Chapter 1:

Using knowledge management to increase firm profitability and pricing predictability

by Jack Bostelman, president of KM/JD Consulting LLC, and Chris Boyd, senior director of professional services, Wilson Sonsini Goodrich & Rosati LLP

Introduction

Knowledge management (KM) can enable a firm to deliver greater value to clients by connecting each attorney to the expertise and experience of every other attorney in the firm. KM resources include work product (e.g., annotated forms, checklists, and sample documents), matter profiles, expertise locators, and many others.

This article will explain how a firm can also use KM to increase firm profitability by setting forth a base-case profitability model and then showing through three case studies how the implementation of different KM resources can affect the model's variables in ways that increase overall profitability. A reader can adjust the model's inputs – attorney headcount, associate leverage, billing rates, etc. – to reflect her or his particular situation. The article will also show how effective KM can increase pricing predictability.

The first appendix to this article contains the full financial model calculations for each of the examples discussed in the article. A second appendix outlines practical techniques for implementing KM resources.

First financial case study – Practice efficiency improvements

The first part of this discussion of practice efficiency improvements considers their effect on the firm as a whole (macro view). The second part considers their effect on an individual matter (micro view).

Macro view (entire firm)

The financial returns to a law firm from each type of KM project can be measured through the project's effect on the key financial drivers of profitability, which is the most essential financial metric for any business. The examples in this article illustrate the effects of three specific types of KM projects on these key financial drivers, and hence on law firm profitability.

Profitability is discussed as profits per partner, which allows comparisons across the different examples. "Partner" means "equity partner" unless otherwise stated. Definitions of the key financial drivers of profitability are in the sidebar. The full model calculations are included in Appendix A.

Assumptions used in the models

The examples in this article are based on the following assumptions:

- Firm size: 100 lawyers;
- Leverage: 50 partners/50 associates;
- Expense ratio: 50 percent;
- Billing rates and billable hours (utilization):
  - Partners $500/hour – 1,100 hours/year; and
  - Associates $250/hour – 1,400 hours/year.

Those assumptions result in the following revenues and profits:

- Total collected billings (revenues) = $45 million; and
- Profits per partner = $450,000.

In general, the greater the associate leverage or the higher the billing rates or annual billable hours, the greater will be the profits per partner improvements in the three examples. The size of the firm has relatively little effect on the results.

Example 1 – Practice efficiency improvements

The first example illustrates the effect of practice efficiency improvements on profitability. In this scenario, the firm seeks to reduce write-downs and write-offs by performing the same work in less time. The billable time saved would be spent working on new billable matters, in which case Utilization would not decline. If the program works:

- Realization Rate will increase.

Because in this scenario efficiency savings go straight to the firm's bottom line, the benefit can be dramatic. If 5 percent of partner hours and 10 percent of associate hours are currently not collected because of write-downs and write-offs, and the program cuts those non-collected hours in half, profits per partner will increase by 8 percent. Even if the program cuts those non-collected hours by only 10 percent, profits per partner will still increase by 2 percent.

If new billable work is not available, the decline in Utilization – in other words lawyers working fewer hours – will offset the Realization Rate improvement, resulting in no change in profits per partner. Lawyers will have more available time, however, to work on developing new business or improving their skills.

Of course, this example begs the question of what specific practice improvements are envisioned. Some examples are discussed later in this article. The point of this financial example is that an improvement in Realization Rate through efficiency gains has a powerful effect on profits per partner, and is an area in which it is worth focusing KM efforts.

It should also be noted that, whatever practice improvements are employed, some amount of billable time during the first year will need to be redirected to build the KM resources being used, and possibly some billable time will need to be redirected in future years to maintain those resources. That time investment will reduce the profitability improvements shown. If most of the investment occurs in the first year, however, the returns for *each* year in the future will be at or close to the return shown, with no further investment needed.

Micro view (individual matter)

Effective KM can not only increase the overall profitability of a firm, but also increase the profitability of specific matters. The clearest way to show this is with a fixed-fee matter, which is both topical and realistic given that the prevalence of these kinds of matters is increasing. For example, consider the following assumptions for a straightforward fixed-fee transaction:

- Fixed fee for services: $25,000;
- Average time recorded: 88 hours, comprised of:
  - Partner: 20 hours @ $500/hour = $10,000;
  - Associate: 48 hours @ $250/hour = $12,000; and
  - Paralegal: 20 hours @ $150/hour = $3,000.

