were not directly identified by the headquarters in Springfield.

Technology has typically not been a driver of profits for an accounting firm, while advances in electronics such as transistors, calculators, and computers have changed the speed at which the process of an audit or tax work is accomplished; the actual steps have varied little in many years. This lead to the low priority of IT resources at BKD, technology was changed only when it absolutely had to, like for example when the vendor stopped supporting the model or version that the accountants were using.

In 2007, when Spencer took over as CEO, BKD was using Novell for its network and email systems, which had been on the decline for several years. Support was waning and the capabilities of the system where far inferior to other platforms. Grant Thornton, a competing accounting firm in the Wichita area had recently overtaken BKD for market share which was a

direct correlation to Grant's increased use of technology to reduce its internal costs, increase

efficiency and connect its various offices for a cohesive effect (Accounting Today 2008).

Another example of BKD's legacy technology was its lack of a "paperless" audit

platform. Every other major accounting firm in the Wichita area had adopted a paperless

platform for audits by 2005. In 2007, the Wichita off ice of BKD was still mailing audits, which

consist of several large and heavy binders each, to the Kansas City office for review and

verification. This process alone added weeks in time and cost to each audit performed.

There was no doubt Spencer had his work cut out for him if BKD were to even remain

the top ten accounting firms, let alone moving up the ranks. Other firms were gaining an edge

through technology, and changing technology was merely one item among many that needed

changing. The entire corporate culture would have to be changed from many independent

offices, each with their own agenda to one of a single firm with many locations.

What to Do?

As the change leader, Spencer must lead the charge with a change effort of far reaching

ramifications. While technology isn't the only aspect that needs changed, it will be the focus of

this paper as several courses of action are examined. It is essential to understand however that

technology changes that affect end users will rarely succeed without cultural changes to

accompany them. Technology has become the principle tool through which people interact with

data, and that relationship must be handled carefully.

In BKD's case there are several important questions that must be answered as the need

for technology change is examined. Some of those are:

- What are the right changes to make or should they make any at all?

- How should the changes be implemented?

- Should BKD outsource this need for IT resources?

- Who will take charge of all this?

Knowing what the right changes to make are can be a long a difficult process but it is also the most important. There have been many successful technology changes that have been implemented that were never used, simply because they were not needed. The glamour of technology and the latest software or hardware can blind organizations to the reality that it may not add any value at all and can in fact be a black hole of spending. After implementing a multimillion dollar enterprise resource planning system (ERP) that failed to live up to expectations Philip Knight, CEO of Nike remarked "This is what we get for our $400 million?" (Sutton 2004)

The investigation into what needs to be changed must be headed by someone who has the experience and skill set to properly identify technology needs and be able to offer solutions based on a knowledge of tools and systems that are available. This person can be a consultant or someone within the organization. In the case of BKD a hired employee would be the best option for several reasons. The first and most important is that this technology change effort needs a champion. The accountants and staff need a technology champion that will develop the vision, communicate the vision and continually motivate the organization to completion.

This champion would have the most success if they are perceived as one of the team; a consultant may be viewed as an outsider to the rest of the organization. BKD's technology changes are also long term, and need someone who is committed to the change and to the organization. The other decisions to be made fall after this crucial point of who is to make the calls. As CEO, Spencer's priority is to bring onboard a qualified, competent and committed CIO who can shoulder the many responsibilities of changing the technology landscape. After this has

been dealt with the plethora of other decisions such as specific platforms can be whittled away based on priority.

How these changes are to be implemented is another decision point. There are a myriad of ways to implement IT changes in an organization. There is no right or wrong way, but there are a few guiding principles regarding implementation that should be followed for any IT change. According to Rick Maurer, a change management expert and author of "Beyond the Wall of Resistance: Why 70% of All Changes Still Fail – and What You Can Do About It, " there are three rules for IT change. The first is to speak so they'll understand, the second is to listen and learn, and the last is to remember it's the people who matter (Maurer 2010).

It is common for IT professionals to become so accustomed to using computer lingo that it sounds like another language to others who aren't in IT. This can be a real barrier when attempting to explain new technology, or in gathering requirements and input from end users. IT technicians involved in the change process must be aware of the tendency to use terms, acronyms and words that individuals outside of IT cannot comprehend. Instead, they should use plain everyday speech and if needed, use systems that are well known to explain IT systems. The postal system for example could be used as a metaphor for a computer network. As Albert Einstein said, "You do not really understand something unless you can explain it to your grandmother" (Albert Einstein Quotes 2003).

The second principle of IT change is to listen and learn. Just as speaking in techno-babble is a common occurrence, so is IT implementing IT changes that only IT thinks is a good idea. The internal customers or end users are the real experts when it comes to what they need (Maurer 2010). There must be a willingness to listen, learn and be influenced by others; this is the foundation upon which business relationships are built.

