

## APPLYING KNOWLEDGE MANAGEMENT IN LAW FIRM ALLIANCES

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### **BIOGRAPHY**

*Heather is the Information Services Manager at national law firm Hunt & Hunt.*

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### **ABSTRACT**

Strategic alliances are formed between law firms to gain from their business partner's market, client or legal expertise in some way, yet very little research exists on how alliances use knowledge management to benefit from the knowledge held within the alliance.

The following paper is based on a study that I undertook on how law firms in competitive strategic alliances use knowledge management within their alliance compared to the knowledge management approach adopted by the individual firms that form the alliance.

This study developed a framework to test two assumptions for comparing the knowledge management approach in individual law firms and law firm alliances. A literature review focussing on the past decade's peer reviewed and business press articles on knowledge management and strategic alliances was used to identify the range of knowledge management tools used in firms and alliances. To compare their use, I undertook in-depth interviews with knowledge managers from two Australian law firms involved in law firm alliances.

The findings of this study have implications for knowledge management practitioners in law firms who are responsible for planning and implementing a knowledge management strategy to support their firm's alliances, particularly in the area of the selection of appropriate knowledge management tools.

The primary issues that need to be addressed in this process include:

- Understanding the aim and purpose of the alliance
- Identifying and focusing on the knowledge that is a priority for the alliance
- Aligning the knowledge management tools to the aim and purpose of the alliance.

## **APPLYING KNOWLEDGE MANAGEMENT IN LAW FIRM ALLIANCES**

Competitive alliances are formed when potential rival firms come together. In the legal market, the firms may operate in different localities and will form an alliance to gain from one another's specialist client, market or industry knowledge (Yoshino and Rangan 1995 p4).

As access to an alliance partner's knowledge is a key driver for forming the alliance, it is important to understand how alliances are using knowledge management and what influences the knowledge management choices in an alliance. My research revealed that this aspect of knowledge management has been overlooked in the knowledge management and strategic alliance literature from the past decade.

This paper summarises the research that I undertook on how law firms in competitive strategic alliances apply knowledge management across their alliance in comparison to the knowledge management practice in their firms. The findings may assist practitioners to devise an appropriate knowledge management strategy to support their firm's alliance operations.

## **FRAMEWORK FOR COMPARING KNOWLEDGE MANAGEMENT IN LAW FIRMS TO THEIR ALLIANCE**

My research investigated whether the complex business environment of alliances affects how an alliance applies knowledge management. For example, the environment of an alliance has added complexity, as the alliance partners are likely to be balancing protecting and sharing their knowledge to maintain their competitive position (Hamel, Doz, and Prahalad 1989, p. 228-229).

This general proposition was tested against two research assumptions.

*Assumption one: Compared to law firms, competitive alliances of law firms will use fewer knowledge management tools for collaboration, content management and information sharing.*

This assumption focused on a comparative measure that would indicate if an alliance adopts a differing approach to knowledge management in comparison to individual law firms. The first assumption was based on the research outcomes that were initially anticipated. That is, collaboration would be restricted due to size and geographic spread of an alliance; less reliance would be placed on shared content management systems due to differing information technology systems across the alliance; and information sharing would be within confines of established boundaries of what knowledge could be shared.

*Assumption two: The knowledge sharing culture of the law firm will influence the application of the knowledge management elements across the alliance.*

The second assumption sought to explain what influences the approach an alliance takes to knowledge management compared to law firms. The second assumption was based on the anticipated outcome that the culture that exists within law firms that join alliances would influence their willingness to collaborate and share knowledge. Moreover, the 'knowledge-friendly' culture of the alliance is likely to be hindered by the fact that the alliance is formed by competitors.

A knowledge management framework was developed to test the two assumptions. The first step in developing the framework was to breakdown knowledge management to its key elements, which were defined as collaboration, content management and information sharing (Duffy 2001,

p. 62). The second step was to review international peer reviewed journals and the business press to identify the range of knowledge management tools that law firms and law firm alliances use in order to compare their use in firms and their alliance operations.

## THE ELEMENTS OF KNOWLEDGE MANAGEMENT

The key elements of knowledge management are collaboration, content management and information sharing (Duffy 2001, p. 62). These elements can occur concurrently and not necessarily in a sequential order (Liebowitz 1999 p. 1-7).

