



Streamlining knowledge

Law firms which change their views of KM can reduce their dependence on junior associates, suggest VQ founders Helena Hallgarn and Ann Björk

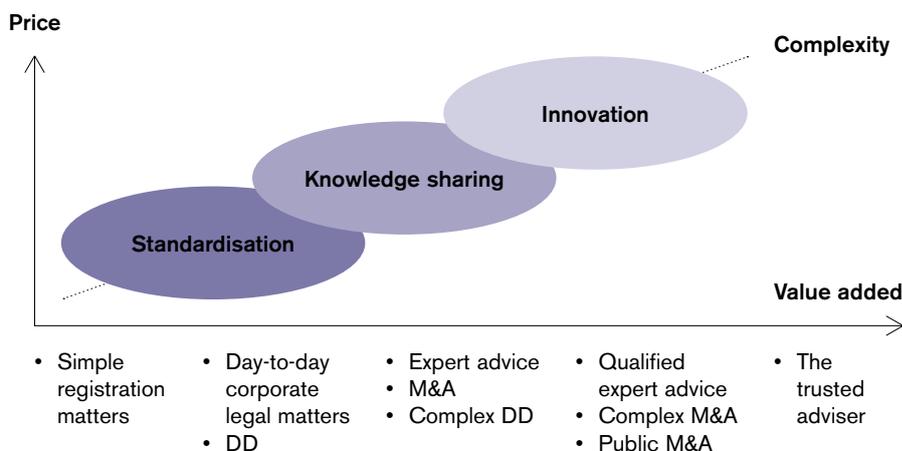
KM is a law firm management issue and can be used to support and drive profitability for the whole business. But it takes courage: it may involve changing the business model and developing new ways to organise the firm.

All fee-earners should be considered as knowledge workers and the focus should be on leveraging these resources effectively. This means firms should look at how to better organise their businesses and technology to improve profitability. Firms should also broaden their view of KM to focus on business knowledge, as opposed to the pure legal knowledge that many KM initiatives often take as their sole focus.

Law firms handle a spectrum of matters with varying complexity. These range from simple company registration matters to more complex deals dependent on regulations, where the partners are acting as trusted advisors – with variable fees depending on the complexity and value added in the service.

From a knowledge perspective, this spectrum of matters can be approached through standardisation, knowledge sharing or innovation to develop applicable KM tools which support the business using a combination of people, processes and IT (see Figure 1).

FIGURE 1: KM APPROACHES



The business case

If KM were seen as a management function supporting the business and not just as a department working with know-how, each KM investment would be based on a true business case which takes into consideration the total cost of managing it.

Most law firms have identified the need to use standardised documents for certain types of work; this is normally the starting point of any KM initiative. The focus on standardisation is increasing in response to client demands for alternative fee arrangements. The spotlight is slowly shifting from merely focusing on time spent on a matter to recognising the importance of results and efficiency issues.

For the first time, there is now a true incentive for law firms to deliver results faster and more efficiently through the right combination of internal and external resources. When it comes to common service matters, such as company registrations, standardisation is essential to avoid spending more time on a matter than can be fairly charged. Standardisation is therefore needed to support the business in an efficient way and to reduce profit losses.

But, is it always the best business case to produce all standard documents internally? One option is to buy basic documents from an external provider or to cooperate with other law firms to share the responsibility for updating them. The work involved in keeping standardised documents up to date

should not be underestimated. This approach should however only be used when the documents are generic.

It could be argued that generic external documents are too basic and cannot replace internally-produced standard documents, which have firm-specific clauses or other firm-branding parts. But then, why not focus the internal resources on these firm-specific parts and combine these with external generic documents that are updated by an external provider? With this approach, more effort can be put on the parts which provide real value to the firm, while still being assured that the documents are kept up to date.

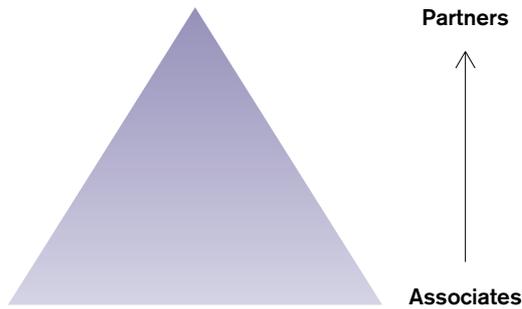
One way to make the business case for standardised documents stronger is to use IT solutions such as document assembly and workflow tools. These take the efficiency aspect to a higher level and offer a significant time reduction, quality assurance and retained profit margins. When using a document assembly solution, the lawyer can submit information about the specific matter and receive a document package which is quality assured and has recurring information pre-stated, without typing errors and with the right kind of alternative clauses or documents.

