

Managing the intangible

– a review of law firm knowledge management

Knowledge management is playing an increasingly important role in the operation of the modern law firm. To implement knowledge management systems, *Lawyers Weekly* investigates how effective these systems are and the difficulties associated with their implementation.

by Krathyn White

Knowledge management is a concept that's been adopted by law firms across Australia. In one form or another, law firms have been engaging in elements of knowledge management for a number of years, manifested through things like precedent and opinion databases, files in cabinets and even the humble law library.

But as the concept solidified into a formal theory sometime in the mid 90s, it became clear that the effective management of knowledge could have a significant impact on an organisation's bottom line. In its most crude form, knowledge management is about creating synergies between information that exists in a particular place. For law firms, it's about collating information in systems or putting tabs on all the intangibles that form the crux of what lawyers do. Or, to use the words of Karl-Erik Sveiby, the father of knowledge management, it's about "creating value from intangible assets."

The real challenge for law firms when it comes to knowledge management is a double-headed one:

there's the challenge of implementing an effective long-term KM strategy that has the necessary level of managerial buy-in; and fitting the strategy to what is often a well entrenched firm culture.

The big buy-in

The big problem with knowledge management when it comes to law firms is getting management to sit up and take notice. According to Gretta Rusanow, principal of Curve Consulting (a firm specialising in consulting with law firms in the USA and Australia on knowledge management), this is one of the biggest impediments to optimal knowledge management.

The basis for Rusanow's assertion is a recently completed survey that Curve Consulting conducted across 16 major firms in the USA, UK and Australia. She says the key finding was that while all directors in KM organisations in law firms are terribly articulate about how KM is a key business driver and the relation between how well a firm manages its knowledge and how well it achieves

its business objectives, they still don't have the attention of law firm management. "The bottom line is that if you don't have the buy-in of management it's a short-term proposition," says Rusanow.

She says part of this problem is a lack of understanding. "The point is that often managing partners understand it from a theoretical standpoint, but I don't think they truly understand how this can drive their business – and they're not going to understand that until the KM organisations within law firms start to measure the value of their KM initiatives," says Rusanow.

For something that requires such a significant outlay of capital it's surprising that 80% of the firms Rusanow interviewed didn't measure returns on KM investments. "If you're not measuring knowledge management you can't demonstrate its value to managers so it remains a largely academic and isolated business proposition."

Made to measure

For Gadens Lawyers, measuring

the value attained by KM initiatives isn't high on their list of priorities. But Margaret Williams, national director of knowledge management at Gadens Lawyers, says this is because the firm recognises some benefits can't be measured in strict dollar values.

However, there are times when Williams turns anecdotal evidence of certain KM projects into dollar value benefits. She gives the example of the workplace relations division that maintains a database of advice, seminar and PowerPoint presentations. "The section can access, re-use and update all of that information rather than starting from scratch each time and it's easy in that sense to work out how many hours of work has been saved. By converting that into a dollar figure you can see the time saved and perhaps channel that into dealing directly with clients," says Williams.

Stephanie Pursley, partner in charge of KM at Freehills, says measuring the value of KM initiatives is a key objective for the firm in 2002. "It's not easy, but it's not impossible, and when we think about introducing a new project we'll automatically build in ways of measuring the project's value," she says.

The need to be able to place value on KM initiatives is also imperative in getting management to make a long-term commitment to the idea, and Pursley says it's about blending long-term goals with goals achievable in the short-term.

"You need to have quick wins, medium-term projects that you can complete in a year and all of that needs to tie in with a long-term vision. It's madness to take a short-term view because some of the things you need to do require changing firm culture so the culture becomes one that's supportive of KM – something you can't change overnight," says Pursley.

Cultural cringe

Firm cultures can also act as a significant impediment to the effective implementation and operation of KM. According to Rusanow, one of the biggest cultural barriers to KM is the time-based billing model, which has

2001/2002 Global Law Firm Knowledge Management Survey Report – a summary

- While the knowledge management organisations of leading law firms in the US, UK and Australia recognise that KM is a key business driver, most participants lack full management support for knowledge management – which is key to the long-term success of knowledge management initiatives
- Knowledge management organisations typically do not measure the value of knowledge management and therefore cannot demonstrate its value to management
- Consequently, knowledge management is regarded at several law firms as an isolated function; management does not recognise its value and has therefore not made adequate investment in knowledge management
- Participants place a strong emphasis on the relationship between knowledge management and client service delivery, promoting knowledge management in business development activities and providing knowledge management-related services to clients. However, few participants have formal e-business/knowledge management strategies or generate revenue from existing client knowledge management initiatives
- Participants have not addressed cultural barriers to knowledge management, including the time-based billing model, which acts as a disincentive to working more efficiently and spending the necessary non-billable time on developing knowledge management initiatives
- Participants have a narrow knowledge management focus, tending to limit their knowledge management efforts to managing core explicit legal knowledge
- There is little focus on managing client and industry knowledge and addressing tacit knowledge
- The knowledge management technology strategy for most participants is to implement a web-based single user interface into multiple systems and applications

SOURCE: CURVE CONSULTING

ble management

modern law firm. As firms look to
these systems can be and the

the potential to create a disincentive to maximising efficiency. This is the antithesis of KM, which is all about making workflows more efficient and productive.

The proprietary nature of partnership also poses a problem to KM. Over time, a lawyer builds up a unique knowledge base and by definition this knowledge base is something a lawyer doesn't want to make freely available. Rusanow says this is nonsense. "Surely the idea in a learning organisation like law firms is to master a particular area of law, looking for ways to delegate to other people so you can move onto the next area or build upon your knowledge base," says Rusanow.

Williams says Gadens underwent huge cultural change in order to facilitate the operation of KM. She says the key to this was getting everybody involved, from the bottom up. "It's a team effort,"

she explains. "Everyone in the firm is committed to knowledge management being entrenched in the culture of the firm. HR has worked hard to engender this culture of knowledge sharing – it's written into the key performance indicators and job descriptions. When it comes to performance reviews, it's something people have to demonstrate as part of their career path," says Williams.

But as Rusanow explains, a firm's KM strategies are only as good as the business objectives that underpin them. "At the end of the day, no firm should be investing in knowledge management unless there's a direct relationship between how well they manage their knowledge and how well they achieve their business objectives, otherwise it's a purely academic discussion.

"It's all fine and dandy to talk about it, but if you're not measuring it and applying some sort of business analysis, then what are you doing?"

approaches to knowledge management

Gadens Lawyers

- formation of national practice groups – communities of practice that form the back-bone of knowledge sharing
- development of national KnowledgeBase
- creation of specialised chat lines to support national practice groups and exchange ideas and knowledge across offices
- reinvention of libraries and precedent teams to form part of a national network of Knowledge Centres in every office
- building of B2B tools for clients such as the Online Deal Room, document reporting and client extranets

Freehills

- appointment of knowledge managers to each of the practice groups
- implementation of systems for precedent documents as well as wider than precedent know-how
- creation of work process documents detailing how to go about certain types of transactions
- use of intranets for internal communication and exchange of information
- learning and development programs for each practice group, with the groups taking responsibility for generating ways to convey knowledge to young lawyers, and bring them up to speed quickly and efficiently through effective training programs



Margaret Williams



Gretta Rusanow



Stephanie Pursley