

World Beat

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KM Survey - A World First

Gretta Rusanow has produced a world first. A global knowledge management survey of a select group of large law firms across Australia, the UK and the US

The logistics of compiling the world's first Global Knowledge Management Survey Report are daunting. It involved over 40 hours of face-to-face interviews with 16 leading firms in Australia, the US and the UK, constant travel and more than 100 hours of transcription.

All the more impressive when you consider that Curve Consulting's CEO, Gretta Rusanow, has an office in both New York and Sydney and a business to run around the world. Not to mention that she conducted the survey single handedly, including the transcription ("a lot of extra work but it allowed me to pick up nuances I would otherwise have missed from just reading the transcript").

Rusanow is proud of the end result and rightly so. She is also clear about the consistent global trends which emerge in the report. All of the firms surveyed recognise that knowledge management is a key business driver. However, they are all susceptible to the stumbling blocks of a lack of real management support, a failure of knowledge management directors to put their business case effectively, a lack of clarity as to the scope of knowledge and the time based billing model.

The report reveals that UK firms are the most advanced in knowledge management followed by Australia. The US firms, however, fall behind their counterparts in the UK and Australia. "The leading UK firms have had a strong knowledge management culture, even though it was not called that, since at least the 1960s," she says. "Their involvement in this area has probably been hastened by their need to deal efficiently with the many different jurisdictions close by in Europe." Rusanow adds, "the Australian firms surveyed are world class and have been well served by being historically progressive, commercially-minded and early adopters of technology."

"The US firms trail because they have never invested in some of the foundations of knowledge management such as forming firm precedent groups and opinion groups. They have also been highly profitable businesses and have lacked the incentive to find more efficient ways to work or to dedicate billable time to knowledge management. Traditionally, a knowledge management meeting in the US concentrated almost exclusively on technology, although this is changing."

The 33 year old Rusanow, has focused on knowledge management for over nine years since moving from private practice to working as Project Manager in the Mallesons Stephen Jaques' Precedents Group in Sydney. This followed a move to the "Big Apple" where she spent five years working with PricewaterhouseCoopers' Legal and Law Firm Consulting Group at their New York office. She now has her own international consulting business.

Her personal commitment does not lessen the force of Rusanow's argument as to the importance of knowledge management. "The only real resource that a legal firm has is its accumulated knowledge. Computers are leased and lawyers can move on - the dot.com boom gave a taste of how quickly that can happen. If the firm is not managing its only lasting resource of accumulated knowledge, then what is it managing?" It is Rusanow's view that, within three years, knowledge management will be an essential method of market differentiation.

What Of Some Of The Specific Findings?

On the question of management, 25 per cent of the participants had a partner as the ultimate head of knowledge management or in conjunction with a knowledge management director. Rusanow's blunt advice to the other 75 per cent, and perhaps your firm, is that "unless a partner is playing such a leadership role in knowledge management, then it is unlikely to succeed. In a partnership, by definition, real cultural change must be influenced by a partner."

The report has a very clear message to the heads of knowledge management organisations. In many cases, they simply do not present a business case for knowledge management and its initiatives. The survey showed that 81 per cent of the participants do not measure the return on investment in knowledge management investments and 44 per cent do not record knowledge management staff time. Perhaps it is not so surprising therefore, that management often sees knowledge management just as a cost centre and does not see the revenue potential of knowledge management efforts.

What is emphasised throughout the report is the need for "cultural" change within an organisation for knowledge management to be effective. To some, "culture" may seem a vague concept. It is brought into much sharper focus when Rusanow points out that perhaps the most central cultural change needed is to the billing system of many firms.

According to the report, there are two different concepts which, in combination, require fundamental cultural change to gain the real benefits of knowledge management. The first is the time based billing model. Under this model, revenue increases if the time spent on the work increases. There is no incentive to find ways to work more efficiently. Further, there is also a cap on revenue - the number of people multiplied by the number of hours. Law firms could potentially increase revenue if they moved to value based billing and had the incentive to find more efficient ways to work.

The second concept is the revenue based compensation model. Under this "eat what you kill" model, law firms tend to work like a cooperative, using the infrastructure of a large firm but not working for the good of the firm as a whole. Accordingly, partners are practice-centric and are less focused on ways to increase the overall profitability of the firm. If reward is based on revenue generated, therefore hours billed, there is simply no room for knowledge management (finding more efficient ways to work, increasing knowledge sharing across the firm or recognising that many different skills may contribute directly and indirectly to increasing the firm's profitability). US firms typically have the "eat what you kill" model, while UK firms typically have a lock-step compensation model.

"The necessary change, one which clients are increasingly demanding, is to value based billing," says Rusanow. "The revenue is based on the value of the work to the client and not on the billable hours. The work may have a cost of \$100,000 to the firm the first time. The second time, with the effective use of knowledge management, the cost to the firm may well be \$50,000 although the value to the client remains at \$100,000."

Of the participants in the survey, 62 per cent include knowledge management as a criterion in the performance assessment process. However, only 13 per cent include knowledge management as a criterion in remuneration evaluation. In many cases, firms are obviously sending a clear message that time spent on knowledge management is not highly valued.

But, in this case, statistics can be deceiving and the survey reveals an interesting difference between

firms in the UK and those in Australia and the US. The UK firms describe contribution to knowledge management as being so deeply ingrained in the firm's culture that special recognition is unnecessary. Indeed, it is viewed as a negative if lawyers do not contribute to knowledge management.