Now assume the firm invests in KM resources that reduce the time required to conduct due diligence and draft deal documents by an average of five associate hours per transaction. These resources could include form documents, checklists, and perhaps even artificial intelligence tools. The firm could apply that saved time – five associate hours at $250 per hour, or $1,250 – in several ways: (a) retain it as per-matter profit, (b) pass it along to the client via a lower fixed fee, or (c) some combination of both. When multiplied by hundreds of matters (assuming that the matter type is relatively frequent), the aggregate savings to the firm, the client, or both can be substantial.

Two caveats should be noted in connection with this example:

- For the scenarios where the firm retains some or all of the savings, the per-matter profit to the firm will not increase by the full amount of the saved hours multiplied by the hourly billing rate. Rather, this profit will be discounted by both the percentage of saved hours that the firm can apply to other paying work as well as the realization rate on the re-used hours. For example, if 100 percent of the saved hours are applied to new work, and the realization rate on that work is 90 percent, then the additional profit to the firm is $1,125 and not $1,250.
- The total return to the firm of these KM investments must also be reduced by the cost of the investments, including the attorney time required to develop the resources, the licensing cost of any content or software involved in the resources, and so forth.

Drivers for professional services firms that use hourly billing

In professional services firms that bill by the hour, the following formula with five drivers explains profits per partner:

Profits per partner =

Realization rate (actual revenues ÷ standard rate revenues*) **x**

Average standard rate (standard rate revenues* ÷ # hours billed) **x**

Leverage (# timekeepers ÷ # partners) **x**

Margin (revenues - expenses, as a percent of revenues) **x**

Utilization (# hours billed ÷ # timekeepers)

This five driver model is most relevant to our discussion because, at least for now, hourly billing remains the predominant approach among Am Law 200 firms (in other words, the 200 largest US law firms by revenues, as reported annually by the American Lawyer). Timekeepers consist of partners, counsel, associates, paralegals, and certain other specialists who bill by the hour, with partners (equity and non-equity) and associates responsible for the great majority of time billed.

In business terms, these five drivers can be thought of as follows:

- Realization rate is the percentage of standard billing rates that is actually collected. It reflects agreed-upon discounts from standard rates, write-downs (fee reductions taken before sending the bill), and write-offs (fee reductions after sending the bill).
- Average standard rate represents the blended hourly rate for the firm that would have been realized if billed hours were collected at standard rates. Average standard rate times realization rate equals the firm's actual average hourly rate.

  [Average realized rate, which for brevity is used in the models in this article, is simply the product of realization rate and average standard rate.]
- Leverage is the ratio of fee-earners to equity owners – conceptually the associate/partner ratio. Mathematically, Leverage is 1 plus the associate/partner ratio.
- Margin is the traditional profit margin concept – the percentage of revenues that become profit after payment of related expenses.
- Utilization is also sometimes referred to as Productivity. It is the average number of hours billed by each timekeeper during the period being considered. For a firm that bills by the hour, the most productive timekeepers are those who work the most hours.

Success towards the KM goals of improved efficiency, improved quality, and reduced risk can be measured in terms of the five drivers. Improved efficiency could increase Realization Rate by reducing write-downs and write-offs or could increase Leverage. Improved quality could increase Realization Rate or the Average Standard Rate. Reduced risk could prevent a lower Realization Rate or Average Standard Rate, or could avoid expenses that reduce Margin.

*Standard rate revenues are the revenues that would have been earned if the hours of the various timekeepers had been billed at the firm's standard hourly rates.

Further explanation of efficiency and its benefits

Efficiency is producing what the client perceives as the same legal result in fewer hours or with lower-priced lawyers, such as:

- performing the same work more efficiently to reduce the cost to the firm;
- eliminating waste; or
- avoiding what is not needed or valued by the client.

Faster response time may also be a positive byproduct of improved efficiency, but is not the driving objective. Actions that may reduce cost or waste include:

- staffing with the lowest cost lawyers who are competent to perform the work;
- use of KM resources, templates or checklists; or
- legal process improvement.

