

## Covid-19 Recovery Playbook

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In our [initial commentary on the impact of Covid-19](#) on the legal marketplace, we communicated our firm belief that the legal industry will emerge from this terrible experience and related business downturn having learned several important lessons (detailed in the next section) and ready to forge ahead under a “new normal” business model. Right now, while most law firm leadership teams are necessarily focused on cash flow, revised budgets, and communications, we are looking further into the future, but getting through this crisis and coming out the back end in a better position than you started in will be a journey, not an event. To help all members of the law firm leadership team move seamlessly toward its next, most-important areas of focus, the leaders of the LawVision Strategy Team offer the following playbook.

### Working Toward the New Normal


Here are the top ten features of the post-Covid-19 legal marketplace that you will see reflected throughout this Playbook –

1. We start in the same place as with *all* prior change management lists for the industry - Now is the time to be as **close to your clients** as you possibly can to both a) protect and enhance the relationship and b) learn from their thinking so you can revise your budget and your delivery of legal services based on what they need now, soon, and long-term.
  - o Don't avoid difficult discussions with them right now. There are many willing competitors who *won't* avoid such conversations.
2. Despite your best efforts on the first point, loyalty rises and falls with liquidity so expect **client demands related to fees/rates** to be much more severe than those experienced during the last economic downturn. This will be particularly true for firms supplying relatively fungible services or lacking unique client connections. “Great service”, while critical, may not be enough.
3. As a result of these client pressures, the need to understand both your value proposition and the **profitability of your clients and matters** will be more important than ever before as the industry battles self-commoditization.
4. For those matters where profitability will be unacceptable using your normal approaches, a basic understanding of **process improvement** combined with out-of-the-box thinking will be required to get back to an acceptably profitable position.
5. While some law firms had already proven the point quite well, the industry can now agree that legal services can be effectively and efficiently provided from a **remote team** and clients will use this rapidly developing phenomenon as part of fee/rate discussions. It is also entirely possible that this experience will create an increase in client expectations for *cross-firm* teaming, as the benefit of being in the same place are increasingly questioned.

6. Firmwide Practice Group Leaders need to know how to **lead and manage in a virtual world** – a goal that requires a whole new set of skills.
7. Given all of the preceding points combined with not knowing how strongly Covid-19 will resurface next winter, as some experts predict, part of managing in a virtual world will be a trend toward staffing for the “valleys” and creating an on-demand element of talent for the “peaks” (via legal talent services such as *Lawyers on Demand* or *Hire an Esquire*).
8. **Innovation** and a culture capable of sustaining a high rate of change must be concepts with which any competitive law firm must be comfortable. Right now, consider everything as being “broken”, so “fixing it” is an ongoing opportunity.
9. The concept of winners and losers that we identified coming out of the last recession will be accelerated now as those partnerships that are unable to evolve will rapidly lose market share first, followed by a loss of control of their destinies.
10. At the appropriate time, most law partnerships will need to create a **new strategic direction** that takes into account all of the preceding points and positions itself for a new set of market conditions.

**Structure of the playbook (the columns)**

Our playbook is structured as a matrix, in which the areas of focus for each of the key leadership tasks/administrative teams will shift over time. We start with the horizontal axis, which includes each of the following four stages of the coming recovery for the legal industry:

Timing/Phase 	<b><u>Reaching the Viral Peak</u></b>	<b><u>Cautious Recovery of Business Confidence</u></b>	<b><u>Recovery of Business Activity</u></b>	<b><u>Return of Revenue and Profitability</u></b>
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Description of each stage in the recovery process:

