

Red paper

Relationship Intelligence: An Accounting Firm's Path to Winning in a Growing Economy

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Critical Business Issues for Accounting Firms

The mantra within the accounting profession today is to leverage existing client relationships and to offer them additional services. To reach this goal we need to know which of our clients would benefit most from our additional services and who else in our firm may be dealing with this client. Unfortunately, in most firms coming up with this information within an acceptable time period is close to impossible.

One of the biggest problems facing the accounting industry today is the existence of multiple islands of redundant data. This data is stored within our practice management systems, tax processing packages, messaging systems, contact management applications, and various lists and miscellaneous documents. If the number of repositories wasn't a big enough problem, it is compounded by multiple vendors and data integration issues. Soon we have six or seven systems with conflicting data and an inability for anyone within the firm to utilise this data in an effective manner.

We see three dangers for a firm that continues to rely on systems that are not integrated: loss of clients, loss of employees, and loss of revenue. The loss of clients can occur over time due to poor relationship management or can be caused by a one-time event

such as the failure to proactively reach out to a client if their key internal contact defects to another firm. Both type of events damage a firm's image in the community and cast doubts in clients' minds as to their accounting firm's competency. Employee loss is caused by the frustration brought on when the firm's processes and systems don't support the employee's ability to generate business and deliver quality services to clients. Another cause for employee loss is the lack of a professional work environment and state of the art systems, brought on by outdated processes and procedures. Both of these hazards – loss of clients and loss of employees – lead to the third danger, which is the loss of revenue to the firm. Revenue loss results when a firm is not able to capitalise on cross-selling opportunities, is encumbered by slow, ineffective marketing and business development cycles, or has difficulty stemming client defection.

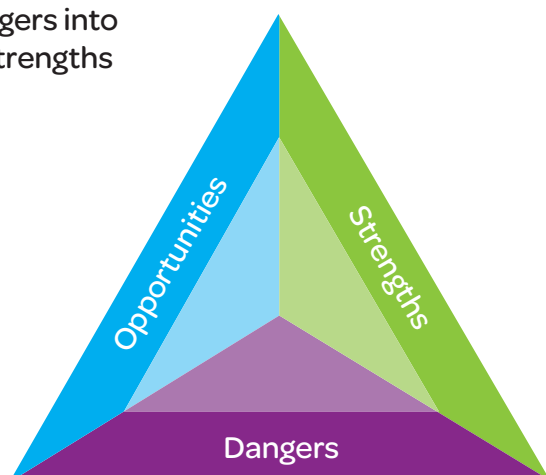
To solve the redundant data problem discussed above, firms have tried many different approaches, from implementing traditional contact managers to building home-grown database solutions. While admirable, these approaches only further complicate the problem by adding yet another data entry point that must be reconciled with every other application, because these systems can not integrate with core accounting, tax, practice management, and write-up

systems. The goal then is to implement a system that allows firms to seamlessly centralise firm data, which can then be turned into actionable information and knowledge. This knowledge provides greater value than either the component data or resulting information.

An innovative firm that will succeed in today's competitive climate is one that builds, nurtures and defends their most valuable asset – relationships.

The challenge for accounting firms is to change their perspective so that they can turn the dangers they face into opportunities and strengths. And the key to this transformation is the ability to leverage firm relationships. The hallmark of an innovative firm that will succeed in today's competitive climate is one that builds, nurtures and defends their most valuable asset – relationships. In the past, the formula for success has been Service (S) x Large Number (LN) = Success (£). Most firms are competing in an environment of instant information, accelerating change and shrinking budgets, which make this formula obsolete. The new formula is Quality Relationships (QR) x Unique Value (UV) = Success (£). Bill Bishop, author of the Strategic Enterprise, refers to this as the relationship-first formula. What is your firm's relationship "IQ" and what can you do to improve this critical component to continued success?

