

Measuring value

Proving the worth of knowledge-management initiatives to ensure firm-wide support and buy-in can be a challenging process, particularly given the often intangible nature of knowledge. Firms should take a wide-reaching approach to measurement of KM activities, which looks beyond return-on-investment statistics. **BY JOANNA GOODMAN**



What is the value of knowledge management (KM) in law firms? In many respects, it's the same as for any business: it is the value derived from leveraging the explicit and tacit knowledge within the firm. In common with other professional-services organisations, law firms trade on their specialist knowledge and expertise. Many recognise that effective KM, which facilitates the flow of information and know-how throughout the firm, and its supporting technologies are instrumental in enhancing efficiency and profitability and represent a critical success factor in the increasingly competitive legal-services market. They are therefore prepared to invest substantial resources in developing sophisticated systems and processes with the objective of maximising the return on their most valuable commodity – their collective knowledge and expertise. But effective KM that genuinely adds value requires more than allocating budget

to buying superior technology: it also entails gaining the buy-in of lawyers and business-support professionals and convincing them to share information and know-how. This challenge is exacerbated by the partnership structure and the culture prevailing in many firms. Fee earners in particular often need to be convinced of the value of devoting non-billable time to KM activities.

Three reasons for KM measurement

Regularly measuring the value of a firm's KM programme to both the firm and the individuals working within it serves three main purposes. First, it demonstrates the ongoing contribution of effective KM to partners and decision makers and justifies continued investment in KM activities and resources. Second, it helps to convince lawyers that it is worth their while sharing information and know-how, and third, it shows knowledge managers

whether KM is doing what it's supposed to do by identifying what is and isn't working, revealing where more attention is needed and highlighting precisely how and where the KM programme is adding value throughout the firm.

The latter is easier said – or written – than done, however. Albert Einstein's saying, "Not everything that counts can be counted; not everything that can be counted, counts" is particularly apt when it comes to evaluating KM. Its value, and the way this is measured, falls into two distinct categories. Tangible returns on investing in technology and resources that provide lawyers, business-support professionals and, increasingly, clients with speedy access to information and know-how can be measured in terms of new and repeat business won, as well as saving potentially billable time. These benefits can be identified by quantitative measurement that produces hard metrics.

Intangible returns on KM are harder to determine. Because KM underpins all





law-firm activities, its benefits are often difficult to separate from other factors. For example, a firm's capability to offer its clients enhanced services may depend as much on people's willingness to share their knowledge of a particular client's specific requirements and preferences – often gained from longstanding relationships – as it does on superior CRM and know-how systems. Although to some extent these qualities can be measured in terms of client satisfaction and repeat business, they are not necessarily reflected in the metrics as the use of legal services is driven by need, depending on the client's circumstances and the nature of their business. The same applies to indirect returns. For example, KM resources such as forums, updates and seminars also present opportunities for advancement and professional development, which contribute to the firm's ability to attract, engage and retain top fee earners.



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How do you measure the value of KM in a law firm?

Experts and practitioners agree that the first step is to take a snapshot of where you are. It's important to remember this isn't a knowledge audit, but a KM audit, requiring a combination of quantitative and qualitative research around some basic questions. What's used? What isn't used? Which areas need attention? What's missing? Popular methodology includes logging usage of and contribution to the firm's knowledge resources and conducting user surveys, focus groups and ethnographic research – observing how people use KM resources and services. The next step is to use the findings to develop a KM programme that meets lawyers' knowledge and information requirements. Regular evaluation enables knowledge managers to align the firm's resources and services with these shifting needs.

A key priority is to identify meaningful metrics so that you are measuring for a purpose. Some firms have achieved this by linking KM measures to the firm's key-performance indicators (KPIs). One of the most popular performance-management systems is Kaplan and Norton's balanced scorecard, which considers a firm's KPIs from four perspectives: financial; client; learning and growth; and, internal processes. The advantage of this approach is that it focuses on hard and soft measures and uses leading and lagging indicators.

Global firm Linklaters is well known for being ahead of the game in terms of using the latest technology to share information and know-how across its

30 offices in 23 countries. Lawyers, business-management professionals and clients have 24-hour access to the firm's information resources via a linked intranet and extranet. "KM has to be a supporter and enabler," explains chief knowledge officer Matthew Parsons. "You can't have a KM strategy that's distinct from your business strategy. We provide what people need to deliver the firm's global strategy, therefore KM resources and service are driven by demand." The system is underpinned by continuous measurement and evaluation. Parsons admits that although metrics are easy to find, KM is also interpersonal. "You can measure load times, number of documents available and accessed and efficiency gains in terms of billable hours," he says. "You can track usage, delivery and submission rates. But how do you measure the value of a team meeting?"