- **Reaching the Viral Peak** (timing = ?) – while we are not the right organization to predict when the onset of new cases in the US will peak (we all hope it will be sooner rather than later, and the most recent University of Washington models predict the peak point in the US to be in mid-April assuming strong intervention continues), in our thinking this will be the point where true confidence in the return of some semblance of normality to our way of life, including business activity, will begin to change for the positive. Until we reach this point *and can recognize that it has actually passed*, we will experience a great deal of fear and uncertainty, which requires a limited and focused set of actions to maintain as much confidence in the law firm as possible.
- **Cautious Recovery of Business Confidence** (estimated timing = 1 to 3 months after recognized Viral Peak) – once a peak is reached, the severity of this experience combined with the concern for new outbreaks and the liquidity level of each business, will cause each business owner to take a cautious approach toward ramping up staffing and production. Even a minor setback during this stage will cause setbacks as we search for the next, and hopefully last, viral peak.
- **Recovery of Business Activity** (estimated timing = 2 to 4 months after the Cautious Recovery period starts and proceeds without setback) – once the situation feels secure (and this may vary from state to state), business activity will resume and those types of legal matters that disappeared or were severely depressed during the outbreak will return. (Reopening of court

systems to more “normal” operations will be a major signal.) Most importantly, as cash flow becomes more predictable in the business community, receptivity to paying legal expenses, including for services provided during the outbreak, will return, which sets the stage for the last stage.

- ***Return of Revenue and Profitability*** – the new normal and regular payment of legal bills will be the clear indicator that we have reached this final stage of recovery, during which planning activities can finally be focused on the long-term future and cementing the lessons learned from this terrible episode into the culture and the DNA of the law firm. For planning purposes, it is important to note that we may not get to this stage until early 2021. Our recovery clock doesn’t start ticking until we reach the Viral Peak.

After we add the key leadership/management teams into our thinking, the following high-level matrix emerges:

Timing/Phase  Areas of Focus 	<u>Reaching the Viral Peak</u>	<u>Cautious Recovery of Business Confidence</u>	<u>Recovery of Business Activity</u>	<u>Return of Revenue and Profitability</u>
Firm Leadership				
Partners				
Talent/HR				
Accounting & Finance				
Marketing/Business Development				
IT & Operations				

In the remainder of this document, we present the columns associated with each stage of business recovery.

## Key Leadership Tasks by Stage of Recovery

*(Note – This Playbook is intended to be a structure for all law firm leaders to use for thinking about the future. The following lists are intended to highlight key a-traditional tasks that are needed now. These tasks are not all-inclusive or universal to all law firms. Also, as with any Playbook, we will be updating and revising the following task lists as conditions and our experiences evolve. Please check back for the latest version of this document. Changes/additions will be highlighted.)*

### Reaching the Viral Peak (Economic Bottom)

#### **Firm Leadership**

- Operate a daily virtual war-room and constantly reprioritize based on input received from all other firm leaders.
- Continually assess the firm's financial performance and cash flows using multiple scenarios based on some structure (like our playbook) combined with various dates for *Reaching the Viral Peak* to honestly communicate with, and manage the expectations of, the Partners (first) and then the rest of the firm.
  - We assume that aggressive actions have already been taken with respect to discretionary spending and obvious (albeit painful) cost reductions by now. If not, these should be a priority.
  - Further adjustments to draw policies/compensation plans may be required.
- Take all steps necessary to realize all possible benefits from the Covid-19 stimulus package(s).
- Work with Practice/Team leaders on monitoring key performance indicators for demand, productivity and pricing under remote operations.
- Ensure that the appropriate Partner is staying in contact with each of the firm's Top 100 clients.
- Remind the entire organization to thank the IT staff for all of their invaluable (and often invisible) assistance. (And don't forget to thank everyone else too!)