Improved efficiency brings two important benefits: happier clients and happier lawyers. Clients are happier because they experience:

- lower legal fees for the same or even higher quality results;
- quicker turnaround; and
- less time managing outside counsel.

The firm's lawyers are happier because they experience:

- improved realization and profitability;
- better client relationships and referrals;
- efficient client teams who know the clients' industries; and
- more time for business development or a personal life.

Clearing up a financial misconception

A common misconception is that lawyers who bill by the hour have no economic incentive to become more productive or efficient. The examples discussed in this article demonstrate that assertion to be untrue. Example 1, showing the increase in profits per partner caused by reducing write-offs and write-downs, illustrates this point in a straightforward way.

Even where a firm has no write-offs or write-downs, as long as there is new work available to use up the lawyers' freed-up time, financial modeling shows that improved efficiency will not reduce profits per partner, which will remain unchanged, even as fees to clients for each matter *decline*. That is advantageous because it makes the firm more fee-competitive, enables the firm to deliver more value to clients, and increases the strength of the firm's client relationships.

Even where available new work is scarce for a firm, it is likely that other firms will be making the same kind of efficiency improvements, on the expectation that they can get new work through the lower fees resulting from efficiency. To remain competitive and avoid losing work, the firm without new work will still need to lower its fees. In the absence of efficiency improvements, the firm can lower its fees only through write-downs. As shown by Example 1, efficiency improvements will reduce those write-downs and increase the lawyer time available for seeking new business.

How KM can increase fee predictability

Clients and firms both want legal fees to be more predictable. Greater fee predictability helps clients better evaluate firms, budget for legal spending, and assess value delivered. Greater fee predictability also helps firms win and retain business, staff matters, and improve service delivery.

Effective KM can increase fee predictability in two ways. First, tracking matters and profiling them in detail, and connecting those profiles to legal fees, can help firms better predict the likely fees of any potential matter. Detailed information about past cases or deals helps a firm's pricing professionals build better budgeting and pricing models to apply to future matters. In addition, a firm's finance or KM team can provide attorneys seeking to estimate fees for a current matter with apples-to-apples fee data from similar past matters.

Secondly, KM and training resources can help a case, deal, or other matter team deliver legal services more consistently, which helps that team's actual fees come in as close as possible to the predicted fees. Regardless of whether a firm is delivering the matter on a billable-hour or fixed-fee basis, hitting the estimated or fixed number makes both the client and the firm happier. Combining the pre-work training on how to do a specific type of work with in-the-moment forms, checklists, and other resources is a particularly effective way to ensure that relatively frequent and straightforward legal work is performed both well and efficiently.

Examples of KM resources

There are many types of KM resources. A few of the more common ones are described below.

1. **Work product**. Model and precedent documents that lawyers consult for guidance, or use as starting points for drafting new deal or case documents. Work product typically comes in the format of a Microsoft Word document (for forms and other models) or scanned PDFs (for matter precedents). Some firms have automated model documents using document assembly software. Good models and precedents help lawyers draft new work product more efficiently with greater consistency and quality, thereby clients receive better work faster. Note that work product can be internal (such as briefs previously drafted by the firm) or external (such as other firms' responses to regulatory inquiries, or model forms from third-party subscription services such as Practical Law Company or Practising Law Institute). Similarly, work product can be made available to a practice group, an entire firm, the firm and select clients, or the firm and all clients.
2. **Matter experience databases**. Searchable descriptions and meta-data of deals, cases, and other matters, combined with key matter documents. Lawyers can search these profiles to find matters similar to ones they are working on to see how "market" terms are evolving, to get documents from past deals that may provide good starting points for research or drafting, to estimate fees for future matters, to find who in the firm has worked on similar issues, to put together a matter experience list for a new client pitch, and so forth. Matter experience databases can also be internal (such as homegrown deal databases) or external (such as searchable interfaces compiled by vendors that aggregate publicly-filed deal and case information).
3. **Expertise locators**. Resources that enable lawyers to find an expert who knows something or someone. The expertise can be general, for example Swedish mergers and acquisitions law, or specific, such as recent experience addressing a specific Securities and Exchange Commission comment in a recent initial public offering. As above, these resources can be internal (such as an expertise-focused search engine or a proprietary law firm or witness database) or external.
4. **Training**. Group training and individual mentoring that helps the firm's lawyers do their jobs well. This includes substantive training,

such as the formal junior lawyer programs and "adult education" training given to senior associates and partners, and the informal training that occurs at practice group meetings. This formal substantive training can be internal or external. Training for KM purposes also includes formal and informal training about how to discover and use the firm's KM resources themselves. While many law firm KM leaders would not consider training to be part of KM, others would, and we have included it here to show the returns to initiatives that blend KM and training.

