

law beyond lockdown //

PERSPECTIVES ON CHANGE,
PROPOSITIONS FOR ACTION
//JUNE 2020

OMC Partners +
OVERTURE'



introduction

Feel like 2019 was an age ago? You're not alone. The pace at which the world has moved on is unprecedented, and the legal world is no exception. From a tentative stroll to ZOOM in just a few weeks. Clients are driving the agenda in the sector's response to COVID-19 but there's still a sizeable gap between what they need now (and next) and the corresponding response from their law firm suppliers. Our proximity to both groups has given us some interesting food for thought, particularly where we've seen distinct divergences of interests at a time when we're all meant to be trying to pull together for the greater good. It led us to put together this briefing, not least to highlight some of the significant opportunities available to agile firms but also to try and make a little bit of sense of it all.

about us

OMC Partners and Overture London are independent legal-sector-focused management consultancies, supporting major GCs, the top UK and international law firms, new entrants and investors. Armed with their deep expertise Overture and OMC have joined forces for this report to highlight their recent shared experiences and thoughts on outcomes, and the immediate future.

OMC Partners + **OVERTURE**

IN APRIL AND MAY 2020, OMC PARTNERS AND OVERTURE LONDON CONDUCTED MEETINGS WITH OVER 100 LEGAL PRACTITIONERS, INCLUDING GC AND IN-HOUSE TEAMS, MANAGING AND SENIOR PARTNERS OF PRIVATE PRACTICE LAW FIRMS, AND C-SUITE MEMBERS OF LEGAL SERVICE COMPANIES.



1 ALL CHANGE

LET'S NOT WASTE A CRISIS

It's a once-in-a-generation chance to shake it all up. And properly, this time.

COVID-19's combination of a global public health crisis and a deep economic and market meltdown is unprecedented. According to the IMF's World Economic Outlook, it is set to be the worst economic crisis since the Great Depression. Previous crises were painful, but a global pandemic is clearly different, both in scale and impact. Mass anxiety and fear create long-lasting socio-economic scars.

The policy response is much more complex, too. Responding to the COVID-19 crisis and being prepared for future pandemics will move to the forefront of policy making and risk management. It's not just a matter of getting through the next few months—it could be several years before we're really through this. We are already entering uncharted territory with no historical analogue. For lawyers, that means unprecedented levels of new regulation, risk and complexity for them to grapple with, in-house and private practitioners alike.

However, for lawyers who, at the dawn of 2020, found themselves beginning to be buoyed by the untangling of Brexit, an emerging economic bounce-back of the UK and the improving fortunes of financial markets, the current crisis is a sudden recalibration of fortunes on an almost surreal level. In an industry increasingly characterised for its uncertain future, rather than its stoic dependability, law now finds itself at an almighty crossroads.

Leadership teams of the world's leading law firms are beginning - very tentatively - to emerge from the rubble and mayhem of the last few months, dusting themselves off and blinking into the sunlight. Appetite for direction is now on the rise but, alongside it, a hunger for a change; one doesn't just need to look to the second horizon but beyond that to the third horizon. What will be on the transformation agenda? If it doesn't include fundamental re-thinks of the new normal for clients, a re-booted talent strategy and significant re-evaluation of the business model, it's probably dead on arrival.

// **That 'burning platform' we all talk about really is aflame, now. And it's set to get hotter than ever.**

MANAGING PARTNER // TOP 25 LAW FIRM

// **Lessons about cash position, debt collection and infrastructure are all being delivered. It's a catastrophe for some and a great opportunity for others.**

CEO // TOP 50 LAW FIRM

What are the smart firms doing?

MAKE IT RESILIENT, KEEP IT FLEXIBLE //

Law firms with latitude are tuning their operating models to the challenge. Under pressure for some time already, the master-craftsman approach to delivering legal services is being tested further as a new client mantra “good enough is good enough” emerges. Ironically, no one group of clients has been able to change lawyer behaviours (although the banks had a good try). The sector had to wait for a global pandemic to force the hands of senior management and their recalcitrant partners. The direction leading firms are taking is, in truth, a good dollop of common sense, but highly expedited, to include:



NORTHSHORING 2.0 AND COVID-SECURE OFFICES

- ▶ Renewed push to relocate legal operations and business services outside of London. Sit back and watch the UK regions benefit
- ▶ For the foreseeable the hot-desk is dead
- ▶ Real estate strategy to blend short-term social distancing with longer-term employee requirements to WFH
- ▶ Minimising travel and commuting to reduce risk PLUS the carbon footprint of Big Law