#### **Partners**

- Ensure, above all other issues and concerns, that the quality of the legal services provided stays at least at Pre-Covid 19 levels. Wherever possible, enhance service levels, *particularly* around response times and on assuring that your advice to clients is succinct, and helpful for your client's needs of the moment.
- Be as **close to your clients** as you possibly can to both a) protect and enhance the relationship and b) learn from their thinking so you can revise your budget and your delivery of legal services based on what they demand.
  - Don't avoid difficult discussions with them right now. There are many willing competitors who *won't* avoid such conversations. Identify which clients are most likely to be severely impacted in the short term and talk with them about their needs.
  - Design special (not discounted) offers that better integrate and work in partnership with key clients.
- Monitor contacts at other law firms for signs of distress or receptivity to acquisition discussions (at the firmwide, group, and/or individual level) and report each to Firm Leadership.
- There will be an uptick in merger and lateral activity as a result of this unfortunate event. While we are hunkered down, we do need to be opportunistic with respect to developing strategic growth opportunities.
- Regularly monitor the morale and well-being of all lawyers and staff members with whom any Partner has contact (within reason).

## Talent/HR

- Work closely with Firm Leadership and the Accounting & Finance team on budget scenarios and related staffing outcomes.
- Re-affirm with firm leadership the role of culture with respect to staffing decisions.
  - Is there a culture and history of never terminating staff due to situations such as this? Is this “rule” still in place?
- Make/update recommendations to Firm Leadership on Associate and law school hiring for 2020 and 2021 and coordinate decisions with law schools.
- Over-communicate as honestly as possible, with lawyers and staff.
  - Schedule at least one regular, weekly virtual meeting with Non-Partner timekeepers and then with staff. (The Talent/HR team manages this, but Firm Leadership should be front and center.)
  - Respond in real time (as best you can) to all questions and concerns.
- Ensure that all essential staff who are required to be in any office are protected and are following all guidelines with respect to the transmission of Covid-19. This includes providing disinfectant wipes and hand sanitizer.
- Check-in with Labor & Employment counsel regularly to stay abreast of any changing laws related to staffing issues and potential reductions in force.
- Work with Practice Group Leaders, who need to know how to **lead and manage in a virtual world** – a goal that requires a whole new set of skills.
- Focus Practice Leaders on assuring as much available “downtime” on their teams as possible is put to productive use. If client or BD activities are impractical or exhausted, help each team member identify learning or other investment activities that will create long term benefits for the individual and/or firm, while absorbing demoralizing downtime. (Continue as long as needed with valuable team members.)
- Keep firm leadership one step ahead of developing situations in the firm or specific actions that require approval from the leadership team.
- Act on staffing decisions for 2020 made prior to the onset of Covid-19.
- Regularly monitor the morale and well-being of the Talent/HR team.

## Accounting & Finance

- Support Firm Leadership’s key task to “Continually assess the firm’s financial performance and cash flows using multiple scenarios”, as described above.
- Monitor cash flow daily, and provide projections based on the best possible information.
  - Secure, increase and/or drain a line of credit.
  - Make recommendations to revise the partner draw schedule/cut or freeze draws until clarity emerges.
  - Advise partners on tax planning.
  - Regularly provide Firm Leadership with updated budgets and scenarios including a worst-case assessment.
- If needed in a virtual structure, create more central oversight for pricing, discounting, and write-downs.
  - Ensure any client concessions are done thoughtfully so the firm doesn’t get stuck with a permanent below-market discount.
- Regularly monitor the morale and well-being of the Finance & Accounting team.

## **Marketing/Business Development**

- Ensure the firm stays visible and produces the appropriate market messaging around the pandemic, including your firm's unique position in serving the needs of the market.
- Assist firm leadership and the Partners with staying connected to the clients and learning as much from them as possible for planning purposes.
- Be the central repository for the "clients' voices" throughout this event.
- Coach all Partners with available time on how to direct that time to its greatest ROI level.
- Regularly monitor the morale and well-being of the Marketing/BD team.

## **IT & Operations**

- Ensure that remote working technology works optimally without further significant investments.
- Drop physical operations down to bare essentials.
- Work with Talent/HR to ensure that all essential staff who are required to be in any office are protected and are following all guidelines with respect to the transmission of Covid-19.
- Remind Firm Leadership of any leases due to expire within 2 years.
- Regularly monitor the morale and well-being of the Operations team.