There are many other types of KM resources. These include holding effective practice group meetings, creating a culture of sharing information and ready collaboration, checklists describing steps to complete a matter or parts of a matter (aka playbooks), annotated checklists in lieu of standard forms, and specialized software such as products designed to summarize contract terms or analyze the range of variations of certain types of provisions across a collection of contracts of the same type.

While these kinds of KM resources are traditionally thought of as investments in the quality of work product and client service, they can and should also be used to increase firm profitability and pricing predictability. The next sections of this article will outline two more financial examples showing how investment in a KM initiative can increase firm profitability.

Second financial case study – shift work from partners to associates

The second financial case study involves a KM initiative with a more complicated effect on the key drivers of profitability.

By developing KM tools and rolling them out with targeted associate training, the firm seeks to shift some of its work from partners to associates, in effect moving the associates up the work food chain and providing more value to clients by delivering work of equivalent quality at a lower price. For example, a firm's patent litigation practice might spot an opportunity to take on more defense cases against non-practicing entities by delegating much of the work traditionally done by partners to associates. To do this, the firm invests in the development of pre-approved templates for standard case documents, checklists and other matter management tools to help keep the cases on track, and detailed training for associates on how to use them to achieve good results quickly for clients.

This initiative, if successful, will require hiring more associates to handle the greater workload. The goal is that partners use most of their new "free" time to take on new work on the same basis (in terms of the five profitability drivers) as existing work. Servicing that new work will also require hiring additional associates. Some of the partners' new "free" time will also need to be spent training associates, and some of the associates' time will need to be spent attending training. If this program works:

- Leverage will increase because of the additional associates;
- Average Standard Rate will decline because associates are billed at lower hourly rates than partners;
- Utilization will increase because there will be more associates (who generally work longer hours) in the mix; and
- Possibly, Realization Rate will increase because partners may be willing more fully to bill and clients more fully to pay the lower fees resulting from a greater associate mix.

The goal is that the decreases in Average Standard Rate will be more than offset by improvements in the other drivers, resulting in higher profits per partner – notably, while also reducing the cost to clients of the work! Using the assumptions previously noted regarding partner/associate mix, billing and realization rates, margin and annual hours billed, *if*:

- half the partners shift one billable hour per week to preparing the KM tools and conducting the training;
- all the associates shift one billable hour every other week to learning how to use the KM tools and attending training;
- the tools and training result in associates taking on 15 percent of partner work at the rate of 1.5 hours of associate time per partner hour assumed (on the theory that the associates, even with tools and training, cannot complete the work as fast as the partners);
- saved partner time is devoted to new fee-paying work; and
- more associates are hired to help partners on the new work,

then profits per partner will *increase* 5.3 percent (even with no improvement in Realization Rate) and clients will see a 4.1 percent fee *reduction*.

Example 2 assumes more billable work is available. If it is not, profits per partner decline marginally, and partners have more time to work on developing new business – which, all else being equal, may be more likely to be obtained given the increased value the firm is delivering to its clients and their increased satisfaction level. This and other consequences of new work not being available have been discussed above under "Clearing up a financial misconception."

Third financial case study – more efficient partner pitch preparation

The third example illustrates another situation in which a KM initiative affects multiple financial drivers and has the net effect of increasing profits per partner.

Through improved data collection about matters, the firm seeks to save partner time in preparing and revising pitch materials, allowing the partners to apply that saved time to billable work. (Again, Example 3 assumes more billable work is available. If it is not, the project may improve the partners' quality of life but would not improve profits.) For example, the firm establishes a deal database for its transactional matters with sufficient detail to allow the marketing department to quickly and accurately show experience with specific kinds of transactions in specific industries, and a similar litigation case database containing experience with specific legal issues in specific jurisdictions (or even with specific judges). These databases are intended to eliminate the time spent by partners contacting their colleagues for this information.