Figure 1: Turning Dangers into Opportunities and Strengths



Opportunities

- Increased cross-selling of services
- Higher close rates on new client business
- Increased revenue per client

Strengths

- Improved client service/retention
- Accelerated business development cycles
- Greater firm knowledge and memory base

Dangers

- Loss of clients
- Loss of employees
- Loss of revenue

The Definition of Relationship Intelligence

Relationship Intelligence is an accounting firm's internal, proprietary information that helps professionals leverage who and what they know in order to uncover new business opportunities, differentiate themselves from the competition and enhance client service. It represents your firm's collective knowledge about people, companies, relationships, experience and expertise – aggregated into a centralised system, managed and then delivered to users wherever they are, whenever they need it, in whatever format they prefer.

Relationship Intelligence content provides users a birds-eye, 360-degree view of the critical relationships that comprise the bread and butter for any accounting firm. Consisting of information housed in many systems – and even in the heads of accountants – it serves as the ultimate competitive advantage. Relationship Intelligence is derived from hundreds and thousands of separate interactions between firm members and their clients, colleagues, co-workers and other contacts.

Relationship Intelligence does not simply exist within a firm's scattered systems. Data must be aggregated, managed, synthesised and delivered to professionals in the proper context in order to be recognisable as Relationship Intelligence – relationship information in context. The process that a technology solution must undertake to create Relationship Intelligence is complex and involves four essential components:

Information Discovery:

Processes for uncovering contact information in a firm's legacy systems, deriving relationships from that data and incorporating this information into the centralised database.

Relationship Management:

CRM functionality sophisticated enough to arrive at a single instance of a contact within the database, regardless of individual variations in contact data.

The relationship management function must also provide adequate security to permit or restrict data sharing according to the needs of individual professionals.

Knowledge Synthesis:

Tools enabling users to analyse and synthesise information easily once it has been aggregated into the centralised knowledge base.

Information Delivery:

The ability to deliver Relationship Intelligence to the professional in context, on any platform, any time, anywhere.

Relationship Intelligence and the Accounting Industry

One to one relationships serve as the lifeblood of any accounting firm. Externally, through close bonds with clients and contacts, opportunities for new engagements materialise, cross-selling opportunities present themselves and differentiation from the competition is made possible.

Likewise, internal relationships among firm members are critically important to the long-term health of the organisation. Professionals' knowledge of the firm's collective experience is crucial to adequately match client needs to firm expertise. The myriad relationships that colleagues have with clients and contacts directly impact the breadth of the firm's ability to generate revenues. And understanding who within the firm is interacting with clients and for what reasons is critical to ensuring high standards of client care.

Small firms manage relationship information through informal channels - conversations in the hallway, weekly meetings, phone, email. With relatively few client relationships to manage, an informal system - albeit imperfect - is adequate.

However, as the organisation grows beyond a handful of professionals and a limited number of service lines

of business, the difficulty of managing information grows exponentially. With that growth comes the increased likelihood of missed opportunities as critical relationships are overlooked and therefore not leveraged in the pursuit of new business. For instance, an accountant may be unaware that one of his colleagues formerly worked with the company that the firm is now seeking to do business with. That relationship could be crucial in winning the engagement.

Alternatively, embarrassing mishaps occur because coordination efforts and communications among large groups of people become cumbersome and unwieldy. Professionals from different offices, for example, may unwittingly be pursuing the same prospective client. Ensuring the greatest possible return over the lifetime of the client relationship is dependent upon effectively expanding the scope of services delivered to a client, and providing seamless communication and client delivery across practices and geographies.

Likewise staff turnover presents a grave threat to an expanding firm. Unless a system is in place to capture and store institutional knowledge, a firm's ability to grow and leverage its inventory of expertise and experience can be crippled.

Consequently, easy access to Relationship Intelligence is vital to ensure the overall health and development of any growing firm. Information that forms the core of Relationship Intelligence generally is scattered throughout the firm in myriad locations, making it difficult for anyone to get a complete, 360-degree view of the relationship. Most accounting firms possess great amounts of valuable information that is housed in such systems as:

- **Time & billing / Practice management systems** (e.g., Practice Engine, PACs, GoPractice!, CMS OPEN®, etc.).