ALTERNATIVE RESOURCING

- ▶ Developing more Managed Legal Service offerings to address client demands around “Business As Usual” legal spend
- ▶ Even more fixed-fee pricing especially around employment, real estate, commercial contracts and IP
- ▶ Focusing on what they’re good at whilst also collaborating with complementary organisations for the benefit of clients



LEGAL PROJECT MANAGEMENT

- ▶ Quickly pivoting LPM resource from Corporate/M&A to Disputes and Reorganisations
- ▶ Embedding skills training for lawyers to better manage teams working remotely
- ▶ Greater use of virtual LPM secondments to clients to manage their most business-critical projects



WORK ALLOCATION AND REMOTE SUPERVISION

- ▶ Implementing systematic approaches to allocating work efficiently following an assessment of risk and complexity
- ▶ Process-mapping and re-design giving a new lease of life to introduce quality control and supervision at key steps of a matter
- ▶ Diversity and inclusion baked into processes – because it’s the right think to do AND it is how clients increasingly measure firms

What are the smart firms doing? (cont.)

It's time to double-down

Depending on the firms, the gentle steps towards real change are turning into a steady jog or an unseemly stampede. But most practices recognise the need for doubling-down on efficiency measures to support their staff and their clients. Given the changing needs of clients, furloughing legal operations teams, including pricing and process improvement experts, seems an undeniable own-goal.

It's more important than ever to lean on legal project management expertise to manage dislocated lawyers and federated clients globally during lockdown and beyond. Allocating work and resources using more structured approaches makes a tremendous difference to the productivity of teams.

The key mantra here is "communicate, communicate, communicate". Firms that have created frictionless communication protocols that don't lock their lawyers into a handful of specific tactics will feel the benefit. Vidcons and WhatsApp outpace advice notes and emails every time.

There is also a big focus on readily-available collaboration tools, such as MS Teams, bucking the trend for firms obsessed with creating their own version of something already widely available. In the 'buy-or-build' debate, 'buy' is likely to prevail. That emphasis on good communication extends throughout the firm, too. But while some firms are creating scenario planning for all of the potentially critical conversations with their staff, a good many of them are still firefighting.

Of course, many of them haven't had to face anything this serious since the banking crisis so it's no surprise that many simply don't have sufficient communications support on hand and are learning the hard way. Crucially, the more recent financial decisions and actions of some of the top fifty UK firms seem to be more about benchmarking against peers and wider professional services than making tailored decisions about their specific businesses.

// **Don't clog up my inbox with endless marketing updates about your capability in this crisis. I really need it clear to manage communications with my board.**

GC // FTSE 250

Focus, focus, focus

2019 seemed to be the year that law firms defined themselves by the things they could do beyond law. A good many firms were busy setting up consulting businesses, hiring data analysts and looking at different ways to protect their business and serve their clients. According to The Lawyer magazine's 2019 Top 100 data, 64 firms said they opted to create alternative revenue streams last year.

The preferred alternative revenue stream for firms was one of a growing range of non-legal services consulting, with 38 per cent confirming they operate a business line where examples include advisory services on HR, housing, finance, employment and data.

Another 22 per cent of firms were seeking alternative revenue streams from the provision of low-cost legal support services, while 20 per cent of firms revealed that they had launched contract lawyer businesses. Now we see many tech incubators, innovation labs and consulting practices being rolled back.

2 VALUE RE-BOOT
IT'S ALL ABOUT RELEVANCE

How can you *really* create value for the client?

It's no secret that throughout the last decade, GCs have repeatedly squeezed their law firms on cost. However, against the infinite loop of 'more for less', optimising external spend - and delaying payment - only provides part of the solution. The GC lens is now zooming out to include in-house spend, too.

Paradoxically, widespread #WFH measures have radically improved visibility of what in-house lawyers do and how they do it. All within the context of increased scrutiny when it comes to specific value-drivers delivered in the legal team. CFOs are now tasking GCs to design new delivery models using, effectively, a blank canvas. They want them delivered in the next 3-6 months. And they want them delivered with a limited budget.