If the program works:

- Utilization will increase because partners are billing more hours; and
- Average Standard Rate will increase slightly because of the greater number of partner hours in the mix.

Using the same law firm assumptions as the previous examples, if half the partners save two billable hours per week, profits per partner will increase about 6 percent (assuming no change in annual expenses).

Somewhat surprisingly, the cost of the new data collection system does not affect the outcome very much. For a 100-lawyer firm, a one-time \$200,000 cost would reduce the profits per partner benefit by only 1 percent in the first year (to 5 percent), with no reduction in future years. Profit improvement is fairly linear to the time saved by partners. If half the partners save only one-quarter of a billable hour per week, profits per partner improve only 0.3 percent, which in practical terms is probably the break-even point for this initiative.

Investment of billable time to create the database will reduce the first-year benefit somewhat. Any ongoing billable time required to maintain the database in future years will also reduce the benefit a bit in those years. These time investments should be estimated and modeled before the initiative is undertaken. In addition, there may be other efficiency benefits of the initiative that should be modeled, such as using the database to more quickly identify similar matters for purposes of finding example documents.

Conclusion

This article has sought to demonstrate that changes to the way lawyers practice can have real financial benefits to both firms and clients. Any project can be analyzed under the law firm financial model. Of course, possible benefits used as model inputs are inherently judgment calls. One way to view the analysis of the model is as a way to discover the break-even point for benefits. After determining the assumptions that lead to the break-even point, ask yourself and your colleagues whether they believe that level of benefit is achievable. If there is reasonable confidence the break-even level will be achieved, then it makes sense to proceed with the initiative.

Appendix A – The three financial models

Base Case – Financial model for hourly billing

	Average annual billable hours	Average annual written-off hours	Average annual non-billable admin hours	Billing rate	# in firm
Partners	1,100	58	100	$500	50
Associates	1,400	156	50	$250	50
				Total lawyers	100

Annual expenses = $22,500,000

Average realized rate = total annual billings ÷ # hrs billed

Total billings = (1,100*$500*50) + (1,400*$250*50) = $ 45,000,000.00

hrs billed = (1,100*50) + (1,400*50) = 125,000

ARR = $ 360.00

Leverage = # lawyers ÷ # partners

Leverage = (50 + 50) ÷ 50 = 2.00

Margin = (total annual billings - expenses) ÷ total annual billings

Margin = ($45,000,000 - $22,500,000) ÷ $45,000,000 = 50 %

Utilization = total annual hours billed ÷ # lawyers

Utilization = (1,100*50 + 1,400*50) ÷ (50+50) = 1,250

Profit Per Partner = ARR * Leverage * Margin * Utilization = $ 450,000.00

Example 1 – Practice efficiency improvements

5 percent of partner hours and 10 percent of associate hours are written off before or after the bill is sent, due to inefficiency or client fee sensitivities.

Through practice improvements, the lawyers become efficient enough that matters are completed in fewer hours.
As a result, written off hours are reduced 50 percent, with those saved hours being billed and collected on other new work.
For simplicity, the model treats all write-offs as soft, with 100 percentage of billings being collected.

	Average annual billable hours	Average annual written-off hours	Average annual non-billable admin hours	Billing rate	# in firm
Partners	1,129	29	100	$500	50
Associates	1,478	78	50	$250	50
				Total lawyers	100

Annual expenses = $22,500,000

			Base Case
Average realized rate = total annual billings ÷ # hrs billed			
	Total billings = (1,129*$500*50) + (1,478*$250*50) =	$ 46,700,000.00	$ 45,000,000.00
	# hrs billed = (1,129*50) + (1,478*50) =	130,350	125,000
	ARR =	$ 358.27	$ 360.00
Leverage = # lawyers ÷ # partners			
	Leverage = (50 + 50) ÷ 50 =	2.00	2.00
Margin = (total annual billings - expenses) ÷ total annual billings			
	Margin = ($46,700,000 - $22,500,000) ÷ $46,700,000 =	52 %	50 %
Utilization = total annual hours billed ÷ # lawyers			
	Utilization = (1,129*50 + 1,478*50) ÷ (50+50) =	1,304	1,250
Profit Per Partner = ARR * Leverage * Margin * Utilization =		$ 484,000.00	$ 450,000.00

Result: Profits per partner improve by $34,000 (8 %), or a total of $1,700,000 per year.