## **Cautious Recovery of Business Confidence**

**Firm Leadership** – same tasks as in the prior section, plus:

- Set target dates (that you can revise, as needed) for the re-opening of each office and coordinate the supporting activities with the Operations teams.
- Get Firm Leadership and key Partners back on planes as soon as public health conditions allow.
  - Demonstrate leadership to dispel fears – particularly with travelling to see clients *who are receptive to in-person visits*.
  - Visit all offices as quickly as possible. Meet with all constituency levels.
- Seize the opportunity to formalize changes and related policies that used to be optional but are now critical to working virtually, such as a) accounting staff's control over invoice processing, b) the elimination of paper time sheets for all lawyers (finally), c) going completely paperless as a law firm (with appropriate scanner support), and d) inefficient staffing arrangements caused by Partners' demands that their assistant be right outside their doors.
- Start to assess and prioritize the strategic growth opportunities reported by all Partners and make appropriate contacts (if not already done).
- Begin expectations management around likely outcomes for the year, particularly with key partners.
- Deliver carefully crafted message to younger lawyers concerning how Covid-19 related productivity declines will be considered and evaluated. Provide comfort around job security wherever warranted.

**Partners** – same tasks as in the prior section, plus:

- In conjunction with the Marketing/Business Development leadership and budget, start visits to key clients *who are receptive to personal contact* at this point.
- Start a tick-list of what went well and what went poorly with respect to working virtually.
  - Remind "traditionalists" to be objective and fair to this process because the business world is not going to go completely back to the pre-Covid-19 business model.

**Talent/HR** – same tasks as in the prior section, plus:

- Help “survivors” (those who remain after changes/downsizing) deal with feelings of anger/guilt/insecurity around situation, become re-engaged and productive again.
- Rethink lateral strategy and hiring targets.
  - Create formal virtual processes for screening, onboarding, and integration as time permits.
  - Rethink staffing needs based on changes in demand patterns for various practices. Assess where current personnel can be cross-purposed.
- As time permits, start to formulate a formal summary report to Firm Leadership on the firm’s culture and how the lawyers and staff handled the transition to working virtually, the fallout from the transition, and the recovery to date.
  - This will be an ongoing project through the next stage of recovery.
- Work with firm leadership to craft plan and messages to younger lawyers (especially) around impacts of Covid-19 on productivity and evaluations for 2020.

**Accounting & Finance** – same tasks as in the prior section, plus:

- Issue a formal revised budget and develop outlooks for 2020 and 2021 (with the caveat that these can be revised if market or health conditions change unexpectedly).
- Assess if the short-term profitability of the firm is materially better if the firm continues to operate virtually even though the offices are open and make the appropriate recommendation(s) to Firm Leadership.
- As time permits, review the performance of practices/teams with respective leaders to evaluate trends over time (i.e., pre-virtual, early virtual, later virtual, at the onset of recovery) and take any immediate corrective measures while also planning for longer term issues to monitor.
  - Key areas of focus will be on rates, productivity/staffing needs in relation to current and projected demand, realization, client payment timelines, and team profitability, if such reporting was already in use prior to the pandemic.
- Help partners plan for tax estimates for the year as well as payments.

**Marketing/Business Development** – same tasks as in the prior section, plus:

- Work with Firm Leadership to fund key client visits, when practical to execute.
- Work with those who are visiting clients to assess the strength of each relationship and likely demand for the remainder of 2020 and all of 2021.
  - Have the appropriate Partner talk with each key client about their pain points and cash flow position, if possible.
- As time permits, add busy Partners who could be busier and Senior Associates to the coaching protocols and routines.

**IT & Operations** – same tasks as in the prior section, plus:

- Start to formulate recommendations to Firm Leadership and the Accounting & Finance team on any *major* adjustments or recommended investments in the technology platform and remote working environment.
- Carefully coordinate the re-opening of offices with Firm Leadership and the Partners.

