

## COVID -19 – the next steps for law firms

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Law firms are now about three weeks into this crisis and the sticking plaster and bandages in the form of cash generation, cash conservation and stress-testing are being urgently applied in the hope of buying time while firms think what to do next (for our recent notes on these go to <https://peterscottconsult.co.uk/briefings.php>) . Another immediate risk that few firms seem to be addressing is the increased targeting of law firms by fraudsters-exploiting both email and insecure videoconference facilities.

Time however is not on the side of the law firms and they can no longer assume that their futures will be the same as they knew pre-COVID-19 and Richard Susskind's words from 2009 below are even more relevant today:

*“There seems to be a disturbing strategy of hunkering down, cutting some fat and hoping that business will return to normal. That is not good. The terrain will look very different when this is over. This is not a minor blip, but a discontinuity”*

The changes likely to be brought about by COVID-19 mean there can be no going back – **there is already a discontinuity**. We discussed in an earlier bulletin the importance of scenario planning and stress testing. In this uncertain future, scenario planning (not the same as forecasting) is vital if a law firm is to come out of this with a viable business still intact. Some will not.

What do managing partners now need to do to ensure their firms are best positioned to come out of present difficulties in stronger shape than before?

### 1. Provide Leadership

First and foremost, there is a need for visible leadership -

- **challenging** leadership, which is prepared to question every aspect of a firm's business, its people's attitudes and performance and every assumption on which its plans have in more normal times been based;
- **Inspirational** leadership which is able to build consensus within a firm that change must happen;
- **Visionary** leadership which has the ability to develop and communicate a future for a firm which people can believe in and will follow;
- **Determined** leadership which has the determination and drive to implement necessary changes; and
- **Team building** leadership to ensure that speedy and effective decision – making and implementation of necessary change happens. Putting in place a **Top Team** for this purpose will be crucial and a Top Team will need to not only get the firm through this short-term crisis but then prepare and adapt the firm for strategic change and to deliver the necessary

business transformation. Continuous review and re - evaluation of a firm's plans needs even at this stage to be a priority task.

## **2. Communicate, Communicate, Communicate**

Leaders understand the need to continuously communicate with their people to take them with them, particularly in times such as these. Being honest and transparent with partners and staff about the problems faced is necessary if a firm's people are to be supportive and to buy-in to the pain and difficult changes that will be required. If you don't communicate with your people they will look elsewhere for information – including rumours.

And empathise. Research shows that videoconferencing is often not the best way of getting people to open up to their real concerns. Sometimes a telephone call where you both can find some privacy (perhaps in a garden) can be better.

And it is not only internal communication which is required.

Stuart Fuller, the global head of the legal services arm of KPMG said recently that KPMG's short-term mantra is: *Don't stop what you're doing—change the way you do it. "Don't stop engaging with your teams; don't stop engaging with your clients; don't stop having client meetings or client conferences or continuing legal education or insight sessions—just convert the way you do it all into the virtual,"*

Sage words indeed. Whether now or in more normal times, you cannot stop the world outside forming perceptions about what you do; this is true of your reputation among existing clients and potential clients. What you now need to do more than ever is manage those perceptions: you have multiple opportunities, even in these difficult times, to shape the messages about your firm that reach the market. The key is to ensure that you do not leave a space for others to shape the way you are perceived.

## **3. Innovate**

Radical change in the markets in which law firms operate is now going to happen at an ever-quicker pace, and legal practice after this has ended will be a changed place. Change however needs to be managed.

Law firms need to be agile and nimble if they are to successfully identify and respond quickly to the current unprecedented threats to their businesses and to take advantage of opportunities to deliver business transformation. There is a need to think ahead and embrace radical new ideas. Doing nothing is not the way law firms will survive COVID-19.

To become agile, law firms will need to focus strongly on change management, have quick response times to threats and opportunities, have streamlined decision-making processes and their people must be open minded, flexible and prepared to learn new skills and ways of operating.

What are-or could you-be famous for? Our research shows strong correlation between specialism and profitability and the future is likely to be difficult for undifferentiated smaller law firms, especially in the regions.

Where are the opportunities to grow-either gaining more market share with clients, or through recruiting lateral hires (teams or individuals) or acquiring a competitor?

You may also find that there is greater willingness to change from your people-in one law firm webinar last week, 70% of participants expected change. This willingness to change may be a short-lived window of opportunity.

Encouraging innovation and embracing new technology and more flexible working, combined with developing strategic responsiveness are what will create tomorrow's agile and more competitive law firms.

#### **4. Begin planning for the future NOW – to profit from disruptive change**

In the past when law firms have considered their futures, there has been an assumption that their future world would not be significantly different, and planning has usually been a gradual evolutionary process which has taken account of known or fairly predictable factors. COVID-19 has changed that.

The legal sector has been going through disruptive change for several decades. Disruptive change involves major challenges that cause widespread disruption and upheaval, but the consequences of COVID-19 will be even more disruptive for the legal sector:

- **Technological change** to enable law firms to transform their ways of working to deliver services to clients in the most efficient and cost-effective manner will gather speed at an even greater pace. Only those law firms prepared to adapt to technological change will survive.

- **Consolidation** will become an unstoppable tide in a sector which is too highly fragmented and where, even before COVID-19, many law firms were no longer economically viable and able to compete.

How should law firms respond to such challenges?

When disruptive changes occur, many lawyers will automatically go into 'denial' or fail to focus on the scale of the threat to them of such changes. Those law firms which do not now respond appropriately are likely to fall by the wayside.

Use disruptive change to your advantage, instead of fighting or ignoring it. Those who now have responsibility for leading their law firms through this crisis will need to clearly identify and understand the threats to the legal sector and how those threats are likely to impact on their businesses. To many, these threats will be all too obvious. To fail or choose not to recognise and respond to such threats should not be options.

The following was written over 20 years ago by management consultants Price Pritchett and Ron Pound, but could have been written today with COVID-19 in mind:

*“Our rapidly changing world requires actual changes – big changes – in our work behaviour. Maybe you think its stressful having to make all the necessary adjustments, but if you think adapting is tough duty, just see how difficult life becomes if you don’t.*

*It’s pretty obvious to people that the stress of a rapidly changing organisation can be difficult and unpleasant. What’s not so clear to us sometimes is how much more trouble we’re in for if the organisation fails to change. All we’re actually doing is postponing tough times for tougher times*

*Don’t think there’s such a thing as a low-stress organisation that’s on track to survive. In fact, just the opposite is true. You serve your best interests by aligning with an outfit that’s got the guts to endure the pains of change and by avoiding those organisations destined to go belly-up because of their desire for short-term comfort.” (from A Survival Guide to the stress of organisational change, Price Pritchett & Ron Pound, 1997, Pritchett & Associates, Inc.)*

Once a leader has been able to accept that it is necessary to go with the drivers of change rather than fight against them, then it will be necessary to challenge all assumptions which may have served a firm well in the past but which are may now be inappropriate. No areas should be ‘off limits’ to such challenges, including -

- The way and where people work and how their performance is managed
- The ability to anticipate and respond to clients’ future needs
- How people in the business are rewarded
- Ownership structures and succession
- Consolidation – merger / demerger
- Future leadership and management of the firm

In the wise words of Jack Welch, the former CEO of General Electric,

***“Change before you have to”.***

We are very aware that being a law firm leader at the moment is a lonely and tough place.

If you would like a without commitment conversation with us, please let us know and we would be delighted to schedule a call / videoconference.

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