On the qualitative side, regular know-how surveys are supplemented by face-to-face consultation sessions. Parsons and his team visit offices and practice groups around the firm facilitating discussions around how and when people use knowledge resources, with the purpose of identifying what additional resources would make a strategic difference. "Attending meetings and talking to people in different offices and practice areas is extremely important, particularly in a global organisation where there are differences between offices in terms of scale, strategic focus and type of practice," he says. "It also yields cross-fertilisation of ideas between offices and practice areas and that builds an agenda for



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improving the system.” He emphasises that the know-how sessions are more than focus groups. “We also tell people what’s new and what’s possible and hear from them about their experiences. We use their input to extrapolate what might be useful for them.” He adds that the findings of know-how surveys and consultation sessions helped to guide the recent redesign of the firm’s intranet.

Overcoming the barriers to a knowledge-sharing culture

This means gaining buy in to the benefits of firm-wide knowledge sharing. Parsons explains that busy lawyers are quickly converted to KM activities by a combination of user-friendly technology and communicating quick wins. “Take-up is driven by efficiency and lawyers are good judges of what will add to the efficiency and quality of the advice that they offer their clients,” he says. “The key to getting them to submit material and know-how is to make it quick and easy.”

Recognising and rewarding knowledge sharing provides an additional incentive. Business-development consultant Andrew Hedley of Hedley Consulting underlines the contribution of KM to increased profit, growth and competitive advantage (see *Figure 1*). “The key is to create a culture in which people gain power, recognition and reward as a result of sharing knowledge rather than keeping it to themselves,” he explains. This means replacing the traditional partnership culture where knowledge equals power. Hedley recommends

including knowledge-sharing activities in performance appraisals. “People tend to perform most strongly on the things that are recognised and rewarded by the business,” he says. In addition to quantitative measures relating to contribution and outcomes, he advocates applying a balanced scorecard approach to measuring involvement in KM activities. “You can score technical knowledge, client knowledge and process knowledge and ask people what they’ve done to increase the firm’s knowledge capital. That gets them thinking about the intellectual property they’ve helped to create and share around the business,” he says.

Leveraging the maximum value from KM also means overcoming the tradition of lawyers ‘owning’ particular clients. Hedley observes that it is often quite senior people who perpetuate this practice. He highlights the critical role of leadership in shifting organisational culture, adding that senior partners and directors need to set an example in this respect.

Linklaters has no such cultural barriers to overcome, having developed a collegial culture that permeates practice groups and geography. As Parsons explains, many of the firm’s clients are multinationals, so servicing them means operating across multiple jurisdictions and practice areas. Firm-wide knowledge sharing, supported by sophisticated technology, underpins the global focus of the business.

Other firms face further KM challenges. According to Hedley, a common challenge to achieving the best

value from a firm’s collective knowledge is the psychology of lawyers, who trade on their individual knowledge and expertise. Indeed, lateral hires are expected to bring a following of clients that will switch firms with them. “Successful KM enables firms to develop broad, multifaceted relationships with key clients and this can produce tension as top fee earners realise that in sharing client relationships they potentially weaken their own position in the marketplace,” he says. “However, the best people don’t have a problem with this. They know that they can rebuild relationships and develop new clients. It is often those who are most insecure in their relationships who are the most defensive.”

A genuine knowledge-sharing culture depends on establishing reciprocal

Suggested metrics for the KM function in a law firm

In her article, ‘A value judgement: Demonstrating the worth of KM’, in the March 2005 issue of *Managing Partner* magazine, Lucy Dillon, director of knowledge management at City firm Berwin Leighton Paisner, suggests the following metrics for the KM function in a law firm:

Quantitative:

- System user statistics;
- Hits on a website;
- Use of a precedent;
- Queries raised and responded to;
- Training events prepared/attended;
- Length of time devoted to certain activities.

Qualitative:

- Ease of access;
- Speed of document production;
- Quality of document production (that is, fewer mistakes);
- Ease of location of an expert;
- Feedback on user satisfaction;
- Confidence in the systems (success stories).