### **Recovery of Business Activity (4-6 months after the peak)**

**Firm Leadership** – continuation of the relevant tasks from the preceding stages, plus:

- Quickly assess and plan for near-term operations in the new normal for –

- Market positioning – did you realize or develop something unique and valuable to clients and prospects while working virtually?
- Size of the overall practice – Given the demand projections from all client meetings, as collected and summarized by the Marketing/BD team, what is a conservative estimate for demand for your lawyers’ time? What is your current supply of lawyer time and how will you balance the two?
- Talent model – Given the responses to the prior question, is there a need and a receptivity for a different talent model right now (e.g., more use of a “lawyers on demand” model for specific matters or tasks)?
- Competitive landscape – What has changed with the competition? Did anyone make significant strides? Are there any significant merger or acquisition prospects that require immediate attention?
- Changes to business model – Given your experiences with remote working, which aspects will become permanent features of working at your law firm?

**Partners** – continuation of the relevant tasks from the preceding stages, plus:

- Bring a new mindset into work – when normal office operations resume, do not drag the firm back into the old normal. Rather, contribute to the development of the new normal, starting with the honest and objective tick-lists initiated in the prior stage. Turn these into Firm Leadership for assessment and summarization.
- Bring a new sense of receptivity toward client service improvement concepts such as project management, process improvement, pricing creativity and client/matter level profitability reporting.

**Talent/HR** – continuation of the relevant tasks from the preceding stages, plus:

- Make recommendations to the Compensation Committee to recognize those who contributed most to stabilizing the firm.
- Get performance reviews back on schedule and update the evaluation to include the ability to work and contribute remotely.
  - Begin to practice participative goal setting in these new roles to help employees feel like they have some control over their own success and some ownership around the success of the firm.
- Use the information gleaned from the evaluation process to further inform a formal summary report to Firm Leadership on the firm’s culture and how the lawyers and staff handled the transition to working virtually, the fallout from the transition, and the recovery to date (started in the prior stage).
- Start to instill a culture of innovation via a series of contests or idea exchanges at all levels of the firm. Create excitement around participation towards bringing new value to the firm and its clients. Implement some small ideas for improvement, celebrate efforts, and build momentum.
- Make recommendations to the Compensation Committee to recognize those who contributed most to stabilizing the firm.
- With firm leadership, develop communications strategy around any messaging needed in association with year-end bonus, salary and promotion decisions impacted by Covid-19 events, with the goal of retaining most valuable lawyers and staff.
- With Firm Leadership, start messaging about the long-term prospects of the firm. By this point, to sustain confidence, people should feel some hope that the firm can thrive, not just survive. People need to have some confidence in the years ahead to stay.



**Accounting & Finance** – continuation of the relevant tasks from the preceding stages, plus:

- Make recommendations with respect to year-end distributions and (hopefully) bonuses and adjustments for 2021.
- Examine the firm’s capital base and, if needed, start messaging and planning around increased capital requirements.
- If debt was used heavily to prop up the firm during the first two stages, prepare a summary report for the Partners on how and when this debt will be repaid and the related impact on the firm’s profitability during the major pay-back periods.
- Make recommendations to the Compensation Committee to recognize those who contributed most to stabilizing the firm.
- Rethink performance criteria and develop new metrics to evaluate contributions in the new normal business model.

**Marketing/Business Development** – continuation of the relevant tasks from the preceding stages, plus:

- Summarize for Firm Leadership, and then all Partners, all information learned from the client visits, including:
  - Likely demand for the remainder of 2020 and all of 2021.
  - New or rapidly developing areas of client service that did not exist prior to the pandemic.
  - Declining areas of client service that were strong prior to the pandemic.
  - Prospective clients based on what the Partners heard from competitors in distress.
  - Recommended action steps and related budgetary requirements.
- Ramp up coaching efforts and support around those Partners who have the greatest growth potential for the firm on a short-term basis.