Firms looking to build relevance and focus ruthlessly on value will do well to understand the renewed pressures and pivots that now exist in-house. It provides the opportunity to finally align interests around what value really means. So far, too many firms have been able to dodge this particular bullet but, if we think for a moment about where GC mindsets will be when they come out on the other side of this crisis, this Yankee Doodle Pigeon act will surely no longer be tenable.

How can you *really* create value for the client? The winners won't just be those who are able to find an answer to the question, it will be those that don't wait for it to be asked.

take-aways

- ▶ 1 // There are some key areas that we can see being ramped up in-house - litigation, investigations, regulatory horizon-scanning, employment support, risk management and (of course) data protection. Where teams can't manage internally, external support is **LIKELY TO BE** sought but with greater cost transparency and efficiency. What can you do to lean in?
- ▶ 2 // General counsel will increasingly reward range. One of the challenges for private practice lawyers is the mirroring of in-house peers in terms of versatility. think broadband, not narrowband.
- ▶ 3 // clients want life rafts, they don't just want to be told how to swim better. firms providing ideas that offer immediate relief will connect faster.

// firms are scared to put skin in the game. It's just not in their business model, particularly when uncertainty sells services.

GC // FTSE 250

// [talking about their own business environment] the speed of change was already exhausting. Then along came COVID-19.

GC // Financial Services

Mind the gap: convergent issues, divergent responses



GENERAL COUNSEL RESPONSE

Pragmatic decisions
to change the
status-quo for good



SIMPLICITY
Renewed interest in simple, unbundled technology and automation.

LIQUIDITY
Baby steps towards exploring litigation funding as a potential way to free up WIP debt.

SUPPORT
Sudden headcount cuts activate increased number of managed service arrangements.

FLEXIBILITY
Greater interest in the use of new law providers to deliver immediate gains.

CONTINUITY
Attempts to 'keep calm and carry on' in terms of service provision.



GLOBAL NEXT NORMAL

CERTAINTY
Mandating fixed-fees across all work streams, even bet-the-company issues.

RETRENCHMENT
The opportunity to back out of poor performing territories without reputational damage.

DOWNSIZING
Furloughing as a green-room for redundancy.

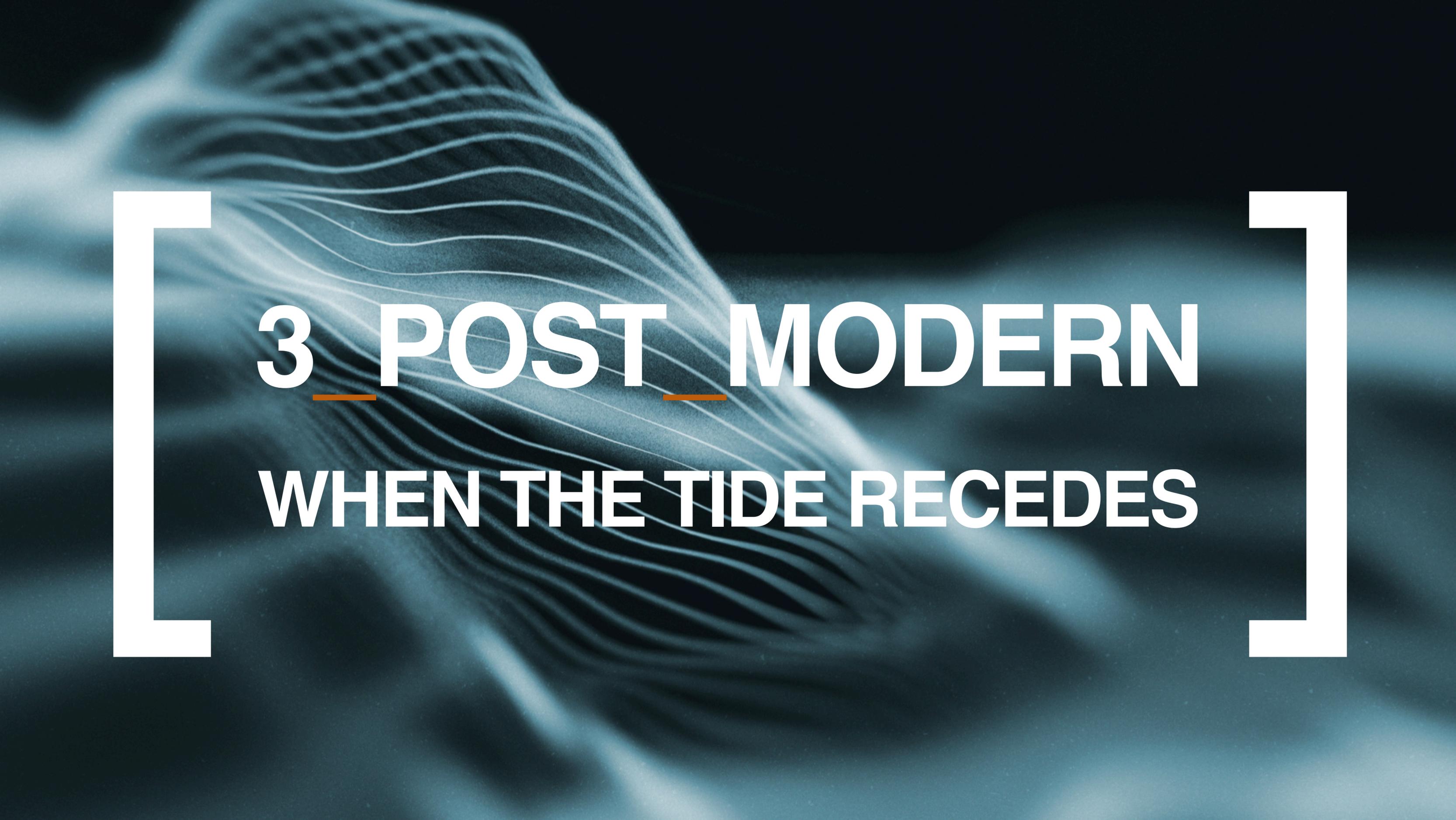
PRUDENCE
Handbrake applied to virtually all discretionary spending.

