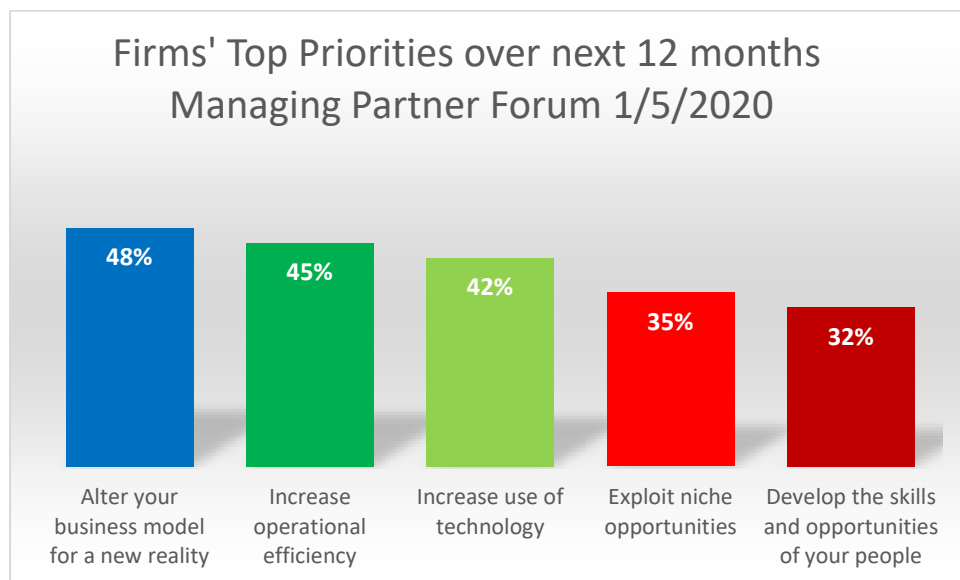


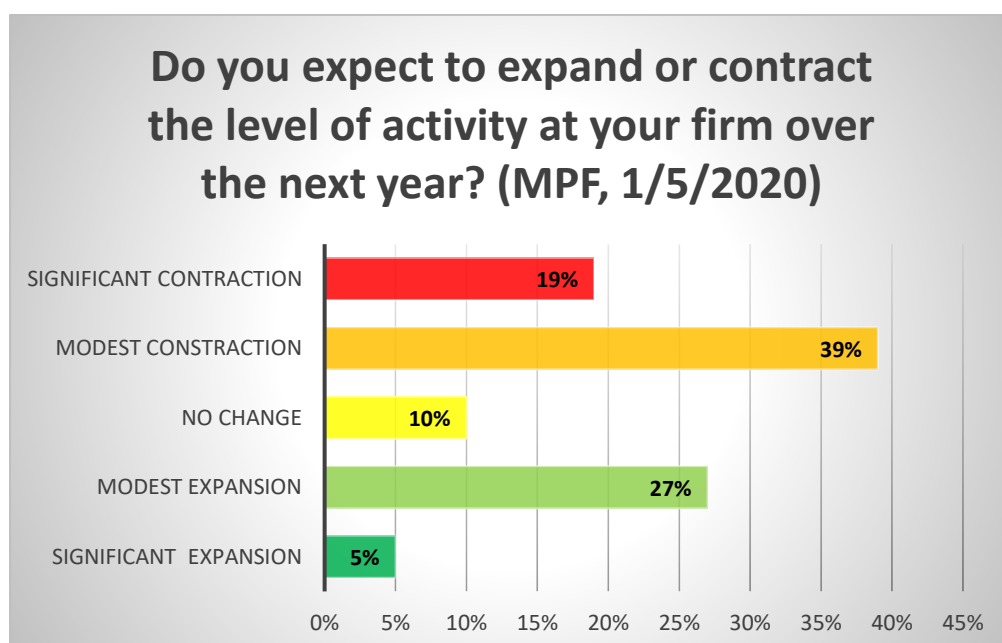
COVID-19 – Building the Future Law Firm Winners

In the face of the current disruption caused by COVID-19, law firms now have no choice but to radically change how they manage their businesses if they are to survive. Indeed, the really smart firms are already planning their futures and aiming to **create greater value** for themselves post COVID-19.