All through the interview, Rusanow talks frequently about the "how" of knowledge management. "In the beginning, don't concentrate on technology but rather on aligning knowledge management with business objectives and take the time to think about what is the 'scope' of the knowledge you want to manage."

The report warns that a firm should not have a knowledge management initiative because other firms have one or it is the phrase on every consultant's lips. It must take the time right at the beginning to clarify the firm's business objectives, how knowledge management can assist those objectives and direct the knowledge management efforts in those directions. The participant firms strongly emphasised placing knowledge management in the context of business strategy and meeting client needs.

In Rusanow's experience, most firms do not place enough emphasis on thinking about the scope of the knowledge to be managed at the onset. The participant firms agree. This is highlighted in the report by some of the critical omissions from what is considered to be relevant knowledge. For example, 25 per cent of participants did not consider the skills and expertise of staff as a component of knowledge to be managed.

Rusanow explains, "clients do not expect just top-notch individual lawyers in a leading firm. They also expect that such a firm can pull together a cross-functional team at short notice and have ready access to specialised expert advice. Not having the expertise of staff in the knowledge management system limits the ability of firms to do this".

"Or, consider the irony - client focus is always given as an objective of knowledge management and yet 25 per cent of the survey participants did not consider client information a category of knowledge to be managed." The report makes the same point in relation to firm and practice areas and methodology and processes which are sometimes not included.

The survey focused on the large, multi-disciplinary firms. However, Rusanow is adamant that there is a place for knowledge management in all law firms, regardless of size, because the core of knowledge management is not technology but sharing.

"The technology and systems need not be present for a firm to have the culture of knowledge management. The need is also there for a five partner law firm to minimise process work and to leverage off what has already been done. The method of sharing knowledge may be very different, simply making time for a meeting to discuss what is being done within the firm, but benefits can be just as real."

Key Survey Findings

1. Key business driver

The knowledge management organisations of leading law firms in Australia, the US and the UK recognise that knowledge is a key business driver. The main knowledge management objectives are providing a better client service and creating a more rewarding environment for lawyers and staff. The typical law firm knowledge management vision is to achieve market differentiation through leveraging its knowledge.

2. Lack of full management support

Most participant firms lack full management support for knowledge management. Knowledge management is still regarded as an isolated function at several law firms, where management does not recognise the value of knowledge management to the firm's business. As a consequence, these firms have not made adequate investment in knowledge management or committed to the cultural change necessary for the long term effectiveness of knowledge management.

3. Value not measured

Knowledge management organisations typically do not measure the value of knowledge management. As

a result, knowledge management organisations cannot demonstrate the value of knowledge management to management.

4. Business methodology not applied

Knowledge management organisations typically do not apply business methodology to identifying implementing knowledge management initiatives, limiting their ability to achieve knowledge management objectives.

5. Relationship between knowledge management and clients

Participants place a strong emphasis on the relationship between knowledge management and client service delivery. Most participants promote knowledge management in business development activities and, in several cases, provide 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.

6. Cultural barriers not addressed

Participant firms have not yet addressed cultural barriers to knowledge management, including the time based billing model. Revenue, and therefore performance, are based on the volume of billable hours at most participant firms. This creates a disincentive to work more efficiently and spend the necessary non-billable time on developing knowledge management initiatives.

7. Embryonic knowledge management organisations

Knowledge management organisations are embryonic at many participant firms, with a focus on the appropriate size and composition of the knowledge management organisation. Participants have not yet focused on the appropriate position of the knowledge management organisation in the wider firm. Most knowledge management organisations have not yet formalised relationships with other key functions, limiting their ability to implement all-encompassing, firm-wide initiatives.

8. Narrow knowledge management focus

Participant firms have a narrow knowledge management focus. Law firms tend to limit their knowledge management efforts to managing core explicit legal knowledge. There is little focus on managing client and industry knowledge. Law firms have barely addressed tacit knowledge, including skills and expertise of staff, processes and methodologies, and lessons learned from past matters. Law firms tend to take an internal, practice group-centric view of knowledge rather than a client and industry-centric view.

9. Relationship to learning and development

Participants overwhelmingly agree that learning and development is a critical element of knowledge management. However, many knowledge management organisations must rely on an informal relationship with the learning and development function. This restricts efforts to implement key knowledge management initiatives.

10. Technology strategy

Most participants agree on a knowledge management technology strategy to implement a Web-based single user interface with multiple systems and applications. Core components include the document management system, databases, intranet, e-mail library and online services. Many participants do not yet include the human resources information system, financial management system and client management system in their definition of the knowledge management system, even though these systems contain valuable information about clients and staff.

Report snapshots

All firms acknowledged the importance of capturing tacit knowledge and most admitted they had not adequately focused on it. Some suggested ways to improve the capture of this knowledge such as: open door policies, technology systems to capture and codify e-mail, and in a few cases, the implementation of post-matter de-briefing processes.

- The Australian and UK firms have large knowledge management organisations while the US firms have noticeably smaller organisations.
- The key knowledge management technology challenges are:
 - (a) lack of system integration;
 - (b) absence of an enterprise wide search engine;
 - (c) need to provide fast access to users from anywhere;
 - (d) inconsistent technology across offices;
 - (e) too many database platforms;
 - (f) pressures of globalisation.

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