FOCUS
Sticking to core services, rolling back on technology, incubators and adjacencies.



PRIVATE PRACTICE RESPONSE

Generally short-term tactical responses to preserve cash

The background features a series of wavy, glowing lines in shades of blue and white, creating a sense of movement and depth. A large, white, stylized bracket frames the central text.

3 POST MODERN

WHEN THE TIDE RECEDES

When the tide of mass remote-working recedes, what will be the treasures (and trash) left behind on the beach?

Once the Zoom-fad has peaked, and we've finally had enough of each other's wall-paper, how much will 'remote' remain part of the regular set-up for lawyers? Probably quite a bit. If nothing else, people will have realised how much a daily commute saps the will to live, not just productivity. This means we'll all be 'Semi-Remos'. So, what does that new blend of co-location and remote-working (*CoLoReMo* anybody?) *really* mean for a long list of traditional pillars of law firm life?

In the absence of physical meetings, client service delivery (including LPM, of course) has edged further towards a prosaic destination: that unavoidable focus on inputs, processes and outputs, with corresponding outcomes and cost-savings.

Alongside it, expectations on panel firms to co-operate and share practices will make the transition from 'nice-to-have' to essential. Many of the existing panel relationships suddenly look like they're set up for peacetime in a wartime world. How long will it take before the recurring cycles of reappointment are curtailed in favour of a more 'special-measures' approach?

For law firm leaders, there are the longer-term realities of managing dispersed teams effectively (as opposed to the everyone-muck-in-and-make-it-sort-of-work state of affairs that we are currently seeing). The extended reliance on digital tools to evidence the effectiveness (read chargeable hours tally?) of teams will continue to cloud the wider, and more strategic, conversations around client outcomes.

In the inexorable march towards the virtual firm - a paradigm-shift accelerated, rather than triggered, by the crisis - nimbleness will be the new watch-word. Too many firms have strained to pivot fast enough to keep up with disappearing revenues in order to preserve margin and also manage cashflow.

Lessons have been hard-learned - poor financial hygiene has (again) been exposed. In the post-crisis era, firms will seek greater flexibility not just among the obvious legacy targets of long-term lease commitments, heavy spatial footprint and analogue-era support infrastructure, but also in relation to more elusive areas such as professional and support staff contractual flexibility, as well as greater organisational agility. Pre-crisis, these themes were

expressed in aspiration more than delivery. Post-crisis, they're mission-critical and flashing red.