- **Tax preparation software** (ProSystem fx®, GoTax, ProSeries®, UltraTax®, etc.)

- **Accounting applications** (Intuit®, Sage, Microsoft® Great Plains, etc.)

- **Document management systems** (CaseWare, Immediatech i-Solutions, etc.)

- **Contact managers** (Microsoft Outlook, ACT!™, Maximizer®, etc.)

- **Home grown systems and external database sources** (Microsoft Access, Microsoft Excel, etc.)

- **Human resources software** (PeopleSoft®, Microsoft Great Plains, etc.)

- **Tacit data from the heads of individual professionals**

In order to become actionable intelligence, this scattered data must be aggregated into one, unified system, managed and placed in a context that marketers, business developers, accountants and consultants can relate to. It must then be delivered to professionals in the format that they prefer, on the platform they prefer using i.e. desktop, Web, or wireless device. It is only through the process of aggregating, managing and delivering this information that scattered data within accounting firms can be transformed into Relationship Intelligence.

Once accessible to professionals, Relationship Intelligence can then serve as an important resource to help address any number of challenges faced by the firm that were formerly managed through informal channels. Examples of the types of business questions Relationship Intelligence addresses include:

Client Retention

Who are our top clients?

Who within the firm has the skill and expertise to address this client's particular needs?

What do I need to know about this client when I meet with them in order to make a favourable impression?

Uncovering New Business Opportunities

Do we know anyone acquainted with this prospect that could help us secure this engagement?

What are this client's needs, and what other services could we provide to meet those needs?

Who else do we know that could also benefit from our skill and expertise in this area?

How can we accelerate the business development cycle by leveraging our best expert in the firm or accessing previous experience on a given business issue quickly?

Building a Firm Knowledge Base

What is the history of our relationship with this client?

What relationships was this former employee involved in before he left the firm?

What type of engagements have we worked on in this particular industry?

Employee Retention

How can I leverage the expertise and experience I gain from one engagement to win more business and make more money?

How can I be expected to be knowledgeable about client matters when I can't easily access relevant client information?

How can my colleagues' relationships and experience help me be more successful at my job?

Ensuring the Best Client Service

What background on this client should I be aware of before our meeting?

Does this client prefer to be called by his first name or surname?

Is this client comfortable talking only with the managing partner on questions surrounding this engagement?

Developing a software system capable of transforming a firm's scattered data into Relationship Intelligence, and delivering

this content to professionals in a meaningful, easy-to-access environment is a monumentally complex undertaking. Until recently such technology was not available to accounting and consulting firms. This, however, is no longer the case.

LexisNexis® InterAction®

LexisNexis InterAction is the only CRM solution designed exclusively for professional services organisations.

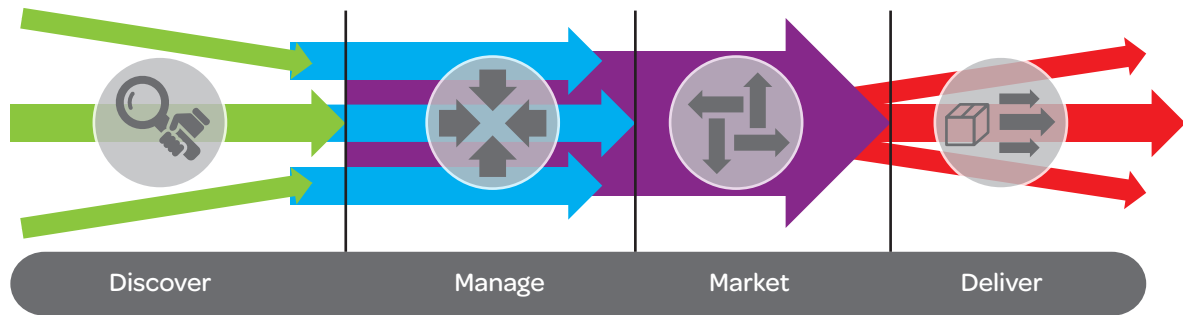
First introduced in 1996, InterAction is a mature product and is used by more than 500 firms worldwide and over 250,000 users.

