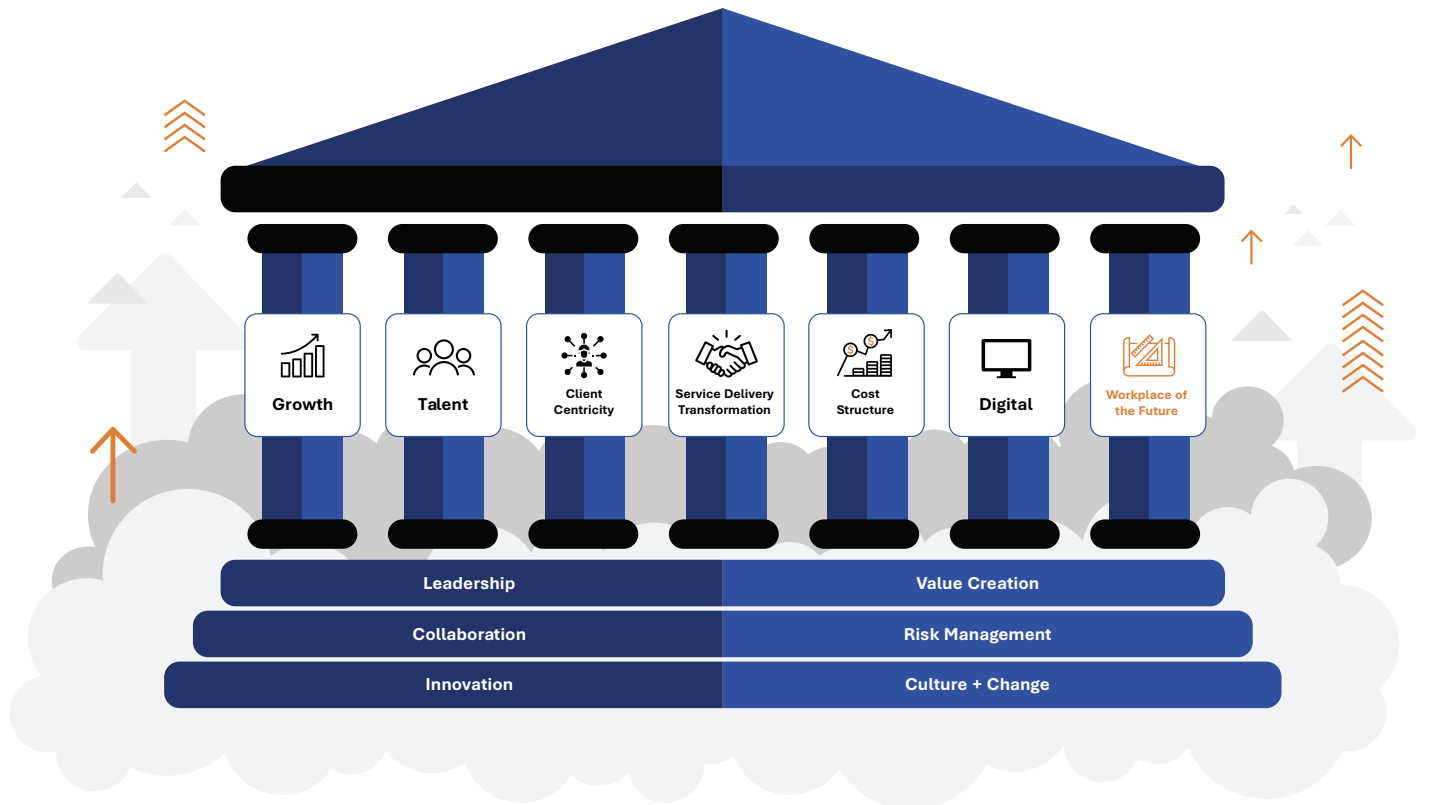


VISION VS. REALITY: GETTING TO THE LAW FIRM WORKPLACE OF THE FUTURE



LAW FIRM OF THE FUTURE



INTRODUCTION

The COVID-19 pandemic created a state of uncertainty and upheaval around the world, shaking businesses, industries, and the economy as a whole to their very foundations. Within the legal sector in particular, COVID-19 acted as a change accelerant, driving a broader acceptance of change across many fronts at law firms. The profession was forced to reckon with its historical approach to the provision of both client-facing legal services and internal legal and business support services. Throughout, law firms rethought and initiated the transformation of client interaction models, service delivery, legal administrative assistant roles, and the use of real estate. Firms realized record profitability, in part because of reduced travel and lower office services expenses.