The last principle is to remember that it is the people who matter. IT changes, like any organizational change, begin and end with people. Even in highly technical fields such as accounting, a good idea and a sound plan does not ensure success. Technical proficiency opens the door to change but working with people, the customers and end users is where road blocks and resistance will be revealed and overcome.

Time to Implement

The CIO should set out to recruit talented and skillful IT staff with the experience to bring BKD through the many changes in IT that will be necessary. The CIO should develop the overall strategies, which will be the framework upon which the IT structure will rest. This process must be a collaborative nature with input from all departments. A focus group would serve this purpose well, allowing the vision for IT to be created by the end users.

The IT change initiatives can be used as a catalyst in solidifying the individual offices. By rallying the current IT staff in each office and bringing them onboard through open communication the IT leadership team extends its reach and capabilities. The leadership team would do well to empower the current IT staff many of whom are talented IT technicians in their own right by listening to their feedback; these individuals are on the "front lines" of the firm.

Consistent communication to the IT staff with relevant information should be a priority for the IT leadership team. Communication from the CIO to the IT department including individual offices enhances the team building effect and also builds the trust relationship between managers and technicians.

Goals

BKD can do nothing about its current state of IT disconnectedness and outdated systems and stay in a reactive state, although that is certainly one option available. If that is option is

chosen, BKD will quickly slide from the top ten firms and continue a slow descent, losing clients and revenue along the way. That is not the goal of the leadership team of BKD however, and as painful as change can be, the staff and accountants of BKD are willing to do what it takes to drive forward on a path of continues improvement.

The goal of the IT change initiative is to integrate deeply into the core business functions of BKD current technology that meets the needs of the accountants and staff. That means transparent systems where available, and user training where needed. Technology is merely a tool, granted a very important one, and in this case the goal is to equip the accountants and tax professionals with systems that make them more efficient, that shorten the process time through automation, and that achieves compliance with all applicable federal and state regulations.

Information technology has been proven to be a major contributor of growth in accounting firms. In *Productivity Growth in the Public Accounting Industry: The Roles of Information and Human Capital,* which studied fifty-one accounting firms, IT capital was by far the largest driver of growth.

> We found that, for the full sample, the mean productivity growth during the eleven-year period was 51.1 percent, of which 0.2 percent came from efficiency change, 6.3 percent from technical progress, 30.2 percent from IT capital accumulation, and 14.3 percent from human capital accumulation. This implies that it is primarily IT and human capital deepening, as opposed to efficiency change or technical progress, that have contributed the most to productivity growth of public accounting firms. (Chang, H., Chen, J., Duh, R., & Li, S., 2011)

This is a significant finding with tremendous potential; however there are several factors that must be kept in mind. The first is that there is a point of diminishing returns, once an organization achieves a high level of IT capital, more spending will not necessarily result in a corresponding increase in growth. The second is that IT capital by itself may not drive growth any more than a new building will increase profits. IT capital can increase growth if it is implemented in such a fashion that the organization absorbs the change and it then becomes a natural function. Bolt on IT changes rarely work due to lack of acceptance on the part of the end users.

This then is the long term goal of BKD, to not merely implement a change with an end date as if it is a project to complete, but rather to instill in the culture a practice of continually examining processes, systems, events and client service. This examination should be done by any and all; it is not just an IT responsibility. There must be however, a process in place to submit ideas and an open forum in which to discuss ways of continued improvement.

It is through achieving these goals of successful IT change through assimilation into the corporate culture and a creating an environment willing to continuously change that BKD can succeed. The current economic situation is difficult to say the least, BKD is competing against a host of other accounting firms for clients that expect and demand efficient, timely and professional service. It is through the leveraging BKD's greatest asset of people and ensuring the IT tools they have are the best that BKD will realize its goals.

Timeline

BKD's IT change initiative is made up of many separate projects, each with a start and stop date. For example, the conversion to a new email system can be planned based on past implementations in similar organizations to take approximately two months. The email system

upgrade however must be fit into the larger scheme of the other projects. A storage area network (SAN) project may need to be accomplished first in order to provide for adequate space and flexibility for the new email system.

The various individual projects are all like pieces of a puzzle that must be arranged in specific order as many are perquisites to the other projects. This map of projects also serves as the timeline, allowing for the tracking of the overall IT plan which is part of the change initiative. The change initiative itself however has no end date.

There is no end date because the purpose of the change as stated in the previous section, is not to simply insert new pieces of technology but to cure the reason the technology was allowed to become a barrier to the success of the firm. In this light, the change initiative, if successful, will live on and become part of the culture at BKD, a culture that understands that technology is one of the pillars of its success and continued growth.