Example 2 – Shift work from partners to associates

Half the partners shift this many hours per week (percentage of average billable time) to training & forms:	1.00 (2.3 %)
All the associates shift this many hours per week (percentage of average billable time) to attending training:	0.50 (1.8 %)
As a result, additional associates take on this percentage of partner billable time, at the rate of 1.5 associate hours per partner hour assumed and with no added partner hours for supervision:	15 %

Partners devote their spare billable time (difference of above items) to new work, using additional associates at the same leverage.

Increase in number of associates is 18 (8.8 to handle former partner work and 8.7 for new work, rounded up).

Expenses increase at 50 percent of per associate billing rate to reflect new associate salaries and overhead.

	Average annual billable hours	Average annual written-off hours	Average annual non-billable admin hours	Billing rate	# in firm
Partners	1,075	57	125	$500	50
Associates	1,375	153	75	$250	68
				Total lawyers	118

Annual expenses = $26,550,000

				Billings for old work:
Average realized rate = total annual billings ÷ # hrs billed				
Total billings = (1,075*$500*50) + (1,375*$250*68) =		$	50,250,000.00	$ 43,140,625.00
# hrs billed = (1,075*50) + (1,375*68) =			147,250	**Base Case**
ARR =		$	341.26	$ 360.00
Leverage = # lawyers ÷ # partners				
Leverage =	(68 + 50) ÷ 50 =		2.36	2.00
Margin = (total annual billings - expenses) ÷ total annual billings				
Margin =	($50,250,000 - $26,550,000) ÷ $50,250,000 =		47 %	50 %
Utilization = total annual hours billed ÷ # lawyers				
Utilization =	(1,075*50 + 1,375*68) ÷ (50+68) =		1,248	1,250
Profit Per Partner = ARR * Leverage * Margin * Utilization =		$	474,000.00	$ 450,000.00

Result: Profits per partner improve by $24,000 (5.3 %), or a total of $1,200,000 per year.
Note that ARR and margin decline slightly.
Billings to clients for old work actually decline 4.1 %.

Example 3 – More efficient partner pitch preparation

Additional annual partner billable hours per partner: 50

No increase in total annual expenses.

	Average annual billable hours	Average annual written-off hours	Average annual non-billable admin hours	Billing rate	# in firm
Partners	1,150	61	50	$500	50
Associates	1,400	156	50	$250	50
				Total lawyers	100

Annual expenses = $22,500,000

			Base Case
Average realized rate = total annual billings ÷ # hrs billed			
Total billings = (1,150*$500*50) + (1,400*$250*50) =		$ 46,250,000.00	$ 45,000,000.00
# hrs billed = (1,150*50) + (1,400*50) =		127,500	125,000
ARR =		$ 362.75	$ 360.00
Leverage = # lawyers ÷ # partners			
Leverage =	(50 + 50) ÷ 50 =	2.00	2.00
Margin = (total annual billings - expenses) ÷ total annual billings			
Margin =	($46,250,000 - $22,500,000) ÷ $46,250,000 =	51 %	50 %
Utilization = total annual hours billed ÷ # lawyers			
Utilization =	(1,150*50 + 1,400*50) ÷ (50+50) =	1,275	1,250
Profit Per Partner = ARR * Leverage * Margin * Utilization =		$ 475,000.00	$ 450,000.00

Result: Profits per partner improve by $25,000 (6 %), or a total of $1,250,000 per year.

Appendix B – How to start/restart a KM practice efficiency program

Select a pilot practice group

A firm that wishes to start a KM practice efficiency program, or reinvigorate its existing efforts, should pilot its effort in a single practice group. Concentrating its efforts in one group will allow greater progress to be made, enabling the firm to demonstrate the benefits of the effort to other practice groups.

It is important that the candidate practice group be one whose leaders want to improve efficiency, even if they are unsure how to accomplish that. The group should also have enough visibility within the firm, by virtue of size or reputation, that its successes will be noticed by other groups.