The most efficiency, value and profitability will be rendered by the right combination of internal processes and technology, such as document assembly tools, together with the right combination of external basic documents and internal high-quality or unique parts. By adapting this new approach, law firms can focus

KEY POINTS

- KM should be considered a management issue, with different KM tools developed to support the business.
- Standardisation can help the firm to become more efficient and reduce losses under alternative fee arrangements.
- Compare the cost of updating standard documents internally and externally.
- IT tools such as document assembly and workflow systems can support standardisation to a significant higher level of efficiency.
- The business model of the law firm has to change, since the need for junior associates will decrease if the business is more efficiently managed by standardisation.

FIGURE 2: TRADITIONAL BUSINESS MODEL



on providing added value and more sophisticated and client-focused advice, which will provide long-term gains.

But what are the consequences of this new approach to standardisation for law firms' business? With an increased focus on efficiency and the combination of technology and business processes, time spent on common services matters by junior associates will decrease significantly, which will predictably affect the law firm business model.

Changing business models

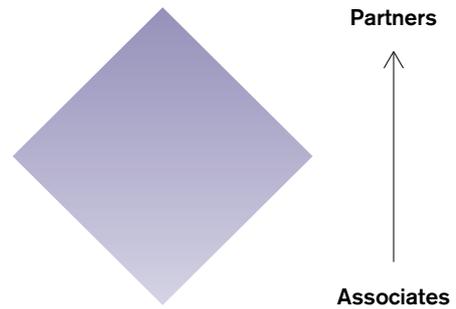
The traditional business model of a law firm is based on the hourly billing rate with a structure that can be described as a pyramid, with a large base of junior associates and with few partners on top, i.e., a very high associate-to-partner ratio (see Figure 2).

But, when efficiency is key rather than the number of hours spent, the traditional business model with many associates and fewer partners will have to be re-evaluated, with a greater focus on the management of the business. Senior management will have to look more closely at how to better share knowledge, reuse documents developed and standardise routine work through technology.

Some of the tasks which are inefficiently carried out by junior associates can be replaced with better processes, increased knowledge-sharing support and improved access to online legal resources. Other tasks can be outsourced to specialists who are more experienced and can deliver more valuable results.

For example, there will most likely be an increased use of internal experts such as analysts, business development officers and information specialists, as well as a

FIGURE 3: NEW BUSINESS MODEL



Cost reduction tools	Efficiency improvements
Standardised processes	Internal specialists
Better use of IT	Online legal guidance
Knowledge sharing support	External professionals
Document assembly solutions	Outsourcing
Workflow tools	

wider use of external professionals for tasks involving due diligence, risk analysis and business evaluation. Furthermore, some matters will be completely outsourced to external parties, which can deliver results at a lower price – we have already seen this happen with the rise of legal process outsourcing.

“Junior associates can be replaced with better processes, KM support and online legal resources.”

The factor that will probably affect business models the most and provide greater leverage and efficiency is a better use of technology. By using IT in the right way, the possibilities to find relevant information will be substantially improved and internal knowledge-sharing will be leveraged since best practices and new ways of solving problems can be better shared and taken advantage of by all lawyers.

Substantial efficiency improvements and increased profitability can be reached. Furthermore, new tools such as document assembly, workflow tools and online legal guidance can bring significant cost reductions. By implementing automated document production to support standardisation, firms will be able to deliver the same quality of legal

services and yet maintain profit margins regardless of fee structures.

With many of the tasks carried out by junior associates replaced by standardisation of processes and new techniques, or taken over by internal or external specialised professionals, inevitably the need for junior associates will be decreased. Consequently, the law firm business model will change from the traditional pyramid structure towards a more rhombus-like shape, with a larger number of experienced associates and a lower basis of junior associates (see Figure 3).

Courage to change

Law firms that can provide services that are truly valuable to clients, above and beyond the common services in the market (like intangibles in a trusted relationship), will certainly put themselves at a competitive advantage.

The only thing that is sustainable is what a law firm knows, how it uses what it knows and how quickly it can know something new. Looked at in this light, KM is a management function which supports the business, developing the tools and working toward making the business even more profitable. But it takes courage to change, to adapt new approaches and to question fundamental assumptions. ^{mp}

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