We have moved into a new phase with COVID. Vaccinations advanced across most parts of the country, in particular the major metropolitan areas where most larger law firms maintain their main offices. In parallel, governments relaxed COVID-19 restrictions, permitting workers to reenter offices and allowing businesses broad latitude to reopen. The spread of the Delta variant, however, has caused firms to fluctuate regarding how and when to bring their workforce back into the office. Despite the spikes in uncertainty, COVID-19 has spurred a fundamental pivot in how law firms think about their workplace.

As we examine what that future will bring, HBR has launched its [Law Firm of the Future initiative](#), addressing seven interrelated pillars that represent the essential elements of how a law firm functions, from the workplace of the future through service delivery transformation, talent development, and strategies for continued growth. This white paper, the first in a series of perspectives covering the pillars, addresses the physical operating model underpinning every other pillar: the workplace of the future.



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The industry is in the midst of a grand experiment, which is playing out differently, in live time, for every firm. Empowered with the new knowledge that remote models can and do work, in this evolving phase, law firms are strategizing about how and where work should best be done, plotting a course through the uncharted seas of flexible work arrangements and a largely reinvented physical workplace.

In late 2020 – early 2021, HBR conducted an in-depth survey regarding the workplace of future. Participants were- law firm leaders, primarily chief operating officers and managing directors, 76% at firms in the Am Law 100. Nearly all were in the throes of trying to figure out how to adapt to the COVID “new normal.” Leadership overwhelmingly expressed strong support for the development of new workplace models, with working from home as just one factor at the center of a host of broader changes sweeping the legal industry. Our survey identified four drivers of workplace strategies: repositioning for the labor force of the future; improving the effectiveness of service delivery; more cost-effective delivery; and competitive, strategic advantage.

As firms advance their versions of work-from-home and return-to-work policies, they present a spectrum—from those that want to return wholesale to their prior ways of working to those that are open to near-total remote work strategies, offering great individual flexibility in working from home. The majority of firms fall somewhere in the middle, with initial hybrid policies that will adapt over time. There are no absolutes and no right answers, with firm responses dependent upon leadership model, culture, geographic footprint, degree of localization, and prior practices and policies. What they have in common is that the choices they make will have fundamental and broad impacts on client service, firm culture, employee retention and attraction, talent development, and cost structure and margin.

