Birds of a feather

Are knowledge management and business development as different as we would think? By approaching business development and client relationship management from a KM perspective, firms could future-proof themselves and fully exploit opportunities with prospects. Particularly those which encourage the sharing, rather than hoarding, of knowledge. **BY ANDREW HEDLEY**

A perplexing question:

Are business development and knowledge management strange bedfellows or birds of a feather?

The insightful answer:

When boiled down to its base elements, all that a law firm does is leverage knowledge and leverage relationships.

What about the knowledge embedded in the relationship with the client or contact? Why isn't this seen as being an integral part of knowledge management (KM) by many law firms?

The problem lies, as in so many other aspects of management within the legal environment, in the language that we use and how it is interpreted by those who hear it. For many lawyers, the term 'knowledge management' is synonymous with 'legal technical know-how'.

While excellent legal knowledge is undoubtedly a business-critical capability, it is only rarely a source of sustainable competitive advantage. In reality it is often the 'table stakes' needed to play the game within the increasingly competitive environment faced by corporate and commercial law firms.

The explanation as to why this is the case is both rational and pragmatic. Legal or technical knowledge is inevitably shared either explicitly or implicitly within the legal community; it is either proprietary, being bought from one of the well-established providers of precedents and legal know-how, or gathered from competitors in the normal course of business. Over time legal know-how is shared within the legal community by the brigades of professional support lawyers employed by leading law firms. There are few secrets, and innovations soon become common practice. Among the leading firms, the spread between best practice and average practice is not great.

However, non-legal knowledge is quite another matter. This sort of knowledge ranges from operational key-performance indicators, through financial metrics to the huge amount of relationship knowledge held within a law firm. It is, in the broadest sense, business-development knowledge. Some is explicit, trapped in the databases and systems of the business, but far more is implicit, held in the brains of those in the firm.

Real competitive advantage can be gained from managing these pools of knowledge better both from the

king's ransom by introducing space-age IT systems (although well-structured systems will both facilitate and drive many initiatives). Some may wonder why the word 'unfortunate' is linked to any suggestion that spending a large amount of money can be avoided. It is unfortunate because if this opportunity could be unlocked so simply, then the solution would be straightforward: spend the money and enjoy the benefits.

However, the real issue lies not in IT systems but in culture and behaviour.

Changing culture and behaviour

This is both devilishly difficult and richly rewarding if it can be done without dismembering the firm. Consequently, the real question is how to go about it in a way that doesn't result in the equivalent of a small nuclear explosion being detonated within the partnership.

My belief is that many of the pragmatic answers lie in exerting the powerful pincers afforded by transparency and peer pressure. This is the point where the true power of IT systems and business processes come into play.

In order to tap into this rich vein of competitive advantage, most firms will need to develop the ability to evoke changes in behaviour.

One of the early phases necessary is to build a guiding coalition of leading partners, who both see the benefit of sharing their client knowledge and buy into the strategic opportunity that it represents for the firm. With the commitment of the key stakeholders the stage is set for a transformation both in KM and, more importantly, business performance.

Once these psychological hurdles have been overcome, once there is a real commitment and impetus to the change process, the real value of the investment in IT systems focused on KM can be derived. Ostensibly this will be in the sphere of operational efficiency and the accurate delivery of well circumscribed and highly relevant

perspective of increased operational effectiveness driving profitability increases through a reduced cost base and, importantly, by leveraging relationships better to improve both volumes and pricing.

How then can a law firm maximise the opportunity created at the nexus of KM and business development? How can a business take that which is implicit and make it explicit? How can

a professional culture that has been built up over hundreds of years on the precept that 'I gain power from what I know; to share it will reduce my power,' respond to the challenges posed by the complex client relationships of the 21st century? We live in an age where the sharing of client knowledge is not just desirable, it is an imperative.

For many firms it is unfortunate that the answer does not lie in spending a

knowledge that can be acted on in the marketplace. More interestingly, and of more significance in terms of drivers for long-term behavioural change, is the role that the IT infrastructure can play in providing leverage for behavioural change within the overall knowledge strategy.

Outside inspirational leadership, we come back to the two key forces that law-firm managers are able to exert in their efforts to change behaviour – transparency and peer pressure. To appreciate how this operates in practice one needs to understand the psychology of the typical lawyer.

Professionals hate to fail. They hate to fail publicly even more. By gaining consensus within the partnership about the levels of performance and the type of behaviour that all accept as the *de minimis* standard, the management team constructs a framework for the delivery of effective and enduring change within the business.

This is where the hidden value of the investment in IT-led knowledge management really comes to the fore.

Yes, IT can be fantastically powerful in marshalling, organising and refining the knowledge that is held in the systems. However, it is also the key management tool in providing the means for consistent measurement of behaviours and performance.

This knowledge can then be used in an open way to elicit changes of behaviour. This may include the establishment of a performance dashboard. It will mean measuring both the behaviours that are to be encouraged and those that are to be vilified. To apply the necessary peer-group pressures within the firm, the leadership team will have to ensure that there is frequent communication of the results throughout the business. Of course, there should also be an alignment of reward and recognition (in many cases recognition being more important than reward) with the right sort of behaviour. The thoughtful use of this toolkit will mean that the psychological forces exerted within the business will encourage the vast majority to change and the dysfunctional minority to leave. Ultimately, this will be the best outcome for all.

Better use of knowledge for business development can be achieved in short order by more thoughtful design and integration of sales and client-relationship management (CRM) systems, coupled with the deep and granular information contained (but often not fully exploited) within many firms' financial-management systems.

By taking this approach, it is possible to consider tracking benchmarks for success such as:

1. Increases in the range of services sold (mapped onto a client-development plan that anticipates likely areas for further sales penetration);
2. Growth in revenue on a service-by-service basis;
3. The number and depth of relationships between stakeholders in the client and those within the firm;
4. The frequency of contact and the levels at which it is occurring. Using this information to ensure that contact 'at the right level' is maintained and to drive the firm's sales pipeline;

5. Client-satisfaction feedback is crucial for managing individual client relationships. It also enables firms to track macro trends. These may be areas of firm-wide underperformance where systemic rectification action is needed or as an early-warning radar for emerging client needs to assist in the prioritisation of scarce resources. This will ensure that the firm focuses on performance in the areas that are most important to the client rather than those which appear, through more introspective spectacles, to be of most significance to the firm.

It will be clear to readers that the systematic exploration off these deep pools of non-legal knowledge will have a transformational strategic impact. Coupled with a clear vision for the firm, robust management and a means of making change happen, knowledge vested in the firm's business development systems will yield great benefits and deliver substantial growth, both in revenue and the deepening of relationships.

Grasping the opportunity presented by approaching business development and CRM from a KM perspective is one way in which firms can 'future proof' themselves, develop a resilient brand and ensure that they maximise their potential with clients and fully exploit opportunities with prospects.

The successful firms will be those that overcome the resistance born of protectionism and go on to develop a culture in which power and influence is derived from sharing, rather than hoarding, knowledge. ∎

Andrew Hedley is founder of Hedley Consulting, which advises the leadership teams of professional service firms on business development and change strategies. He can be contacted at andrew.hedley@hedleyconsulting.com