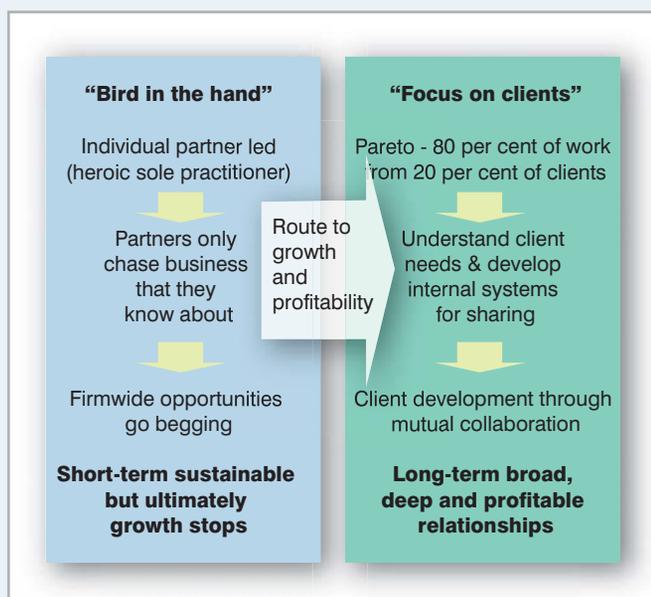


Figure 1: Seizing the initiative in a more competitive market place

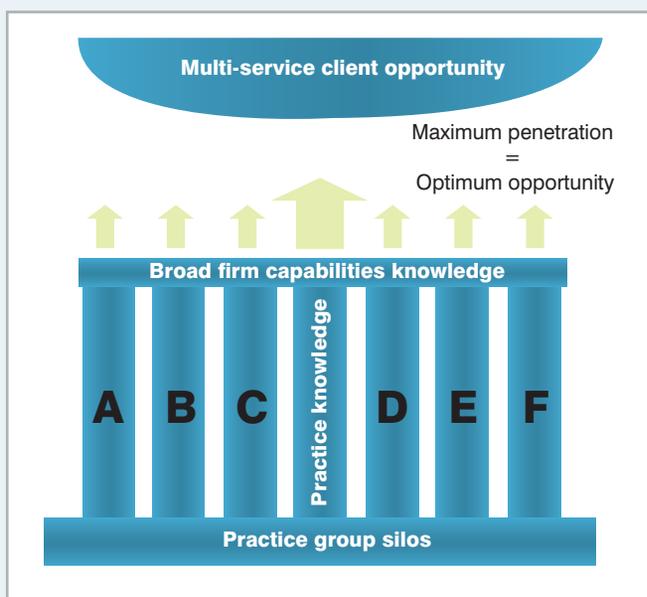


Figure 2. Model T: Maximising deep and broad client potential

trust between the firm and individual lawyers and an understanding that shared information will not be misused. Demonstrating the value of KM by measuring the additional business gained from leveraging the firm's collective knowledge through cross-selling, for example, helps to engage them in knowledge sharing and collaboration.

For larger firms in particular, specialism represents another challenge to maximising the value of KM. As Hedley explains, many firms miss out on significant business development and cross-selling opportunities simply because lawyers don't know about other parts of the business outside their own practice areas. "Each practice group needs to know a little about what other practice groups do in order to sell their services to its clients," he says. He illustrates this in his 'Model T' (see *Figure 2*), which shows how effectively transferring knowledge can permeate a law firm's siloed structure, enabling it to identify and seize business opportunities. How do you engage lawyers in learning about what the firm has to offer? According to Hedley, this means getting people together. He advocates

combining the usual presentations at partner and practice-group conferences with a light-hearted approach, using quizzes and show-and-tell sessions to keep people informed. The success of these initiatives is reflected by metrics such as increases in the range of services typically sold to each client.

At Linklaters, members of the business-service community are routinely involved in major projects, attending pitches, presentations and client meetings. This affords them further opportunities to assess the extent to which the firm's investment in KM is taking it in the right direction. "Informal conversation is just as important as formal communication because it's often the best way to discover what really makes a difference," says Parsons. "One of our partners explained to me that he was getting calls at home from clients who were trying to find particular resources on the internet without success. He would then login to our KM systems, quickly find the links, and then e-mail them to the client. It struck him that we should repackage some of this internal know-how for direct use by clients via the internet.

Shortly afterward, we released an easily navigable topic-based microsite designed by the partner, which leveraged our internal know-how and IT processes and has been very warmly received by clients. When partners begin to conceive the ideas about leveraging internal knowledge resources and the internet to deliver better client service, then we are making progress." This demonstrates how continuous measurement enables law firms to leverage their KM resources to enhance client service and contribute to business development.

KM is an ongoing task, which includes the recognition of change. "Our target is continuous improvement," says Parsons. "And it's important to measure your progress. Part of measuring knowledge is knowing that you're always going to be measuring and, therefore, always changing." Linklaters and other forward-thinking firms recognise that maintaining a KM programme that genuinely and consistently adds value requires continual measurement, evaluation and the ability to change and develop in response to the shifting information and knowledge requirements of lawyers and their clients. ■