Creating the new business model should aim to maximise owner value and profit, reduce risks and create competitive advantage. The focus should be on those things which will be future drivers of competitiveness and areas identified as risks to the business

Law firms which create competitive advantage over rivals will be the 'winners' and make more money at lower risk. Their rivals who do not will fall by the wayside. In the post-COVID-19 legal world, what will define the winners and the losers? Where will your firm be on the chart below? And what will be the impact on your profits of the revenue change?



Tracking the ‘winners and the losers’ over the past two decades clearly shows that the ‘winners’ have been those law firms which:

- have developed strong strategic responsiveness by providing their clients with what **the clients value**;
- have been prepared to respond to the needs of clients for lower cost methods of production by innovating, embracing technology and more flexible ways of working; and
- have built agile businesses by strongly focusing on change management with streamlined decision-making able to meet the challenges of legal practice in an ever more competitive environment

COVID-19 is serving to accelerate the urgent imperative for law firms to NOW focus on these areas to an even greater degree than in the past if they are to successfully future proof themselves. The report in the Law Society Gazette of 30 April 2020 on the risk of many small firms collapsing should leave no one in any doubt as to the seriousness of the situation - <https://beta.lawsociety.org.uk/contact-or-visit-us/press-office/press-releases/high-street-firms-under-immediate-threat-law-society-warns> As BC Forbes famously said:

“If you don’t drive your business, you will be driven out of business”

Our conversations with lawyers and their clients are already providing indications of some clear trends which are emerging:

1. Increasing pressure from clients (who are themselves under financial pressures, especially cash flow) to reduce prices, give more credit and to provide more ‘added value’.

- This will require lawyers to keep ever closer to their clients to ensure they understand what their clients will want in the future and how their clients see ‘value’ in what is being provided.
- There will be increasing pressure on law firms to reduce costs by innovating, using better technology more effectively and changing the ways they work to meet clients’ demands for lower pricing, while trying to protect margins. However, it is unlikely that the profitability levels we have seen over the recent past will return quickly and this is likely to cause law firms, sooner rather than later, to review whether they need all their people and how they will use those they retain. For example, Zero-Based Budgeting (ZBB) will become the order of the day (ZBB requires a business to regularly test each item of its cost base by asking *“Do we need this overhead?”*)
- Already some firms have identified staff who should work from home permanently and an acceleration of the move to virtual or near-virtual firms will occur.

- COVID-19 now presents law firms with a unique opportunity to achieve business transformations which under normal circumstances might never have been possible. Partners and employees are expecting change and the smart law firms which will emerge as 'winners' will not pass up this opportunity. The agility of a law firm in the future will be defined by its willingness and ability to change.

2.The focus of work will change

- **Disputes work**
Disruption drives disputes and all the signs are that there is likely to be a *tsunami* of litigation coming down the line, particularly arising out of the travel industry, retail, hospitality, commercial property and other sectors which have been hard hit. Now is the time to be building litigation / dispute resolution / arbitration / mediation capability. Law firms need to plan for this NOW. Team hires especially represent a great opportunity.
- **Other work areas** being discussed as likely to increase (at least in the short term) include employment, private wealth and sadly, as businesses fail, restructuring and regulatory work (as law firms fail). Contracts everywhere are being reviewed and re-negotiated though transactional work volume in the short term will fall.

Law firms need to begin planning NOW to 'beef up their capability in these areas.

3.Further consolidation within the profession

Inevitably as the pressures outlined above mount, there will be an accelerated drive to more highly focused consolidation to form new competitive legal businesses designed to create greater owner value – see our most recent bulletins on this -

<https://peterscottconsult.co.uk/briefings.php>

The way forward

The law firms we speak with agree that they must now take action. This includes those busy now given the uncertain medium-term economic outlook. **But how should they do so?**

A starting point for any law firm determined to take control of its future is to first address these issues and we have found in our work that law firms will achieve most progress if they engage in a series of facilitated sessions with us to arrive at an agreed way forward which is realistic, achievable and crucially, implementable. To do nothing cannot now be an option for any law firm.

If you would like to have a discussion around how we may be able to assist in your firm's post-COVID-19 strategy by using us to facilitate your thinking then please do call either of us for a chat.

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