



ANDREW HEDLEY, DIRECTOR, HEDLEY CONSULTING

A knowledge-led approach to business development is key to law firm resilience

There is a nexus between business development and knowledge management that few firms exploit to the maximum; indeed, in many cases, they do not actively exploit at all. When boiled down to its base elements, all that a law firm does is leverage knowledge and relationships. The key strategic question is how to unearth and use the latent knowledge embedded in the relationships between the firm and its clients, prospects, contacts, intermediaries, people and wider stakeholders.

Unfortunately, this isn't seen as being an integral part of knowledge management. Many firms are mired in the singular and myopic view that knowledge management starts and ends with legal technical knowledge, which is rarely a source of sustainable competitive advantage. In reality, it is often the hygiene factor, or 'table stakes' needed to play the game, rather than anything more substantive.

However, knowledge defined more broadly is quite another matter. This 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 to better leverage relationships, improve sales volumes, market penetration and service line profitability.

How can a business take that which is implicit and make it explicit? How can a professional culture which 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.

Whilst it may be enticing to seek out the power of a technology solution, the real issue lies not in IT systems but in culture and behaviour. In order to tap into this rich vein of competitive advantage, firms need to develop the ability to evoke behavioural change. This is both devilishly difficult yet richly rewarding if it can be achieved.

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 buying into the strategic opportunity that it represents for the firm. With the commitment of these key stakeholders, the stage is set for a transformation both in knowledge management and, more importantly, business performance.

There are two key forces that law firm leaders 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 lawyers.

Improving performance

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 minimum standard, a framework can be constructed for effective and enduring change within the business.

This framework can then be used transparently to elicit changes in behaviour. This may include the establishment of a performance scorecard, 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) for the right behaviours. 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 client listening, sales and CRM systems, coupled with the deep and granular information contained (but often not fully exploited) within firms' financial management systems.

The systematic exploration of these deep pools of business development knowledge can 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 people and systems will yield great benefits. It will allow substantial growth opportunities to be better understood and delivered, both in terms of profitable revenue and the deepening of key relationships.

Future resilience

Grasping the opportunity presented by approaching business development and client relationship management from a knowledge management perspective is one way in which firms can future-proof themselves, develop a resilient brand and ensure that they both maximise their potential with current clients and fully exploit opportunities in winning business from 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, their knowledge.

Andrew Hedley has been advising law firm leaders on strategy and change management for more than 15 years (www.hedleyconsulting.com)