



KNOWLEDGE MANAGEMENT: HARNESSING A FIRM'S INTELLECTUAL CAPITAL

Ellen Freedman, CLM
© 2005 Freedman Consulting, Inc.

Knowledge Management is one of the new buzzwords for a concept that isn't new at all. Yes, some of the tools to achieve the objectives are new, but the goal of knowledge management itself is not new. Do you know what knowledge management is? Do you care? Or maybe the questions are better phrased as *should* you know, and *should* you care. For the sake of the profitability and viability of your firm, I believe so.

There are many definitions of Knowledge Management. Some are obtuse, such as that found in an article entitled "Get Smart" in *Inc. Technology* (#3, 1999): "Knowing what you know and then profit from it". It sounds catchy, but isn't of much help in understanding the concept. Folklore credits Hewlett-Packard's Chairman with saying something like "If we really knew what we know our profits would be four times greater." This doesn't help understand the concept either.

I think knowledge management can be most clearly described as the development of the governance and organizational structure necessary to nurture the people and systems that create, preserve, disseminate, protect, renew and deploy knowledge, and leverage it to the benefit of the organization and its clients.

Imagine for a moment that a terrorist group set off a huge magnetic pulse, (the theme of the defunct TV series "Dark Angel"), which wiped out the stored data on every disk, CD, and hard drive everywhere. What would the loss of all stored data do to the value of your firm? Imagine further that some biological hazard occurs at your firm, and causes all lawyers to develop total amnesia, such that they cannot remember any of their legal training. Now what value does your firm have? Ok, it's far fetched. But it illustrates the point that the entire value of your firm, the very basis of its economic value, is its *Intellectual Capital*. The intellectual capital of the firm includes the *human capital*—the education, training, experience and cognition of the firm's employees— and the *recorded capital*—the documented knowledge in the form of research, opinions, reports, articles, brief banks, form banks and so forth— in a variety of mediums. Knowledge management, quite simply, is about ensuring that the firm's intellectual capital is codified, shared

properly, protected, expanded, and leveraged to the benefit of the firm and its clients.

Knowledge management is more closely associated with technology than any other business trend. As a result, it is often seen as the management of computers and software, instead of the management of intellectual capital. Do not be lulled into a false sense of security by the efficient whirring and buzzing of your computers. You cannot adequately preserve your intellectual capital by use of technology alone.

Products such as document management, groupware, or databases are not in and of themselves knowledge management. They are merely tools to deploy. Technology can't guarantee the delivery of the right information to the right person at the right time. In fact, it's not possible to build a system which can predict who will be the right person at the right time, let alone what the right information will be. And information technology can store data, but not the intelligence and experience to use it properly. Information, particularly in a law firm, is context-sensitive. And as we've all discovered from sending seemingly innocent emails which only some people take offense to, information can evoke different responses from different people.

No matter how sophisticated software becomes, a program cannot question its underlying logic and related assumptions, nor can it sense the dynamic changes which occur in the business environment each day. Therefore, no matter how much "number crunching" is performed on past data, it becomes increasingly difficult to predict appropriate future response using technology alone.

Many law firms create a central repository of information, such as a litigation database or document management index, and feel content that they have accomplished their knowledge management goals. However, creating these indexes and repositories does not ensure that the information will be distributed to the right people, or even ensure they will see or use the information. In fact, more information is available than ever before, but users often can't find the information they are looking for. And most organizations, including law firms, do not properly train their employees in information search and retrieval techniques which are relevant to their *own* intellectual capital.

On the other hand, knowledge management cannot rely solely upon people either. People tend to rely on their existing educational and organizational training, and current business models. And in law firms, which is based squarely on precedent, looking backward is the norm. Consequently, people often don't



realize “in the moment” that right answers in one time and context can be wrong answers in another time and context. In other words, what worked yesterday doesn't necessarily work today.

It is human nature that we find it difficult to let go of the “best practices” which work for us today. As a consequence, we don't think “out of the box” beyond the boundaries of current practices, products and services. In other words, innovation is largely stifled. In fact, most law firm business models do not encourage or facilitate most forms of knowledge generation, that is, the creation of new ideas, recognition of new patterns, synthesis of separate disciplines, or the development of new processes. Law firms not only work very hard to maintain the status quo, instead of putting the same energy into innovation, but many firms unknowingly suppress and even penalize innovative thinking.

Hopefully, you're starting to get the idea that both technology and cognitive ability are necessary to approach some of the goals of knowledge management. It means making sure you codify procedures so that turnover of professional or non-professional staff doesn't leave a procedural gap at your firm. It means creating a good training and mentoring program. It means thinking about the preservation and indexing of your work product. It means ensuring that the right people know where and how to find the information they need to perform their best. And it means ensuring that the wrong people cannot access or alter information to which they are barred. I often relate an anecdote to law firms about the fired secretary who managed very quickly and efficiently to delete every form from the firm's computers before packing and leaving on her day of termination. It would have been so simple to have someone log her off the computer and delete her login password while she was in the office with the manager discussing her termination. And it would have been even simpler to assist her in packing up and walk her to the door. Remember, your intellectual capital is truly your firm's most important strategic resource. Invest the time to make sure it is properly nurtured and protected.

A version of this article originally appeared in the January 8, 2001 issue of the Pennsylvania Bar News

©2005 Freedman Consulting, Inc. The information in this article is protected by U.S. copyright. Visitors may print and download one copy of this article solely for personal and noncommercial use, provided that all hard copies contain all copyright and other applicable notices contained in the article. You may not modify, distribute, copy, broadcast, transmit, publish, transfer or otherwise use any article or material obtained from this site in any other manner except with written permission of the author. The article is for informational use only, and does not constitute legal advice or endorsement of any particular product or vendor.

