

THE PRACTICE

Reinvented law firms emphasize collective knowledge

A first-class knowledge-management program is now as central to a law firm's success as a library once was.

BY KENT A. GARDINER

"If law firms are to escape commoditization by creating a new partnership with clients, they must innovate in ways that deliver unique value. In this second part of a two-part article on reinventing the law firm/client relationship, we examine two core components of this enhanced value proposition: (1) rethinking the way talent is developed, so that junior

lawyers can provide business-focused, client-specialized expertise far earlier in their careers; and (2) harnessing the collective knowledge and expertise of the firm for efficient delivery of creative, premium-level advice and advocacy.

The traditional leverage "pyramid"—few partners and many associates—is on its way out. Hordes of junior lawyers will no longer be employable and remunerative on large document reviews and other highly leveraged projects. Clients simply will not pay large firm rates for entry-level lawyers who cannot help them solve their problems. That work will be outsourced to lower-priced firms in the United States or elsewhere. That sector of our economic model has been irrevocably commoditized.

The reaction of many firms to this trend will be to severely downsize their associate

resources, refusing to pay for junior talent that can't be billed out at immediately profitable levels. The best law firms, however, will realize that the only thing they sell is talent, and that cultivating the next generation of outstanding attorneys is the key to enduring success. These firms will see past the economic challenge, rethink how talent is developed and work in partnership with clients to raise the value of the firm's talent offering.

One component of our plan to enhance talent is to engage in far more robust "seconding" of our lawyers to our clients. There, younger lawyers will have opportunities to learn their clients' businesses intimately, and return with the precious gift of an inside view of what clients are going through. That experience will fundamentally alter and enhance the careers of our younger lawyers, equipping them far earlier in their careers with sophistication not only in client problem solving, but also in the development of new business with both the clients they have come to know and others whose problems they now much better appreciate.



We also have encouraged our clients to send their lawyers to us. Obviously, this once again strengthens the bonds between us and our clients, but also adds significant value to corporate legal departments, which are able to enhance the litigation, transactional and regulatory training of their lawyers.

Our broader hope, with regard to our junior talent, is to alleviate their paralyzing anxiety over the looming obsolescence of the law firm pyramid model. We want them to become activists in their own development. If they understand clients' businesses better, they will develop much more sophistication, much earlier in their careers, about the environment in which the firm's clients operate, and how they can provide value in that context.

The associates who understand and embrace this new reality are our future stars. And so we will recruit new talent with this in mind. The smartest young lawyers will be looking for the firms that are willing to partner with them in a shared investment in their development: firms in



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which they can thrive, professionally and economically, in an uncertain climate over the long term.

Such a fundamental reinvention of the firm's relationship with its up-and-coming counsel and associates requires a new form of mutual commitment and risk-taking. Partners must invest time and economic resources to create this enhanced value for clients. Counsel and associates must make longer-term commitments—perhaps accompanied by risk-sharing incentive compensation—to their own professional development. This is unlikely to be a “one size fits all” professional endeavor. But we think it critical nonetheless. These extraordinarily bright and confident young lawyers will find new meaning in their careers here, and they will offer much greater value to our clients.

Moving to Knowledge Management

Law firms are wisely investing resources in enhancing project-management skills. Apart from the billing rate/billable hours model, inefficiency is the greatest contributor to misalignment between firm and client interests. Clients rightly complain about matter staffing that either does not fit the problem at hand or that changes in mid-stream, thus requiring costly re-education of new lawyers. Clients likewise complain about a lack of sophistication in how their firms decide what parts of their service to in-source and what parts to outsource, how to handle electronic discovery, what commoditized legal work should be sent elsewhere and the like. When clients experience such inefficiencies, they in-source or re-source their legal work, pulling it out of firms to reduce spend.

To meet this problem head-on, our firm has developed training programs aimed at equipping all lawyers and case managers with enhanced skills for running matters effectively and efficiently; creating budgets and managing them, consistent with the delivery of quality results; partnering effectively with outside service providers; and conducting candid “post mortem” exercises to improve service and proliferate best practices across the firm.

Effective project management, however, is fast becoming simply an entry ticket to a firm's ability to compete for clients' business. Firms that do not master the skills of efficient litigation and transactional management simply are going to be out of the

running. The next step—and the one far more important to firms in forging true partnerships with their clients—is knowledge management.

Firms have paid lip service to knowledge management for some time now, with little to show for it. But this must be a critical component of any law firm's strategy to avoid commoditization, because our collective expertise, across our lawyers and our practice groups, is the only reason we should be hired in the first place. Clients can't easily replicate our diversity of experience and expertise borne of solving multifaceted problems for an array of clients over many years. We often have encountered our clients' issues, done the relevant analyses, fought the wars and won, for other clients. It is that expertise, wisdom and judgment that conveys extraordinary value and thus properly commands premium fees.

But clients will no longer pay firms to reinvent the wheel in delivering this expertise, and rightly so. The e-mail we all have seen—“Does anyone have a motion to...?”—is not knowledge management. And the stakes are even higher for firms that have aggressively grown their lawyer ranks and multiplied their offices to enhance client value. Such value principally derives from integration. Yet ignorance across practice groups and offices is at the heart of the knowledge-management problem: “You already handled a case like that? If only I had known.”

Clients expect that the installed base of experience and collective problem-solving will be delivered to them efficiently and cost-effectively. That means firms must understand their own intellectual property much better than they do today. Firms also must pursue these efforts with a sense of urgency, and lawyers must make the considerable effort to contribute “content”—their work product—to the firm's knowledge-management databases not only in the name of teamwork, but as a core component of the firm's client-service offering. Firms that ignore these opportunities and yet continue to seek premium rates will be obsolete. A first-class knowledge-management program is now as central to a law firm's success as a library once was.

Can you run a law firm on this model? Only a truly excellent one. One that genuinely puts its money where its mouth is,

in terms of quality, creativity and results. This sort of dynamic, long term-oriented partnership with clients requires extraordinary patience, investment and integration among a firm's lawyers and practice groups. Firms with weak, fragmented or siloed cultures will not be able to pull it off.

Likewise, firms with weak economic foundations or undue emphasis on current-year profitability will have difficulty investing in this model, because the essence of partnership with clients is delayed economic gratification. Investing in the development of our associates means we get paid less for them now, during their training, and more for them later when they are trained. Success-based fee arrangements mean we get paid less for our services now, and more when we win. These are hard messages for law firm leadership to deliver, whether at partner meetings or their Am Law 100 interview.

All of this is daunting, if not scary. But imagine how much fun, and professionally satisfying, it would be to change our services, and our pricing, in the direction of truly aligned partnership with our clients. It is, in a very fundamental sense, what our profession used to look like. Lawyers, and their firms, had career long relationships with their clients. Each took for granted the deep institutional knowledge of the client's business, the tremendous value lawyers were able to provide in that context and the loyalty that value engendered.

There is no need to mourn the passing of that era. It is ours to recapture. We simply need to see this economic crisis as the opportunity it is, for the best law firms to rethink their business models, their talent-development models and their fundamental role as critical strategic advisers to, and advocates for, businesses they understand intimately. And just as our clients earn high margins for delivering excellent products and services to their customers, so too can we justifiably earn the kind of economic return that comes with the delivery of extraordinary value.