Of course, in the absence of the stalwart trappings of big law (glamorous infrastructure, extended support teams, brand mythology, if-it-ain't-broke mentality), partners with long-standing peer-to-peer relationships with institutional clients might suddenly find themselves facing a Damascene moment. Why on earth would I go back to the hive when I'm happier (and potentially much more comfortably off) with a new firm of own?

take-aways

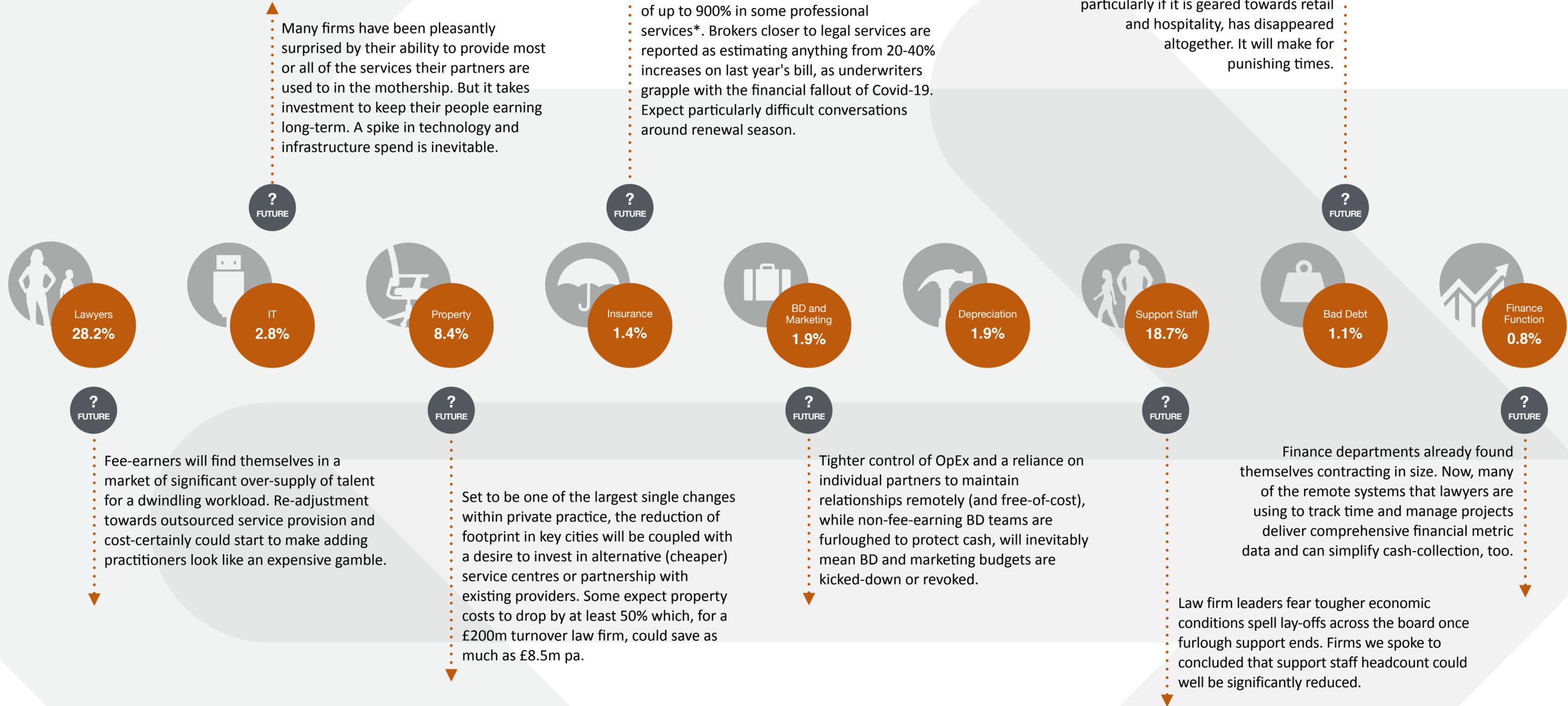
- ▶ **1 // Step back from complexity and embrace 'KISS' (keep it simple, stupid)**
- ▶ **2 // Prepare for the next wave of specialist firms launched by former Big Law partners, operating flexibly, with a range of pricing options and attractive boutique services.**



Firms' approaches to CV19 are interesting. Lots of effort pumping out 3-page impact updates but they've overlooked the simple thing of picking up the phone and being a commercial business advisor. If I was in their shoes, I'd pick up the phone and say '*how can we help, this is what we're seeing in industry, don't worry we won't charge for these initial calls, just keen to make sure we're doing as much as possible to support you in these uncertain times*'. That's how to add value.

Head of Legal // Financial Services

How could operating costs shift post-C19?