LexisNexis is also the pioneer of Relationship Intelligence. They have incorporated the essential process for creating Relationship Intelligence into InterAction – ushering in the next generation for professional services CRM technology.

Like other CRM solutions, InterAction provides a centralised database for storing client information. Users can create fields, classifications and otherwise customise the system to their unique environments. Likewise the system integrates with other enterprise applications and your email, fax and phone systems to facilitate easy communication with clients and prospects.

But beyond basic CRM functionality that one would expect from any product on the market, InterAction is a complete solution that addresses the more complex problem of drawing together a firm's scattered data about people and companies, and transforming this data into Relationship Intelligence. To accomplish this, InterAction uses four essential processes. They include:

Figure 2: The Relationship Intelligence Process



Relationship Discovery:

Relationship Discovery solves the age-old dilemma in accounting firms that professionals will not exert the time and effort to enter contact and relationship information into the system. Through automated processes built into the solution, InterAction automatically harvests contact information from a firm's existing systems (i.e. contact manager, time & billing, word processing, etc.), and derives important relationships from this scattered data. As a result, Relationship Intelligence content critical to a professional's daily activities can be made available to them immediately, without their having to proactively enter information. This greatly enhances the likelihood of adoption by firm professionals.

Relationship Management:

The relationship management process provides a complete environment to store, manage and share information about clients and contacts as well as information on your internal experience and expertise. Duplicate management is essential for the success of the relationship management process. If the software cannot recognise that John Smith, John Q. Smith, and J. Smith are the same person, it cannot possibly provide a 360-degree view of that individual or his relationships. InterAction offers sophisticated database management functionality that minimises the likelihood of duplicates and facilitates a single instance of any contact

An easy-to-use and highly intuitive environment to support accountants in their daily activities.

within the centralised database. Adequate security is another critical element to the success of a CRM solution. The private nature of the work accountants do, coupled with firms' varying comfort levels with sharing certain information necessitates security that can accommodate an accounting firm's special needs. InterAction provides sliding scale security that gives users great flexibility in deciding who should have access to, and who should be restricted from, sensitive information at both an individual and group (e.g., practice or client team) level.

Marketing Automation:

Once relationship information has been collected in InterAction and aggregated from other sources, the system provides a rich toolset with which to synthesise this information, analyse it and support all marketing and business development functions. Examples include reporting, mailing lists, campaign and event management and data mining. So, for instance, professionals or marketing teams could access key performance, client service or profitability reports directly from the system without the need for complex database queries or involving the IS department.

Knowledge Delivery:

When the information has been aggregated, managed and synthesised, it is then ready to be delivered to the non-technical professional. InterAction delivers this information in the form of Relationship Intelligence content via InterAction's XML-based application server to professionals on their platform of choice. Relationship Intelligence can be delivered to the Web browser, intranets, portals, wireless devices and Outlook, to name a few. As a result, professionals can access Relationship Intelligence in whatever environment they are most comfortable with, and receive it in a format most meaningful to them. Because no work is required on the part of the professional to access Relationship Intelligence, the likelihood of the systems use increases exponentially.

InterAction's traditional CRM functionality, coupled with its innovative processes for creating Relationship Intelligence, sets it apart from all other solutions currently available to accounting firms. LexisNexis has succeeded in masking InterAction's complexity and highly advanced programming to provide an easy-to-use and highly intuitive environment to support accountants in their daily activities.

Implementation Action Plan

A successful implementation of a Relationship Intelligence tool like InterAction requires careful planning and focus. Along the way, decisions will be made about how the firm will use InterAction. These decisions will range from very strategic (which business needs will be addressed first?) to very technical (determine the appropriate memory settings for the servers).