Barriers

There are many pitfalls and hazards when it comes to technology changes, cost overruns are almost expected, on average IT projects run over budget by more than 27%. Worse than that, a recent study confirmed that of 1,471 projects surveyed, one in six had an average cost overrun of 200%. Even large companies are not immune to the damage this can cause. Sears was forced to the brink of bankruptcy after a runaway SAP project consumed millions of dollars at a time when Sears had little in the way of cash to give up (Wilson 2012).

There is also what is known as the Best-Practices Trap, a term coined by Robert Sutton (2004) of CIO Insight. With the myriad of choices and options when it comes to IT platforms a company might be tempted to just throw a dart and implement. Best practices become an easy way to look at a successful company and simply adopt what they are doing. Sutton warns of this

tendency however, as the one-size-fits-all approach may work on hats, but certainly not with IT

or any process that may be foreign to the organization. As he states in The Best Practice Trap,

"Just because something is a good idea doesn't mean it is worth doing in your organization

(Sutton 2004)."

Resistance to changes in IT can come from the corporate culture itself, Davis and Songer

in their 2010 study found in their research that "culture (people) issues are a major barrier to IT

implementation (Davis & Songer 2010)." They developed the model below depicting the level

of resistance to IT change, displaying the hypothesized and established relationships they

believed most affected a person's willingness to accept change.
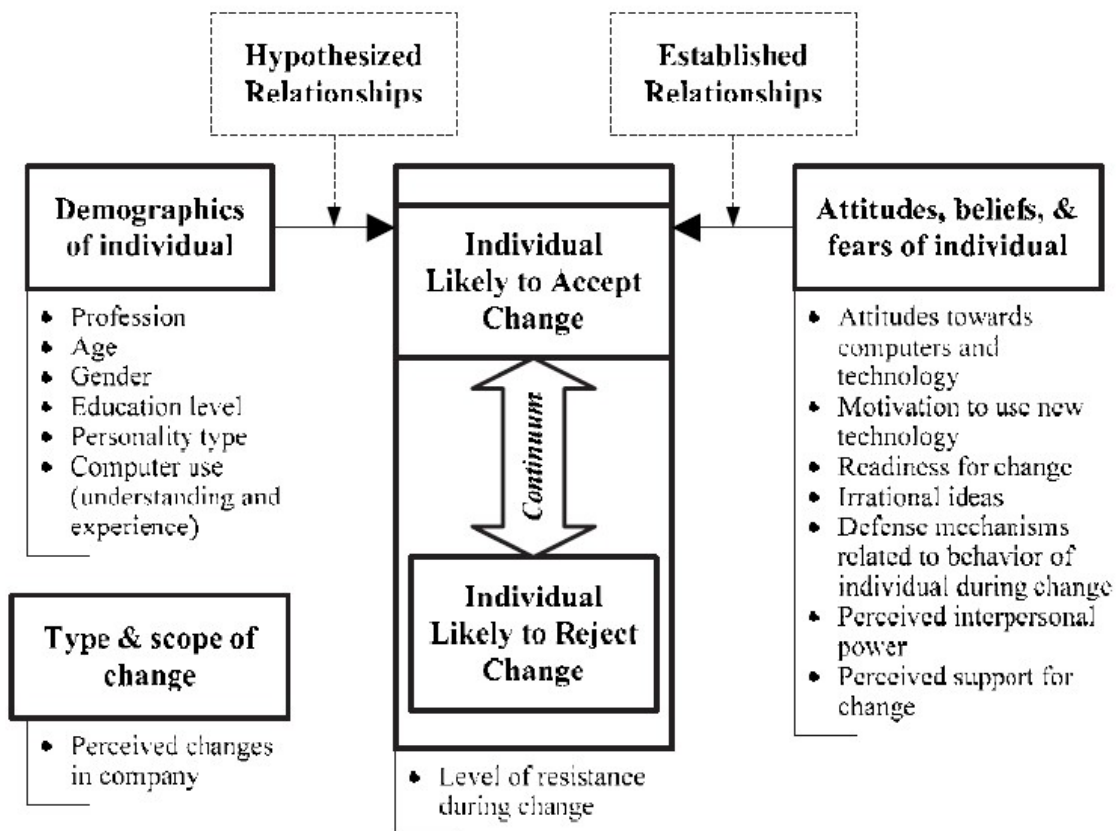
What they found in their study was that employee reactions to technology differ according to the relative positions persons occupy in the organizational hierarchy. Managers at the top of the organization see the change as opportunity to improve the company and advance their career. Employees lower down on the hierarchy however, that have little to no say in the change process, may view the change as unwelcome. The higher ups are likely to have a lower resistance because they are ones that are in control and are the decision-makers. This can be somewhat alleviated by purposely involving all members of an organization in the change process through focus groups, surveys and other means. The take away from the study is to expect some resistance to IT change, no matter how good it is, and to involve as many as possible in the decisions that are applicable to them, like interface options, or capabilities. The employees on front lines are the ones that will be most familiar with the details of each process and can be an invaluable help in the planning and design of a new IT platform.

