



ANDREW HEDLEY, DIRECTOR, HEDLEY CONSULTING

The cultural dimensions of leveraging institutional knowledge

Many law firms position themselves as having a client-centred strategy but fail to embrace knowledge sharing about clients and relationships. Generally, it is not a paucity of systems which prevents firms from capitalising on their client knowledge. Whilst systems will drive speed and efficiency, it is attitudes that drive effectiveness and enable firms to fulfil the potential of their client base.

The term 'knowledgeability' best describes the attitudinal and cultural shifts that are needed. Knowledgeability is a collective term for the many techniques by which a firm's latent knowledge can be transformed into business assets. The key to realising this opportunity is to shape culture to prioritise the sharing of knowledge and relationships.

Knowledge-sharing culture

There are three distinct aspects of culture to consider in assessing what is needed to improve client knowledge sharing and strategy implementation:

1. the society within which we operate;
2. the cultural norms of the profession; and
3. the culture, attitudes and behaviours within the firm.

1. Societal factors

Geert Hofstede identified a small number of key dimensions on which national cultures have differences which impact on business structures and performance.¹ The 'individualism versus collectivism' trait is revealing when considered as an overriding layer of cultural influence within professional services.

For example, the top ten individualistic nations include the US (first) and UK (third). In these societies, such cultural factors can create a greater disinclination to share knowledge which is to the benefit of the individual since to do so runs the risk of reducing personal power and status. Societies with a more collectivist

approach include much of Latin America and southeast Asia; it might be reasonable to expect that cultural resistance to sharing would be lower in these societies.

2. Cultural norms

The ability to exercise judgement and personal discretion lie at the core of the values and culture of the legal profession. These are deep-seated drivers of behaviour for many lawyers. Personal knowledge and singular client relationships are central to the power structures found in traditional law firms, which are characterised by collectives of what are essentially sole practitioners.

“Every firm has huge untapped potential in the form of hidden knowledge assets”

It follows that, for some, professional status is firmly associated with singular client relationships and valuable personal knowledge. This is a cultural trait that is hardwired deep within the genetics of the profession. This cultural paradigm presents significant challenges for those tasked with developing modern, open organisations in which knowledge and relationships are shared for the benefit of all, rather than treated as a negotiation chip for the advantage of the few.

3. Firm culture

Finally, we turn to the culture of the firm itself. How does a management team put in place mechanisms to encourage open access to client relationships and client knowledge? One of the key drivers for success is the ability to develop a culture in which recognition, reward and organisational power are all derived from sharing rather than hoarding knowledge and clients.

Cost/benefit considerations

Of course, a question that needs to be considered before attempting such transformational change is whether the climb will be worth the view. Will the upside of sharing knowledge be worth the time and resource investments needed? The argument for change is compelling.

Estimates indicate that, even in firms with advanced knowledge management systems, well over 80 per cent of all organisational knowledge is tacit (i.e. not written down in systems but residing in people's heads). Much of this knowledge will be about relationships, clients and contacts. This fact raises both defensive and offensive issues for individual lawyers and the leadership team.

When knowledge is shared, its loss to the firm when people leave is mitigated. For any individual, the market value of their personal knowledge resides, to a large degree, in its uniqueness. Again, a clear tension between the individual and the firm is evident.

Knowledge which is shared should be an effective catalyst for broadening and deepening client relationships. It will often be the case that hidden linkages only become apparent through open discussion, for example in a key client forum or sales pursuit initiative. An important halo effect of initiatives to promote attitudinal change will be the evolution of a more inclusive firm with a common sense of purpose.

Every firm has huge untapped potential in the form of hidden knowledge assets about clients, relationships, experience and technical expertise. By better unearthing and sharing these, a step change improvement in business performance will be realised. This puts the business on a strong footing to deliver strategic objectives on a far wider canvas. **mp**

Andrew Hedley has been advising law firm leaders on strategy, performance and change management for approaching 20 years (www.hedleyconsulting.com)