OUR SURVEY IDENTIFIED FOUR DRIVERS OF WORKPLACE STRATEGIES



Repositioning for the labor force of the future



Improving the effectiveness of service delivery



More cost-effective delivery

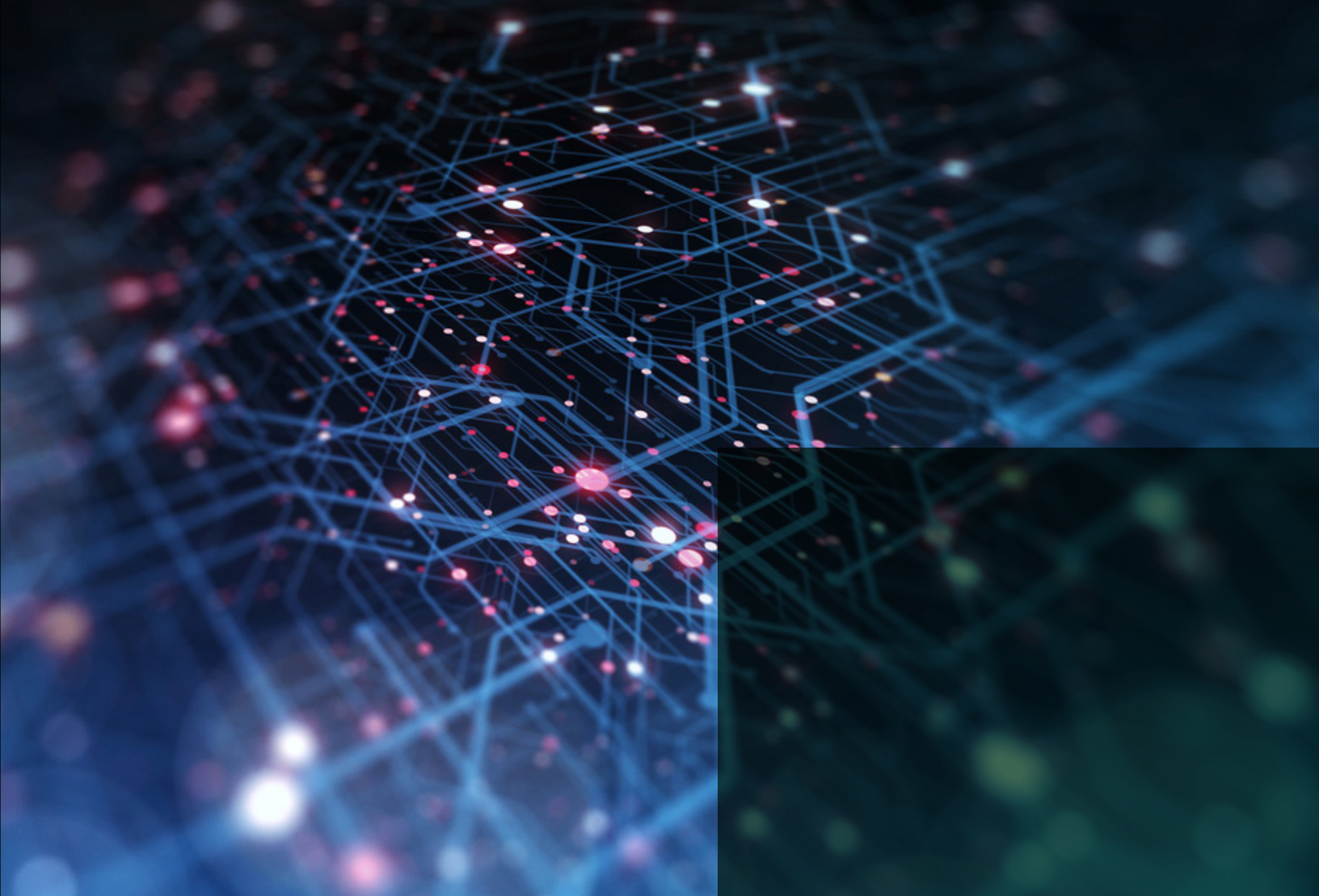


Competitive, strategic advantage

The evolution of the workplace of the future is a dynamic of many factors:

- Dramatically shifting labor market dynamics
- Continued digitization and technology enablement
- Transformation of service delivery
- Redefinition of the roles of legal administrative assistants
- An updated model for training, developing, mentoring, and utilizing talent
- The purpose and use of office space
- New workplace policies and physical design

These factors define what the workplace of the future might look like.