**IT & Operations** – continuation of the relevant tasks from the preceding stages, plus:

- Finalize recommendations to Firm Leadership and the Accounting & Finance team on any *major* adjustments or recommended investments in the technology platform and remote working environment.
- Assess for Firm Leadership, at a high level and based on recent remote working experiences, the viability of major cost-saving operational concepts such as:
  - Reduced office space needs based on a segment of the firm working remotely.
  - Relocation of support services to lower cost locations.
  - Office sharing – particularly for younger lawyers.
  - Hoteling, either in conjunction with more scheduled remote working days for lawyers and staff or as a stand-alone concept.
  - Single-size offices, for firms that have not yet moved in that direction.
  - Overall review of whether the firm could benefit from exercise of any upcoming space give back options (and the associated changes and costs to do so) as well as rethinking plans for any upcoming lease renewals or new leases.
- Concurrently, assess the benefits and risks associated with outsourcing any non-core support services that are still maintained by the Firm.

**Return of Revenue and Profitability (Start of Post Covid-19 Normal)**

**Firm Leadership** – continuation of the relevant tasks from the preceding stages, plus:

- Finalize financial projections for 2020 and 2021 and manage expectations accordingly.

- Make all appropriate changes to the leadership team, be they due to normal term limits, fatigue, or poor performance during the pandemic.
  - This recommendation includes all levels of leadership, from the top of the partnership down, and covers departments, practices, sections, offices, and committees.
- Formalize all needed policy changes into the partnership/operating agreement.
- Lead “New Normal” presentations and discussions with all levels of the firm to a) provide confidence in the future, b) formally add “innovation” to the firm’s culture via initiatives designed by the Talent/HR leadership, and c) signal that, in these times of uncertainty, Firm Leadership is already preparing the firm for the next major challenge.
- Revisit the firm’s overall strategy, align all elements of the firm with the desired market position, and communicate the resulting vision to the firm, clients, and marketplace.
- Create a parallel implementation strategy for the firm’s data, including efforts focused on clean-up, mining, and proper/approved application.
  - Profitability reporting, preferably at the client and matter levels, should be a key element of this initiative.

### **Partners**

- Lead the delivery of “new normal” legal services for the firm.
- Participate in a serious discussion of what it means to be an Equity Owner of the law firm and create enforceable standards aligned with the revised expectations.
- Wholly support the implementation of the new strategy.

### **Talent/HR**

- Wholly support the implementation of the new strategy.
- Update and automate the performance evaluation process at all levels of the firm to reflect the “new normal” environment and culture.
- Increase all skills training around legal service delivery, the use of technology, and the firm’s systems and processes to create the greatest potential value for clients and workforce resilience.
  - Migrate the firm’s training program toward podcasts/recorded sessions.
- Create new ways to evaluate and measure satisfaction, loyalty, and commitment to the firm in a more remote work environment.
- Develop approaches toward performance management, performance expectations, and overall talent evaluation and make recommendations to firm leadership.
- (Re)define the firm’s culture and ensure that it is emphasized in as many communications and messages as possible.

### **Accounting & Finance**

- Wholly support the implementation of the new strategy.
- Re-capitalize the firm, as needed or prepare plans for Firm Leadership to implement capital enhancements.
- Deploy or enhance your systems for new business intake, matter management, and regular reporting on clients.
- Introduce, and carefully educate each Partner on, new profitability models.
  - Fight the urge to link this profitability data to the Partner compensation deliberations until all Partners are properly educated and are using these reports appropriately.
- Launch, or update, a formal pricing function.

- Be ready to enter the new normal with more innovative, value-oriented pricing strategies.
- Proactively pursue fee structures that build revenue, play to firm strengths, and drive profitability.
- Introduce new financial performance metrics and related work streams including predictive profitability, and smart budgeting.