**Collaboration** refers to colleagues exchanging ideas and generating new knowledge. Common terms used to describe collaboration include knowledge creation, generation, production, development, use and organisational learning (Duffy 2001 p. 62)

**Content management** refers to the management of an organisation's internal and external knowledge using information management skills and information technology tools. Terms associated with content management include information classification, codification, storage and access, organisation and co-ordination (Apostolou and Mentzas 1999a p. 132; Davenport and Prusak 1998b p.69-87; Denning 1999, p. 150; Duffy 2001).

**Information sharing** refers to ways and means to distribute information and encourage colleagues to share and reuse knowledge in the firm. These activities may be described as knowledge distribution, transfer or sharing (Apostolou and Mentzas 1999a p. 132; Davenport and Prusak 1998b p 88-106; Duffy 2001; Hauschild, Licht, and Stein 2001a p79-80).

A literature review of over eighty articles from 1990 onwards on knowledge management and strategic alliances in peer reviewed journals and the business press was used to establish the tools that are commonly used in law firms and alliances for each knowledge management element.

## KNOWLEDGE MANAGEMENT TOOLS TO SUPPORT COLLABORATION, CONTENT MANAGEMENT AND INFORMATION SHARING

For **collaboration** amongst colleagues, the following five knowledge management tools are commonly used.

- *Knowledge networks* or teams such as groups of colleagues that are brought together to work on project or to solve problems (Apostolou and Mentzas 1999a p. 134).
- *Knowledge webs* where colleagues from different functional areas or offices of an organisation assist one another on an as needs basis (Skyrme 1999b p. 87).
- *Knowledge centers* that are akin to the role of corporate libraries (Skyrme 1999b p. 88-89).
- *Programs for innovation* that use knowledge management to create or identify knowledge 'that involve all aspects of the business and dovetail with other strategic decisions' (Hauschild, Licht, and Stein 2001a, p. 81).
- *IT channels* such as chat lines devoted to specific issues. (Elder 2001 p31).

To **manage content**, law firms and alliances commonly use the following five content management tools.

- *Knowledge databases* such as best practice databases, client profiles, market developments, organisational processes, legislative developments, assignment status and histories (Skyrme 1999b, p. 86,88)
- *Expert skills directories* to assist colleagues to locate colleagues that may assist with advice or to exchange ideas (Apostolou and Mentzas 1999a p.135).
- *Knowledge mapping tools* to locate and evaluate knowledge sources that are available to a firm, which includes structuring and organising information according to a knowledge tree or thesaurus (Apostolou and Mentzas 1999a p. 135; Skyrme 1999b p. 86,88).
- *Collaborative technologies* such as an intranet or groupware (Ruggles 1998 p. 84; Skyrme 1999b p. 87).
- *Specialised search and retrieval software* such as document management software (Apostolou and Mentzas 1999a p. 135-136).

Commonly used tools to **share information** in law firms and alliances are:

- *Appointing knowledge managers and knowledge units* that are responsible for leading the implementation and facilitation of knowledge management activities and developing ongoing strategy around knowledge management (Apostolou and Mentzas 1999a p. 133).
- *Knowledge distribution* mechanisms to ensure that knowledge is pushed to relevant people or pulled by knowledge users as required. (Apostolou and Mentzas 1999a, p. 133).
- *Training* with internal and external experts and encouraging networking through secondment programs with clients and industry associations, attending networking events, such as industry association functions, client briefings and external conferences (Elder 2002, p. 36).
- *Commercialisation of knowledge* to share information both within the firm and with clients, subscribers and fee paying customers (Apostolou and Mentzas 1999a p. 133).

## **CULTURAL BARRIERS TO KNOWLEDGE MANAGEMENT IN LAW FIRMS AND ALLIANCES**

The second assumption of the study was that *the knowledge sharing culture of the law firm will influence the application of the knowledge management elements across the alliance*. From the literature review it was ascertained that the tactics commonly used for managing the cultural barriers that may impede successful collaboration, content management and information sharing in law firms and competitive alliances are as follows:

- *Commitment to knowledge management* (Terrett 1998, p. 75)
- *Building trust* (Inkpen 1996, p. 134; Tsai 2000, p. 927-928; Tschernitz 2001 p. 3).