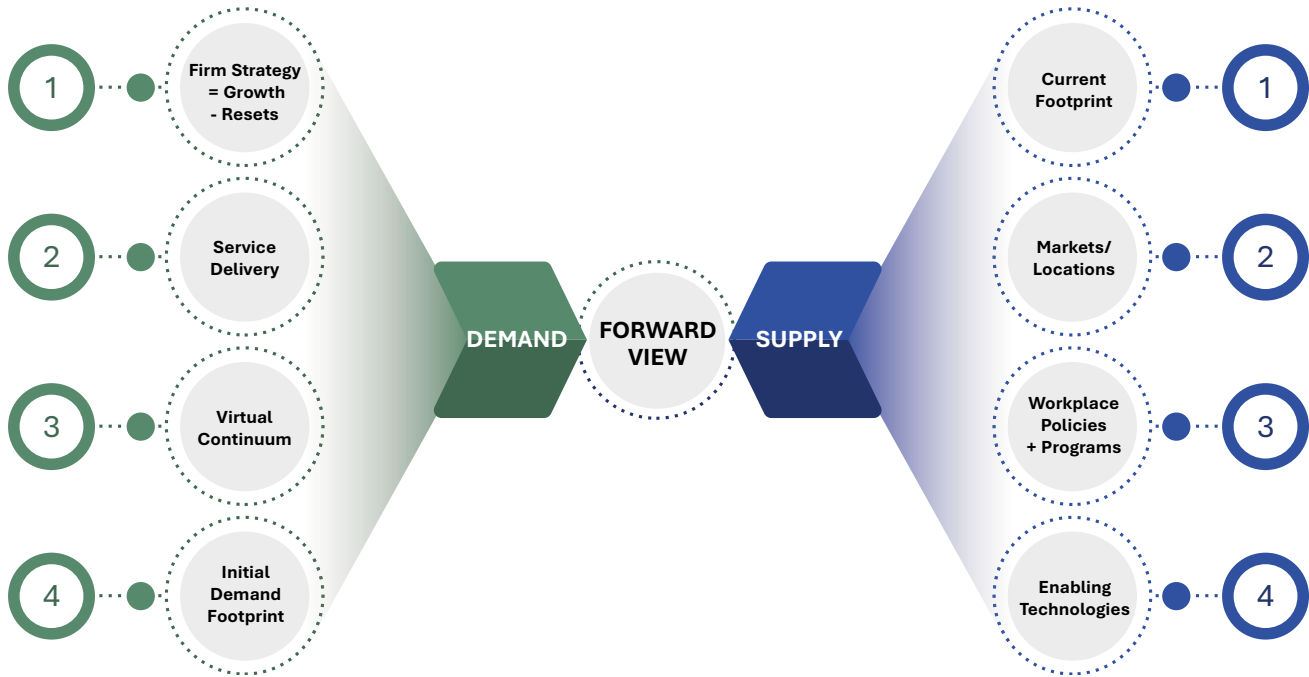


DESIGNING THE WORKPLACE OF THE FUTURE FOR LAW FIRMS: BALANCING DEMAND AND SUPPLY

Designing the legal workplace of the future is the interplay of numerous interlocking considerations. It is, at the highest level, about navigating the balance of demand and supply in terms of the larger portfolio of law firm services and their footprints. How will firms do specific types of work, and who will do that work? What services will firms provide in which markets, and where will that work be done? With both legal work and support services untethered from physical office spaces, firms are viewing the historical model of working in the office as unnecessarily limiting.

HOW TO BEST SERVE CLIENTS FROM THE WORKPLACE OF THE FUTURE

Driven by a COVID year of change, bolstered by unusual margins, and facing the opportunity to revisit existing leases, firms have a unique opportunity to dramatically transform their workplace. For all the potential transformation, it is critical to reinforce the bottom line: law firms must effectively deliver legal services to clients. Adjustments in ways of work, facilities, and services cannot reach a point where effectively serving clients is compromised. The workplace of the future must provide its lawyers and support staff with a highly conducive, flexible, and effective platform so that they can successfully interact with clients, deliver their work, and advance their skills and abilities.



Accessing demand for space

In our survey, three quarters of responding leaders stated that they expect their use of space to decrease in the near future, 28% significantly, from 20% to 35% or more. We see this trend playing out in firms and markets across the country.

Several factors contribute to a firm's demand for space:

- 1 *The firm's overall strategy.* How aggressively does the firm plan to grow? Is it actively pursuing other firms, acquiring practices, or expanding its practice areas or geographic footprint? Or is the firm pulling back and consolidating? The number of lawyers and support staff, the markets they will be serving, and where they will be physically located, are the overarching foundation of demand.
- 2 *The firm's service delivery model.* What work is done, how, by whom, and where? The service

delivery model should be encompassing, with legal delivery to clients at the forefront and including legal and business service support. The firm should critically evaluate the role, effectiveness, and efficiency of practices, functions, and geographic locations in supporting how it most competitively and profitably serves its clients. The COVID-19 pandemic demonstrated that work can be done by different people, in different ways, and in different places. For example, 67% of firms responding to our survey were considering outsourcing, 57% virtual delivery, and 52% centralization (with 40% of the latter considering remote shared services centers).