Another hazard related to the culture is the known as the perception gap. The workforce today is made up of many different generations and each generation views and uses technology different. To the generation Y and beyond workers, IT is about content, and a communication tool that is simply a part of their lives to same to the degree of eating (Chabrow 2007). Older generations such as the Baby Boomers are more conscious of the infrastructure behind all the content, having grown up in a world without it. This difference in views regarding IT can affect the acceptance levels, user requirements and communication platforms different groups prefer to use. For many generation Y workers email is already an outdated and clunky method with many using instant messaging, texting and social media networks to communicate (Chabrow 2007).

Lastly, managing expectations is important during IT changes as it directly relates to long term user acceptance. Research demonstrates that the strategy of artificially inflating users' pre-

usage expectations of a new IT product through hype or marketing my increase the initial

acceptance but in the long term can result in dissatisfaction and eventual discontinuance

(Bhattacherjee, A., & Premkumar, G., 2004). Based on these findings, an honest and balanced

approach to IT change is the best policy. Adequate planning on the front end of an IT change,

which means a heavy emphasis on end user involvement results in a product that fills a real need.

This eliminates the need for hype, and ensures long term end user satisfaction coupled with a

process for continued improvement.

Resolving Conflict

Conflict must be expected and as the previous section illustrated, there are many hazards

with IT changes, internal conflict being one of them. There are two critical aspects to conflict

resolution in BKD's case. The first is buy-in from the managing partners of each office for the

change, and the second is a clear communication process for end user input ranging from ideas to

complaints.

The managing partner of each office at BKD holds much power and sway over the

employees at their office. The managing partner is responsible for the day to day operations,

internal communications and policy implementation. By achieving buy-in from the managing

partners the IT change expanded its reach considerably and creates a welcome ally that will

propagate the change. Buy-in can be accomplished through the same customer driven approach

through which the IT change is planned. In this case the managing partners know their business

well, and can contribute much regarding the needs and desires of IT systems.

By using a process of speaking in plain English, listening well, and remembering that

people are beginning and end of all IT changes, the IT change planners can adapt the change

based on feedback from the managing partners. When this happens buy-in is almost assured as there is a trust relationship created between the partners and the IT change initiators.

The managing partners also play a role in the second conflict resolution tool which is a clear communication process for end user input. It would be disastrous to simply roll out a massive IT change initiative with no ability for the end users to provide feedback. By creating a process allowing for the effective communication between end users, managers, and IT, long term end user satisfaction levels go up greatly (Bhattacherjee, A., & Premkumar, G., 2004).

<div align="center">**Measurements for Success**</div>

The ability of IT to reduce processing time through increased automation, decrease staffing needs and drive forward progress through systems such paperless audits can be monitored and calculated. This does not necessarily mean that BKD is achieving its goal of excellent client service however. Successful implementation of IT changes can have little impact on an organization's bottom line if the change is not aligned with the core business and accepted by end users.

The determining factor of success for BKD will eventually be increased market share in the form of larger clients. The top four accounting firms in the U.S. are by far larger than the next six on the top ten list. Moving up even one level translates into a whole different stratum of clients, clients that are in the top 500 companies in the U.S. The ability of BKD to attract larger clients results in a more stable work flow and increased revenue potential.

This can only be accomplished by the unification of the many offices of BKD on common IT platforms. Through IT changes, the infrastructure can be built that will provide this capability. This process takes years to complete, and consists of many smaller mini changes but through steady progress, the discrete systems that make up the systems of BKD today can be

phased out and replaced. It is through this IT systems backbone that BKD can harness the talent

and skill of its work force to capture larger clients through collaboration and communication.

Conclusion

BKD has been around for many years, and no doubt it will be around for many more.

The question is in what form will it exist? If BKD can successfully implement organizational

change, in this case IT changes, BKD can move ahead of the competition and stay on a path of

continues improvement. If BKD misses the mark or falls short of true change then the

competition will continue to eat away at clients and market share until there is nothing left.

There are many challenges that BKD faces, as there always is with change, but it remains

the only way to improve and move forward for an organization. By applying the tested

principles of speaking in plain English, listening well, and remembering that people are the

beginning and end of all IT changes, BKD increases the odds of success. According to Kotter

(2002), "People change what they do less because they are given an analysis that shifts their

thinking than because they are shown a truth that influences their feelings" (p. 9). The change

leaders at BKD must internalize this truth and appeal to the emotional aspects of change as well.

By avoiding the common pitfalls and hazards, the IT changes are on a sure path to success.

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