- *Protecting knowledge* - successful alliances are careful at managing the protection of their knowledge, by clearly establishing which skills and technologies are 'off-limits' and monitoring the information that alliance partners request and receive (Hamel, Doz, and Prahalad 1989 p. 228-231).
- *Information sharing policies* are used to establish what knowledge can be shared and what is off limits (Hutt et al. 2000 p. 61).
- *Knowledge sharing incentives* (Elder 2001, p. 31; Standards Australia 2001 p. 42; Terrett 1998, p. 75; White 2002, p. 16-17).
- *Overcoming time constraints, especially the emphasis on billable hours* (Curve Consulting 2002 p. 1; Kay 2002 p. 3; Schmidt 2001, p. 84; Terrett 1998, p. 75; White 2002, p. 16-17).

## TESTING THE ASSUMPTIONS

The literature review identified the tools used by law firms and alliances for collaboration, content management, sharing information and managing cultural barriers affecting knowledge management.

I incorporated the range of tools into a framework to form the basis of a comparative questionnaire to use in the in-depth interviews with knowledge managers from two Australian law firms involved in law firm alliances. The interviews prompted the respondents for firstly, whether the identified knowledge management tools were used in their law firm or their alliance and secondly, the whether the identified tactics for managing cultural barriers were used in their firm or their alliance.

Both firms (Firm A and Firm X) are commercial legal practices that are similar in terms of size and organisational structure. The alliances that the firms are involved in differ.

Firm A's alliance (the AB alliance) was formed to provide a presence for the alliance firms in each other's city in order to extend their services provided to clients. The alliance hoped to gain economy of scale through collaborating on joint business development initiatives, and sharing resources, such as precedents, performance management systems and an intranet.

By comparison, Firm X's alliance (the XYZ alliance) comprises several commercial firms with offices in Australia and other countries. The main benefit of the alliance is access to interstate and international and contacts for referring clients to and the ability to share work with one another if acting for international client. The XYZ alliance is primarily used on an 'as needs' basis, rather than an alliance that works towards joint business development for the alliance firms.

## HOW ARE LAW FIRM ALLIANCES APPLYING KNOWLEDGE MANAGEMENT COMPARED TO LAW FIRMS?

The research findings from the interviews supported the first assumption that *compared to law firms, competitive alliances of law firm will use fewer knowledge management tools for collaboration, content management and information sharing.*

However, the literature review and the interview results were inconclusive as to whether there is a correlation between the knowledge sharing culture of a law firm as tested in the second assumption: *the knowledge sharing culture of the law firm will influence the application of the knowledge management elements across the alliance*. Instead of the knowledge sharing culture influencing how knowledge management is applied across the alliance, it appears that the reason for forming the alliance influences the mix of knowledge management tools that are applied across the alliance, as is highlighted in the research finding below.

The study didn't test whether there was a link between the objectives of the alliance, and the use of knowledge management, therefore any apparent influence can only be inferred. This was a conscious decision, as I am employed in a competing law firm, and therefore I considered that the respondents would be reluctant to answer questions regarding their strategic objectives of their alliance operations. Further research in this area could be undertaken to explore to what extent the alliance's knowledge management strategy and tools used are consistent with the business objectives of the alliance.

The following summarises the interview results for the first assumption.

### **Collaboration**

The assumption that law firm alliances will use fewer knowledge management tools to support collaboration than individual law firms was based on an anticipated outcome that collaboration across an alliance would be restricted due to size and geographic spread of an alliance.

At Firm A colleagues exchange ideas and generate new knowledge via knowledge teams, a knowledge center and a knowledge web. The AB alliance also relied on knowledge teams and a shared knowledge center to encourage collaboration. However, the alliance colleagues had not yet established an informal knowledge web to support one another on an as needs basis, which may be as a result of lack of familiarity with interstate colleagues outside of the immediate knowledge team structure. The AB alliance is endeavoring to develop a "solid link" between the alliance partner that have a similar culture, corporate structure, goals, and clients. Collaboration is therefore important in the AB alliance, which is shown in the alliance already having in place knowledge teams and a joint knowledge centre.

