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Powersystems

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The dust has settled on the battlefields of the 1990s. Computers are on every lawyer's desktop. Networks connect every desk. All lawyers have an up-to-date word processing program and document management system. Almost everyone has a modern financial system, thanks to the Y2K scare. E-mail is ubiquitous. Time for a breather? Not exactly.

The world of professional services has been abuzz the past few years about management initiatives such as practice management, knowledge management, and client relationship management. These are key disciplines and potential advantages for a professional services firm. Briefly, these systems let lawyers know how effectively they manage their practice financially (PM); reuse and share their work (KM); and help them win new customers and business (CRM) by sharing contact information.

Sounds good. But at many firms these disciplines are not in place. Too often, we think of these initiatives as a piece of software, be it CMS Open or Elite for practice management, iManage or Hummingbird for document management, and InterAction for relationship management. In fact, software is only one of three legs supporting these tasks. Any successful management discipline requires software, organization, and processes. Otherwise it will topple.

When all three legs are present, we define the result as a power system. Thomas Davenport, the knowledge management guru, says that "the soft stuff is the hard stuff." With practice, knowledge, and customer relationship management, technology is the "easy stuff."

Coming to grips with process and organization is much harder. Lawyers must change their work styles and habits, and the firm itself must change. But before it can change, the firm must have what we call top-class production systems in place.

Production systems are first-generation systems that produce and manage your day-to-day work product. Word processing and document management systems produce documents and a way to find them easily. Accounting systems gather information about attorneys, services, clients, matters, and vendors. Groupware collects the individual sets of e-mail messages, contacts, and calendars. And finally, the Internet serves up more information than ever imagined.

If these first-generation systems fail or fall short, you won't be able to develop a power system. It's not enough to have a reliable system stocked with useful information. If lawyers don't use it, then either the lawyers are not ready to embrace technology or they are unwilling to share and collaborate with their colleagues.

But let's assume that you have fairly workable production systems and that lawyers use them. And let's also assume that the firm has made a commitment to one of the three hot initiatives: practice, knowledge, or customer relationship management.

The next step is to create the processes that need to be in place. Firms come in different sizes, with different compositions and practices. These disciplines are novel, and they need care and feeding. PM, KM, and CRM need to be woven tightly into the fabric of the firm. They will require time and money to start. This is where the battle lines are first drawn.

At some firms, practice management

begins and ends with naming a practice group leader or chairman. This is generally a busy lawyer who has precious little time to devote to managing a practice and who doesn't get any or enough resources to pull the practice together.

With many practice groups now approaching the size of law offices 15 years ago, a practice group administrator or manager is often needed to tend to the operational details of running the practice. That person will be focusing on supporting and enabling the firm's PM, CRM, and KM programs for the practice.

Firms are reluctant, however, to make this investment in a practice group administrator or manager. Their reluctance is remarkably similar to the trap that firms fell into when they first considered and then hired full-time administrators for the firm. They failed to understand the value of the position, and they failed to give that person the tools or authority to succeed.

Leading firms recognize that these practice group managers need to have more than a title. This individual (generally a non-lawyer administrator) often has a reporting relationship to the practice group leader. He or she also likely will report to the executive director to ensure that there is firmwide consistency and management in the PM, CRM, and KM programs.

The primary tool of the group manager is a practice management system, which is generally an extension of the firm's accounting system. It helps plan caseload and set pricing. It also assists with financial analysis and planning, looking at the mix of matters and profitability from various perspectives.

Knowledge management initiatives often suffer from a similar problem. A partner is put in charge of the effort. He or she may have some paralegals create a forms file, briefs bank, or precedents library. The knowledge is narrow in scope, is not well maintained, and does not get the attention it needs. The plan fails.

Those firms that have succeeded generally have taken a partner out of practice and given him or her the support staff to develop easy-to-use, well-stocked systems. These systems have simple interface and contain wide areas of knowledge-work product and forms; checklists; training guides and procedures; and alerts on clients, industries, and regulations.

Davenport makes a strong case for structuring a KM organization like a newspaper with an editor, reporter, and production staff. The editor (partner) sets the direction and tone for the program. He or she dispatches the reporter (perhaps an associate or senior paralegal) to snag all the latest news (events, work product, etc.) and assigns the production worker to publish the information in a coherent form through the system. The editor and reporter would work hand in glove with the individual practice group heads, the practice group managers — and the marketing director.

Most large firms, by now, have gotten around to hiring a marketing director, and many marketing directors have initiated a client relationship management system. Once again, this is often where the effort ends — with a high-powered manager and a high-powered system all revved up with no place to go.

What a missed opportunity. CRM systems, for example, can analyze caseloads by client. One client may be sending a steady stream of product liability work but fewer and fewer intellectual property matters. Alerted to this trend, the firm could explore it with the client and find that the IP work has started to migrate to a boutique firm in the Midwest that offers fixed prices on patent filing work. This sort of alert system will work only if the CRM system is being properly supported by the marketing staff and practice group managers.

As a consultant to the legal profession for many years, I find it painful to see money spent on these systems without the foresight and strategy to make them work. It is even more painful to see good ambitions come to a grinding halt. Part of the recent crash of the dot-coms grows out of the late recognition that it isn't the technology, stupid. It's the business plan or, in the case of systems, the management commitment to change. Is your firm being smart about these valuable initiatives?