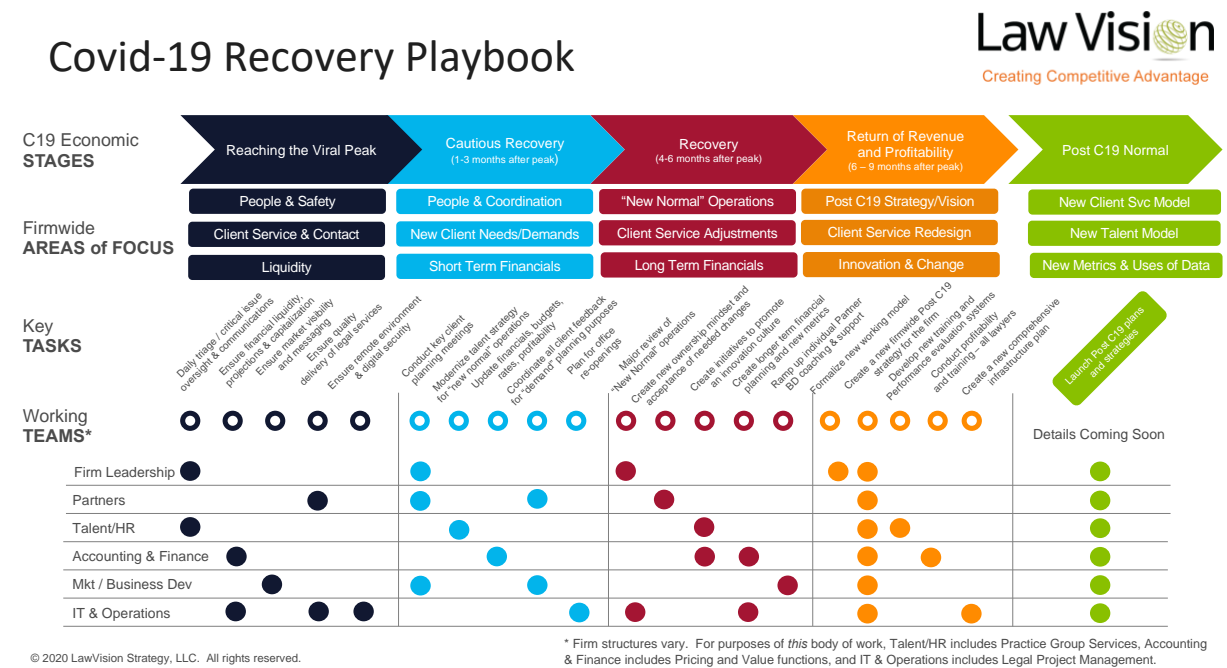
### Marketing/Business Development

- Wholly support the implementation of the new strategy.
- Focus the entire Marketing/BD team on implementing the approved action steps from the recommendations to Firm Leadership in the prior stage.
- Ensure that all issues raised during client feedback meetings have been addressed.
- Identify opportunities for young lawyers to connect with new strategic (for the firm) industries via professional associations, organizations, or boards.

### IT & Operations

- Wholly support the implementation of the new strategy.
- Start to implement new policies (into new offices first) related to hoteling, office-sharing, single sized offices, etc.
- Consolidate the lessons learned from remote working, the *major* adjustments or recommended investments in the technology platform and remote working environment from the prior stage, new policies with respect to remote working and office space, and the strategy into a comprehensive infrastructural support plan for the next five years (at least).

The completed matrix would look like this:



Although unprecedented in nature, this crisis is already showing signs that it will share at least one outcome with prior crises. It will create winners and losers, and the firms who seize the opportunity to

focus on how their business models should change in response to the crisis, rather than just manage through on austerity measures while hoping their clients continue to pay them, are more likely to come out as winners in the long run. Yes, we need to protect the firm and stay in business but grasping this opportunity to both reposition your firm in your clients' eyes and increase the glue holding the fabric of your firm tightly together will put you in a winner's position. We are here to help you through these difficult times.

Please watch for updates to this Playbook.