Firm X use four of the six identified knowledge management tools for collaboration (knowledge teams, a knowledge center, a knowledge web, and IT channels). The XYZ alliance relied on only a limited knowledge web that was formed between the board member of the alliance to support collaboration. As the main purpose of the XYZ alliance is a vehicle to confidently refer clients to law firms in other capital cities in Australia and abroad it is not critical that the alliance has tools in place to support collaboration. A knowledge web is all that is needed in the alliance, to briefly discuss a client's needs with a colleague in an alliance partner firm, prior to referring the client to another firm within the alliance group.

### **Content management**

At the outset it was anticipated that an alliance would have less reliance on shared content management systems due to differing information technology systems across the alliance and therefore the alliance would use fewer knowledge management tools to support content management than law firms. This was supported by the interview results for content management.

Both Firm A and Firm X were using four of the identified five knowledge management tools in their law firms to support content management. That is, knowledge databases, an expertise directory, an intranet, knowledge mapping (Firm A only) and document management (Firm X only).

By contrast, at the time of the interviews, neither alliance had in place any tools to support content management. However, the AB alliance planned to implement shared knowledge databases, an expertise directory and a shared intranet.

It is likely that the influencing factor on whether alliances use content management tools across their alliance is the purpose of the alliance. As the AB alliance partners intend to work closely and collaboratively with one another they are planning to implement shared knowledge databases, an expertise directory and a shared intranet. By comparison, where the XYZ alliance collaborate only on an as needs basis, less reliance is placed on shared content management tools.

### **Information sharing**

Finally, it was initially anticipated that information sharing across an alliance would be within confines of established boundaries of what knowledge could be shared, which would result in alliances using fewer knowledge management tools for information sharing than law firms.

The interview results indicated that law firm alliances use fewer knowledge management tools, but this doesn't appear to be due to clearly defined boundaries of what can be shared.

To support information sharing, Firm A had a dedicated knowledge manager, tailored current awareness services for distributing knowledge and inhouse legal and practice education. Firm X also used all of the above tools for information sharing plus dedicated knowledge units, encouraging staff to engage in networking and commercialising some knowledge products.

Both alliances were using fewer tools for information sharing. Compared to the three tools Firm A used for information sharing, the information sharing across the AB alliance was quite informal between some colleagues in alliance practice groups. Likewise, the XYZ had only one tool in place share information, which was also established links between the alliance partners to share information, such as the impact of relevant legislative changes.

### **CONCLUSION**

The findings of this study have implications for knowledge management practitioners in law firms that are responsible for planning and implementing a knowledge management strategy to support their firm's alliances, particularly in the area of the selection of appropriate knowledge management tools to support the alliance:

#### *1. Understand the purpose and aim of the alliance*

In line with the strategic approach recommended for implementing knowledge management in law firms, the knowledge management strategy needs to be developed in line with the overall business objectives of the firm (Rusanow 2002b p. 2-3). For alliances, this also needs to draw on of the key principals for alliance success, that is that the alliance should have a clear strategic purpose (Gomes-Casseres 1998 p. 6-7).

*2. Identify and focus on areas of knowledge that are a priority for the alliance*

Identify what the key knowledge is that needs to be shared across the alliance. Successful knowledge management programs are aligned to business problems that need to be solved (Harvard Management Update 2001 p. 1).

*3. Align the knowledge management tools to suit the aim and purpose of the alliance*

As the study has shown, it is likely that alliances will use fewer tools for knowledge management, therefore it is vital that the right tools are used for the job.

If the alliance is focussing on finding new solutions to service clients, focus on collaborative tools that bring colleagues together, such as opportunities for knowledge networks from various firms to meet and work together face to face. Support these initiatives with content management tools, such as shared databases or intranet to share relevant client information and information sharing on important client and industry developments that affect the alliance.

If the purpose of the alliance is client referral, simple listings that identify the practitioners from each office and their general areas of expertise may be sufficient, as was the case with the XYZ alliance group. This could be coupled with sharing information that demonstrates the expertise of the alliance firms, such as successful client referrals.

Ultimately this research has demonstrated, not simply that law firm alliances use fewer tools in their approach to knowledge management, but the importance of understanding the alliance and implementing a knowledge management strategy to suit the alliance.

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