

The Legal Profession in a “Post-COVID” World – Part 3, The Changing Nature of the Firm

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In our [COVID-19 Recovery Playbook](#), we provided our thinking for firm leadership on how to manage through the current crisis. In this four-part continuation of that work, we examine where and how the industry may be shaped by the current health crisis facing the world. In [Part 1](#), we present some thoughts on the types of trends and changes that the crisis has the potential to create in society, and by extension, the legal profession. In [Part 2](#), we look at how client demands might change in light of this pandemic. In [Part 3](#), we look at how these trends might affect the commercial law firm platform. Finally, in [Part 4](#) we discuss how any firm might better prepare itself to weather future “Black Swan” events while coming out the back end in a healthier and better economic position.

In the second installment of this series, we introduced a number of potential trends that might emerge broadly from the client base of commercial law firms. We want to now shift our attention to trends that might emerge directly in and around the law firm itself as a result of Covid-19 – either directly on the law firm or indirectly via clients. We grouped these trends into four broad impacted areas – economics, platform, talent and culture, as shown in the following figure:



We begin with economics because in many ways economics are critical. If the firm can't handle the economic changes, it

is unlikely to get to the rest of the challenges. In the short term (which corresponds to the early stages of our Recovery Playbook), economic conditions tend to drive most decision-making. Longer term, we look at trends around economic factors and how they might change, and the implications of those changes for law firm management and operations.

COVID-19 Induced	Underlying Trend Prior to COVID-19	Change if an Accelerant	Change if an Inflection Point
Increased demand for capital.	Most firms well capitalized for normal operations.	Undercapitalized firms under pressure to build capital, otherwise limited impact.	All firms focused on building capital for more extreme situations. High capitalization becomes competitive advantage.
Extreme pressure on cash flow and pricing.	General but not extreme pressure on pricing. Clients paid bills under a fairly predictable pattern.	Adjustments to rates, ideally on short term basis. Cash management procedures enhanced. Discretionary spending minimized. Increased focus on profitability management and cash leakage (realization declines).	Increased focus on AFA's, particularly retainers and subscription models. Increased receptivity of law firm partners to partnering with clients around pricing. Strong shift to profitability management and utilization of profitability in compensation setting.
Materially enhanced demand for cost control and value demonstration.	General expectation to control costs and deliver value.	Short term cost cutting.	Rethinking of cost components of platform, focused on value delivery. Shift away from dedicated assistant model. Shift in real estate usage. Possibly a movement of middle-aged lawyers away from traditional brick & mortar firms to virtual firms with lower overhead cost structures with junior lawyers seeking to work at the lower-overhead firms in the first place.
New client environment driving enhanced focus on profitability understanding and management. Client and business line profitability becomes crucial.	Gradually increasing focus on client, matter, and practice profitability.	Increasing pace of adoption of profitability management systems and approaches.	Scramble to develop skills, systems, metrics and language around profitability management. Changes to partner compensation systems. Focus on differential practice structures and optimizing profitability based on optimal practice structures. Pressure on culture to adapt to differential rules and expectations across practices.

Platform and Operations Considerations: For simplicity we capture a wide range of changes under “Platform and Operations,” including technology, space, support structures and others.

COVID-19 Induced	Underlying Trend Prior to COVID-19	Change if an Accelerant	Change if an Inflection Point
Established <i>ability</i> to work virtually across the firm (all/virtually all positions).	General, slowly growing support for at-home work for part of legal team, on exception basis.	Loosening rules around work-at-home as a key-employee retention strategy.	Significant move toward virtual operations, driving down real estate commitments and changing internal working relationships and performance metrics. Permanent shift toward displacing personnel, paper.
Rapid demand for reduced space commitments (and fixed cost commitments generally).	Slow trend toward reduced space commitments but hitting limits absent cultural acceptance of new approaches.	Some increased efforts to reduce space commitments, especially in high cost locations.	Rapid adaptation of alternative strategies around hoteling, densification, etc.
Reliance on Cloud-based systems accelerated due to virtual working arrangements	Cloud-based systems being explored and slowly adopted as trust levels increased.	Acceleration of adoption of outside services for all tech support	Same as Accelerant case
Need for new metrics, systems and approaches to evaluate remote workforce efficiency	NA	NA	Rethinking of data analytics, measurement approaches and metrics
Willingness of clients and firm to visually connect remotely more often.	Heavy use of email and other text-based methods of communication.	More touch points with clients and other team members. Improved quality of touch points. No more excuses for not staying close to clients and other team members.	Greater investment of time and thought going into client experience and other user experience design. Potential for reduced long-term overall travel expectations. Significant reduction in “client entertainment.”

Talent Considerations: Law firms have sometimes been described as a collection of talent that voluntarily reassembles every day. To the extent material trend changes impact the law firm, the nature of the talent needed, and how that talent base comes together and unites to deliver client services will change. Here we include some potential shifts around the law firm talent base.