Although each group's particular KM needs will differ, the pilot group's success will nevertheless inspire others to try, because many of the same KM concepts will work. For example, a checklist can benefit any practice group, even though the content of the checklist will be specific to a particular group.

Hold a meeting of the group

After the pilot group is identified, a kick-off meeting of the group should be held for the purpose of brainstorming KM ideas. The lawyers should be asked to think broadly. For example, they could be asked, "What changes would make your life easier as a practicing lawyer?"

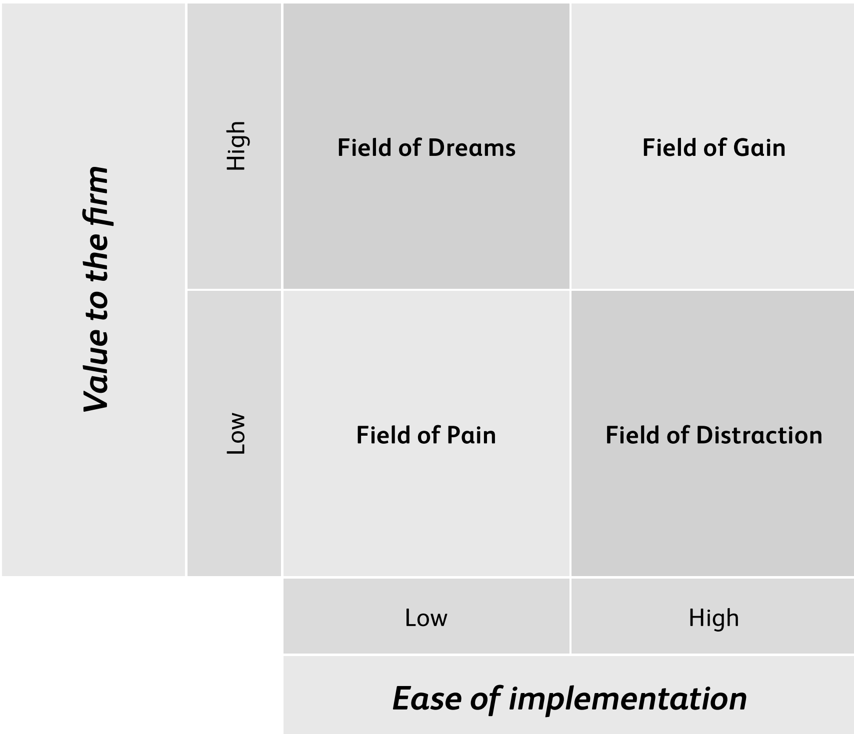
In addition to gathering ideas from those who know what can really make a difference, the meeting serves the second important purpose of gaining buy-in from the group's lawyers because they "own" the ideas. The meeting should include one to two dozen lawyers, reflecting a cross-section of seniority levels from junior associate to senior partner and office locations. As many lateral lawyers as possible should be invited as well. They bring a helpful perspective because they can describe KM initiatives that have worked at their prior firms.

The meeting can be run by a partner of the firm or by an outside facilitator. The meeting leader should keep a list of all the suggestions. Even with a broad question such as the one suggested above, almost all the ideas will likely fall in the KM area.

Prioritize the KM projects

For the same reason the firm should focus its initial efforts in a single practice group, the practice group should focus its initial efforts on a limited number of initiatives. It is likely the ideas from the meeting will exceed the group's capacity to implement them. How, then, should the group's leader decide which opportunities to pursue and which to set aside, at least for the moment?

One useful prioritization method was set forth by Oz Benamram and Sally Gonzalez in a 2011 article.[2] The practice group, assisted by the KM team, should map potential KM projects on a two-by-two matrix, with one axis being ease of implementation and the other being value to the business, as illustrated below:



One way to accomplish that is for the practice group to assign a 1–5 rating to value (5 being highest) and ease of implementation (5 being easiest), then rank projects based on the sum of the two ratings. Values can be assigned in a variety of ways, from informally via show of hands at a meeting to more formally via detailed analyses and cost-benefit calculations. Assessing ease of implementation should take into account factors such as:

- Management and practice group support – the greater support is, the easier implementation will be.
- Number of lawyers who must cooperate – the lower the number, the easier implementation will be.

