

## Chapter 4.40

# Knowledge Management in Law Firms

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Law enforcement is of concern to law firms. A law firm can be understood as a social community specializing in the speed and efficiency in the creation and transfer of legal knowledge (Nahapiet & Ghoshal, 1998). Many law firms represent large corporate enterprises, organizations, or entrepreneurs with a need for continuous and specialized legal services that can only be supplied by a team of lawyers. The client is a customer of the firm, rather than a particular lawyer. According to Galanter and Palay (1991, p. 5), relationships with clients tend to be enduring:

*Firms represent large corporate enterprises, organizations, or entrepreneurs with a need for continuous (or recurrent) and specialized legal services that could be supplied only by a team of lawyers. The client 'belongs to' the firm, not to a particular lawyer. Relations with clients tend to be enduring. Such repeat clients are able to reap benefits from the continuity and economies of scale and scope enjoyed by the firm.*

Law firm knowledge management is the behaviors and processes by which a group of lawyers increases and maintains their personal and collective actionable knowledge to compete, to increase performance, and to decrease risk. By extension, a knowledge strategy is the intended action, the plan, or the road map, for those behaviors and processes (Parsons, 2004).

### **LAWYERS AS KNOWLEDGE WORKERS**

Lawyers can be defined as knowledge workers. They are professionals who have gained knowledge through formal education (explicit) and through learning on the job (tacit). Often, there is some variation in the quality of their education and learning. The value of professionals' education tends to hold throughout their careers. For example, lawyers in Norway are asked whether they got the good grade of "laud" even 30 years

after graduation. Professionals' prestige (which is based partly on the institutions from which they obtained their education) is a valuable organizational resource because of the elite social networks that provide access to valuable external resources for the firm (Hitt, Bierman, Shumizu, & Kochhar, 2001).

After completing their advanced educational requirements, most professionals enter their careers as associates in law. In this role, they continue to learn and thus, they gain significant tacit knowledge through "learning by doing." Therefore, they largely bring explicit knowledge derived from formal education into their firms, and build tacit knowledge through experience.

Most professional service firms use a partnership form of organization. In such a framework, those who are highly effective in using and applying knowledge are eventually rewarded with partner status and thus, own stakes in a firm. On their road to partnership, these professionals acquire considerable knowledge, much of which is tacit. Thus, by the time professionals achieve partnership, they have built human capital in the form of individual skills (Hitt et al., 2001).

Because law is precedent driven, its practitioners are heavily invested in knowing how things have been done before. Jones (2000) found that many attorneys, therefore, are already oriented toward the basic premises of knowledge management, though they have been practicing it on a more individualized basis, and without the help of technology and virtual collaboration. As such, a knowledge management initiative could find the areas where lawyers are already sharing information, and then introduce modern technology to support this information sharing to make it for effective.

Lawyers work in law firms, and law firms belong to the legal industry. According to Becker et al. (Becker, Herman, Samuelson, & Webb, 2001), the legal industry will change rapidly because of three important trends. First, global companies increasingly seek out law firms that can provide

consistent support at all business locations, and integrated cross-border assistance for significant mergers and acquisitions as well as capital-market transactions. Second, client loyalty is decreasing as companies increasingly base purchases of legal services on a more objective assessment of their value, defined as benefits net of price. Finally, new competitors such as accounting firms and internet-based legal services firms have entered the market.

In this book, the notion "lawyer" is used most of the time. Other notions such as "attorney" and "solicitor" are sometimes used as synonyms in this book. In reality, these words can have different meanings, together with notions such as "barrister," "counselor," and "advocate." In Norwegian, a distinction is made between a lawyer ("jurist") and a solicitor ("advokat"). There is no need to make such distinctions in this book.

Lawyers are knowledge workers. To understand the organizational form of lawyers as knowledge workers employed in companies such as law firms, there is a need to recognize the dual dependent relationship between knowledge workers and the organization. On the one hand, for the purpose of channeling the motivation and effort of employees to serve the interests of the firm, management will seek to exploit knowledge workers' need to rely on the organization for resources (for example, advanced computer software and hardware that are available at a high cost) to accomplish their work tasks. On the other hand, management depends on knowledge workers for their esoteric and advanced knowledge, and their ability to synthesize theoretical and contextual knowledge. Management, therefore, need to meet these employees' aspirations and expectations. As for knowledge workers, they need to depend on the organization as the locale to develop contextual knowledge and to create new knowledge. However, their ability to apply theoretical knowledge in other contexts, that is, in other organizations, means that to a certain extent, they are also able to pursue a limited

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