COST DATA SOURCE // PWC LAW FIRMS' SURVEY 2019 // MEDIAN % ACROSS ALL FIRM TYPES - (TOP 10 + 11-15 + 26-50 + 51-100) // OPERATING COST AS TOTAL OF ALL ABOVE COSTS - 65.2%

* Financial Advisor // 24 April 2020



**4 NEXT NORMAL
RADICAL DIFFERENCE**

The new socio-political landscape will be dramatically different.

One of the legacies of a mass shared experience of all the deaths, social angst and economic disruption might be a re-discovered sense of society or, more specifically, of a unified societal purpose. In the business world, this might translate into a more communitarian form of capitalism - business with a social centre, not just a social edge.

Organisational purposefulness and all of the other nods to good citizenship were already rising up the agenda, pre-Covid, but now this issue is now likely to be a strategic imperative for law firms, rather than just brochure-padding. It will touch not just culture, brand, talent stewardship and client-centricity, but also areas such as profitability objectives.

Might social purpose even eventually eclipse profit as a core driver? Maybe not, but social purpose will surely now have a much more prominent dial on the dashboard, perhaps even right next to the PEP speedo.

Which leaves us with a tantalising question: What's the emerging shape of the new distributed law firm model? It's perhaps too early to call the end-state, but the following challenges are likely to be among its key drivers:

- ▶ **Co-ordinating a highly-dispersed talent-base**
- ▶ **Delivering next-generation LPM, particularly automation, standardisation and commoditisation of service delivery**
- ▶ **Staying on top - if not ahead - of faster-evolving client needs**
- ▶ **Managing relentless downward pressure on revenue and margin**
- ▶ **Pivoting to operations that are increasingly infrastructure-lite**
- ▶ **Fulfilling talent expectations on co-location vs #WFH while driving productivity**
- ▶ **An organisational structure that successfully balances the tension between nimbleness and cultural cohesion**
- ▶ **Charting a competitive growth path through the boulder-strewn landscape of even-more-for-even-less**

All this requires change at a scale and at a pace unfamiliar to most firms. It will also need new energy and engagement - and fresh perspectives - across entire firms, not just among their leadership teams.

The opportunity to achieve this is here. There is a widespread realisation that the old ways will no longer cut it, that firms are at an inflection point and that, to borrow from Abraham Lincoln, 'the dogmas of the quiet past are inadequate to the stormy present.'

There's a lot to do. It will not be easy. It can be done. But it needs to start now.

contacts

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Matt specialises in improving legal operations (front-line legal and business services) for forward-thinking in-house legal teams and law firms. He has designed legal strategies and implemented a range of legal delivery models, leveraging his deep experience in legal process redesign, resourcing, technology, risk management and project management (including LPM). Matt's clients include BT, Nestlé and O2, as well as a number of financial services clients such as TSB and OneSavings Bank. Prior to OMC, Matt completed an MBA with distinction, focusing upon professional services strategy and operations. Matt is also a non-practising solicitor, having worked for nine years in a Top 15 law firm as a dispute resolution and regulatory solicitor. Matt is also OMC's General Counsel.

MATTHEW JONES, CHAIR, OVERTURE LONDON

Matthew is a consultant to professional services firms, a non-executive chair and a leadership mentor, with over 30 years' business experience, including in global leadership. He is also a Fellow in Professional Services Leadership and Strategy at Cambridge Judge Business School and former CEO of the UK, Middle East and Africa region, as well as former global board and global management committee member, of the world's largest law firm. Matthew has extensive expertise in the global professional services sector, ranging from inception and execution of strategy, including global and regional expansion and integration, to driving substantial revenue and profit growth. He also brings a deep understanding of the issues firms face in the delivery of major change programmes, innovation, the impact of technology, process optimisation and cost-reductions and efficiencies, as well as in marketing, brand-building, business development, key client programmes and the recruitment, development, mentoring and retention of talent.

JAMIE WHITE, FOUNDER, OVERTURE LONDON

Jamie works with leadership teams on commercial strategy, identity and reputation. Over the past decade, he has delivered groundbreaking strategy and performance programmes for some of the world's leading international law firms and helped launch and develop a range of high-performing niche legal practices. His background is in identity and reputation for corporate and professional services businesses, from consulting practices and international banks to private equity, insurance firms and fund managers. He also worked in-house at board level with a number of leading technology and media law firms.