COVID-19 Induced	Underlying Trend Prior to COVID-19	Change if an Accelerant	Change if an Inflection Point
Increasingly virtual workforce on all levels.	Limited/part time virtual workforce needs.	More requests to work virtually from both lawyers and staff. Policies quickly developed to govern the situation. Stronger tech support systems.	Redesign of talent management systems to support virtual workforce. New training approaches to train lawyers and staff. Increased reliance on retreats and team/PG meetings to promote face time. Increased focus on systems security around video conferencing and other remote working platforms.
Linked to up-take of remote working environment, significant challenges to monitoring workplace effectiveness and employee performance.	More hands-on management capability; "Management by Walking Around."	Limited, linked to degree of actual virtual work environment established.	Efficacy assessments in hiring to ID people likely to work well remotely. Increased reliance on new KPI's and data collection approaches. Increased focus on regular manager/contributor personal meetings (even if virtual).
Increased reliance on outsourced workforce, particularly for non-core functions.	Limited use of outsource capabilities and slow up-take of shared service platforms.	Faster adoption but limited internal impact.	Increased focus on culture, training and staff management to accompany savings opportunities. Increased focus on systems, standardized processes and documents to assure consistent service delivery and quality. More fungible relationships between lawyers and staff, particularly assistants.
Shifting practice demand leading to changes in required specialization and skills sets.	NA	NA – Temporary cross-practice support for stressed practices.	Shift in hiring trends, training requirements, particularly if significant increase in highly technical practices. Skills shortages.
Extension of average professional work-life due to increased ability and comfort associated with remote working arrangements.	Limited work at home impact on retirement plans.	Limited.	Number of interested parties will increase, as will the demands on leadership to limit longer-term associations with the firm to only those who the firm really needs...not everyone.

Cultural Considerations: Here we include a wide range of topics around how people work and behave. The triggering trends are cultural in nature, while the changes might be described as talent oriented, or even operational.

COVID-19 Induced	Underlying Trend Prior to COVID-19	Change if an Accelerant	Change if an Inflection Point
Permanent acceptance of remote-working culture.	Resistance, particularly from senior lawyers	Limited, but expanding at a deliberate pace, at least in the short term	Full cultural acceptance of hoteling, full adoption of single size offices, space reductions over time, increased staffing flexibility including potential move to remote support centers
Final end to sacred cows and the use of "culture" to slow change	General change resistance, particularly from senior lawyers	Limited, at least in the short term	Increased staffing flexibility and flexible support relationships. Reduction in staff ratios longer term. Increased out-sourcing (make vs. buy)
Recognition that long resisted changes can be made, because they have been by necessity.	Slow push, frustrated admin staff.	Making permanent long-sought changes such as "paperless firms", time entry by app by lawyers, accounting control over invoice processing.	Similar outcome, more completely realized and with more receptivity to further changes.

Overall Changes in Legal Business Model

If we pull all of this together, what differences might we expect to see in the legal industry a few years out? Obviously, the answer depends more on how the pandemic ultimately changes society than it does on targeted changes to the legal world specifically. If we make the assumption that the societal level changes are profound, then the corresponding impacts on law will be equally profound.

If we think about a world where COVID-19 has significant and permanent effects on our social, political, cultural and economic norms, we can envision a legal industry that adapts to incorporate and account for those changes (as it always does). However, that does not mean that every firm will change in precisely the same ways – in fact, we would anticipate the opposite, with increasing diversification of the legal business models used, with some approaches having more lasting impact than others. Some of the general changes we would anticipate happening include:

- A significant and fairly rapid change in the direction of creating more flexible, resilient and lower-cost platforms with *materially* reduced fixed cost commitments (especially real estate) and increased capabilities around remote working, dispersed and potentially partially outsourced workforces managed with new metrics, new talent management techniques, and new approaches to maintain cultural connectivity.
- A significant new focus on talent scale, depth and redundancy, with a heightened interest and receptivity to combinations generally, but particularly among firms focused on multi-national/jurisdictional client bases. If these clients rally behind the idea, there will also be a commensurate increase in pressures for multi-disciplinary service delivery models that lead to material in-roads in US legal world by the Big-4. The overall goal here is an aligned

trusted advisor/true business partner model wherever the client may have needs.

- For smaller and mid-size firms, an increased focus on a limited range of services where the firm can be deep and offer significant differentiation. Undifferentiated “generalist” firms lacking the ability to truly partner with clients will risk gradual erosion of profitability and market relevance.
- More commoditized services will be increasingly dominated by large, process-driven organizations (including accounting firms and ALSP’s) or sophisticated (in the handling of such services) law firms.
- Increased interest and promotion by firms of AFA’s, and continual moves toward subscription-based practices in appropriate areas or types of client relationships.
- As an extension of remote working becoming increasingly normal, a significant re-think of talent acquisition, training, management, and retention strategies. This would include 1) an increased geographic dispersion of workforces as leading firms in specific practice areas look to other geographies for additional talent depth in the absence of needing to open offices, and/or 2) a movement toward sourcing administrative personnel in lower cost locations (including legal assistants, potentially). The net result is an increased focus on scalable work force.
- A significant advancement in the area of data management and analytic capability across all firm functions, with a particularly strong emphasis on profitability and performance metrics, particularly those focused on client management, performance, and connection to firm and lawyers.
- An intense focus on culture management with the goal of assuring resilience, flexibility and connectivity.

Ten years from now, law firms will still look a lot like they do today, at least to outside lay observers looking at their websites and public sources of information. To the trained eye, however, their supporting functionality will have changed dramatically, their competitive worlds will have evolved rapidly, and their leadership ranks will have turned over almost entirely from the “baby boomer” generation still largely in place today. How clients and their law firms work together will likely be different in material ways. Some of this will happen no matter what, but if our overall society is reconfigured by the current pandemic, the changes in law will be equally profound.

In our final installment of this series, we will focus on how law firms can rethink their strategic, management and leadership approaches to better position themselves to respond differently to future crises and emerge from them in a better strategic position than the starting point.