- Process feasibility – the fewer process changes required, the easier implementation will be.
- Technical feasibility – the less complex or dedicated technology required, the easier implementation will be.
- Size of investment required for both development and maintenance – the lower the investment, the easier implementation will be.

For example, checklists are typically on the easier end of the spectrum, because they can be created by a few lawyers for the benefit of many, and at least at the basic level do not require dedicated technology. Assessing value to the business should take into account factors such as:

- The potential financial returns from the project, as discussed in this article.
- The potential non-financial returns from the project, including enhancing reputation and brand (or avoiding reputational harm), improving client satisfaction and improving lawyer morale and retention.
- The number of people likely to use the resource to be developed, in other words, the target user group multiplied by the likely adoption rate. One way to assess this factor is to seek input at a meeting of 10–20 lawyers representing a cross-section of the affected practice group(s). This approach also aids in acceptance of the project by the group because they are more likely to buy in to its rationale and potential benefits.

Once the KM projects are mapped onto the matrix, the team should go for the quick wins in the Field of Gain, steadily chip away at the Field of Dreams, and avoid the Fields of Pain and Distraction.

Implement the projects

Timing and accountability

Successful execution of top-priority projects depends on effective application of traditional accountability and project management techniques. First, the practice group should assign each project to a small team and staff it like a matter. A particularly notable way to instill accountability is to make the assignments at a practice group meeting, so that the attorneys' peers see who is on which projects.

Second, the group's leader(s) should set deadlines for all projects. The ideal scope is one achievable in six months – long enough to demonstrate clear accomplishments, yet short enough to maintain the momentum of the initiative and harness lawyers' natural tendencies for urgency. A three-month check-in at project midpoint can be a useful way to provide guidance and oversight along with any necessary course corrections and resource re-assignments.

Finally, to keep each project team focused, the practice group leader(s) should require the teams to provide weekly status reports that are circulated to the entire group. This both provides peer pressure and instills healthy and productive competition among the project teams.

Other implementation considerations

It is very likely that some of the group's KM projects will involve creation of materials to which lawyers in the group will need ready access on an ongoing basis – for example, checklists or a spreadsheet containing a master matter list with profile data. As part of the overall KM pilot initiative, the group should establish a way for group members to access these materials. An ideal location would be the group's intranet site. A byproduct of using the intranet is that it may be revitalized by having this fresh content. A shared drive or folder in the document management system could also be used, although those are typically not as user-friendly as an intranet site.

In order to reinforce that the firm values the KM initiatives of the practice group, and to align the incentives with that objective, billable hours credit (up to a reasonable cap) should be given for that work, if at all possible.

As a further technique to keep the group's practitioners focused on making progress on the KM initiative, the firm's leaders should demonstrate their support, such as by attending some of the practice group's meetings where progress on the KM initiative is being presented. Knowing the firm's managing partner will attend the meeting should further motivate lawyers to have something to present and should improve attendance by the rest of the group.

Conclusion

Implementation is important. That's where many projects fail. Start small – with a single practice group. Leadership of that group must be seen to be actively involved. Prioritize projects according to high value and low difficulty. Gain commitment from the practice group members and employ accountability techniques, such as those described above.

It is highly desirable to create success metrics for each project. The base level should be established before starting. Devising a way to measure the relevant factors and taking measurements could take some time and may delay the start of the project, but is the only way to be able to measure comprehensively the benefits of the project. When the project is complete, measure the factors again. While the measurement process itself may involve judgments and estimates, it can nevertheless be valuable in assisting the group in deciding what works and what does not as it decides how to allocate scarce practitioner resources to KM projects.

Finally, apply successes to other practice groups.

References

1. See, e.g. Boyd, C., 'Case Study: Using Document Assembly Tools to Improve Services to Start-Ups,' Legal Tech Newsletter (Law Journal Newsletters), October 2010, available at: www.wsgr.com/publications/PDFSearch/boyd1010.pdf.
2. Oz Benamram and Sally Gonzalez, "Forming a KM Strategy for Your Firm," *Knowledge Management White Paper* (International Legal Technology Association June 2011), available at http://www.iltanet.org/MainMenuCategory/Publications/WhitePapersandSurveys/Knowledge-Management_1.html.