Using a product implementation methodology such as the one depicted to the right is strongly recommended. This approach ensures that the majority of the analysis is performed up front and the needs of the firm are understood before expensive design, configuration and data conversion work begins.

The key to the success of this methodology is maintaining open and frequent interaction with the major stakeholders throughout the project. Communication, training and testing are critically important. These are the mechanisms to ensure that the needs of all stakeholders are met. Leveraging communication, training and testing also help stakeholders become advocates for the system through increased understanding of its benefits and effectiveness.

A solid implementation methodology, alone, does not guarantee a solid implementation however. Successful implementations are characterised by the following:

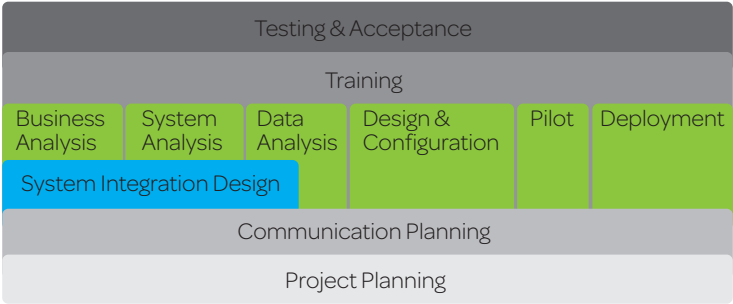
Strong project team

Project momentum is created by people who are enthusiastic and have domain expertise.

Well-trained team members

Build product knowledge by training members of the project team and building their product expertise.

Figure 5: Implementation Methodology



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Project momentum is created by people who are enthusiastic and have domain expertise.

2. Well-trained team members

Build product knowledge by training members of the project team and building their product expertise.

Exceptional communication throughout the project

Keep people outside the project team informed about the project plan and progress. When under-informed, people will not necessarily draw the right conclusions. Therefore, timely, accurate and useful information about the project needs to be provided on a regular basis.

Business process focus

Implementing Relationship Intelligence may introduce changes to the way business is done today. Use the implementation as an opportunity to evaluate client touch-points and determine how the business processes can be improved. Document and communicate these changes early and often, validating them along the way.

Strong business partners

Carefully evaluate any business partners chosen to assist with the project. Ensure the individuals assigned by the business partners are experienced in the areas where they will provide assistance.

Effectively managed organisational change

Business process changes can be uncomfortable for some people. Communication and training help to manage this discomfort and reduce the resistance to the new way of doing things.

Strong commitment from firm leadership/management

Demonstrated enthusiasm by the firm leadership has a significant affect on the acceptance of implementing a Relationship Intelligence solution. Frequently, firm leaders are the key business generators of the firm and when they leverage Relationship Intelligence, they set an example that the rest of the firm is likely to follow.

Quickly demonstrate value to the firm

Grandiose implementation plans should not overshadow the need to quickly bring value to the firm through the Relationship Intelligence solution. Focusing on top clients, alumni, experts, etc. brings critical information to the professional in a short time frame while allowing the firm to continue to grow its Relationship Intelligence indefinitely beyond these original targets.

Conclusion

People and relationships form the foundation of any accounting or consulting practice - large and small. As the marketplace grows more competitive, as retention issues continue to distract us, as client service becomes a more important way to differentiate from the competition, how a firm tracks and manages its internal information about people, companies,

relationships, experience and expertise is playing an increasingly critical role. Relationship Intelligence has emerged as a proprietary competitive asset that firms can harness to increase revenues, reduce costs and operate more efficiently. LexisNexis InterAction is the premier solution in the industry, capable of transforming your scattered data into Relationship Intelligence.

For more information

To find out more about **LexisNexis InterAction** and to discuss your firm's specific business requirements, please visit www.lexisnexis.co.uk/enterprisesolutions, email salesinfo@lexisnexis.co.uk or call +44 (0) 1132 262065 to speak to a LexisNexis Enterprise Solutions consultant.



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