- 3 *The continuum of virtual working options.* Every firm is working to address the virtual puzzle—what work is best done in the firm's offices and what can be done well remotely? Most companies and law firms are landing at "hybrid" solutions, with work from home dependent on the needs of the practice and function, factoring

in individual needs, as well as firm culture, mentoring, development, collaboration, and innovation. Business support staff are likely to have the greatest flexibility for remote work, attorneys the next most, and legal support staff the least flexibility. A growing body of evidence indicates that new service delivery models are efficient and effective, when well-planned.

- 4 *Initial demand footprint.* To the unique factors that influence where and how your firm works, calculate the firm's workplace demand footprint for each practice area and function, by geographic location. This analysis can most effectively be performed in two cuts. First, apply pre-pandemic firm workspace policies and standards. This will provide a broad, high-end baseline requirement. Then, in the context of the future of work and the workplace, apply a layer of remote work and design and space use standards (hoteling, collaborative spaces, open environments, etc.). Reconsider how the firm views offices. The big pivot is from office space as a marker of status to shared and collaborative spaces, creating less "I" space and more "we" space in which to interact, collaborate, ideate, instill firm culture, and enable learning and development.

Resetting supply

With demand requirements broadly defined, a firm should align committed space and future alternatives to house its people when they are in firm offices. This exercise begins with strategically evaluating the space that a firm holds and then creatively envisioning and setting future supply options:

- 1 *The firm's current footprint.* What are your lease commitments, what flexibility exists in them, and how can they be reset? Knowing what current space is intractable and what can be in play sets the starting point for the initial, broad supply envelope. In our surveys, half of firms reported significant leases expiring within three years. About 75% expected to significantly modify their leases, and 38% stated that they will not renew current leases. Test the demand requirements against that envelope. From our client discussions, we expect to see space reductions of 25 to 35% as firms let their leases expire and reset space to their new normal requirements. We believe greater reductions are possible as the industry continues to evolve and firms continue to evaluate their supply versus demand.



A GROWING BODY OF EVIDENCE INDICATES THAT NEW SERVICE DELIVERY MODELS ARE EFFICIENT AND EFFECTIVE, WHEN WELL-PLANNED.





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2 *Target markets and locations.* Determine the metropolitan markets where the firm must have a presence for client-facing team members. To your firm's demand strategy described above, what are the priority markets for the long-term future? Are there markets the firm should grow significantly? In which markets is the firm under scale or absent? Are there markets the firm should exit? Within the priority markets, what are the optimal office locations, taking into consideration client access and the needs of your flexible workforce? Once the practice office location strategy is set, turn to other firm space requirements. In this increasingly distributed network of workplaces and leadership, is the concept of a set physical headquarters relevant? Should the firm centralize support services, training, major meetings, and other operations in shared services center(s) and, if so, where is the best location, taking into consideration talent, access, costs, etc.? Our survey responses reflected a strong aversion to satellite office strategies within metropolitan areas, and less than a third of respondents were open to external co-working spaces.

3 *Applying enabling technologies.* Pre-COVID, firms had been advancing technologies for efficiency and insight. COVID-19 and the resulting remote work environment shifted emphasis to a boundaryless firm and technology critical to firm operations and client service. HBR's survey results highlighted those technologies that enable more effective use of firm resources and enhance interaction, with a focus on scheduling services and the workplace, managing workflow and resources, and collaboration and learning. The continued acceleration and rapid deployment of these enabling technologies (along with increasing emphasis on adoption

of existing technologies) are supercharging the new hybrid operating model, efficient resource allocation, and the use of space.

4 *Workplace policies and programs.* Next, develop detailed space solutions. Beyond embracing alternative work delivery models and remote work, in a huge leap from historical practices, an overwhelming majority of our survey respondents indicated they were considering office sharing and hoteling as workplace strategies. Four out of five firms were considering reducing and standardizing office size and increasing collaborative spaces. Firms should aggressively vet and apply these and other alternative workplace policies and programs, long practiced across other professional services, to the extent they fit firm objectives and culture. Collectively they will increase the office productivity and substantially reduce space needs.

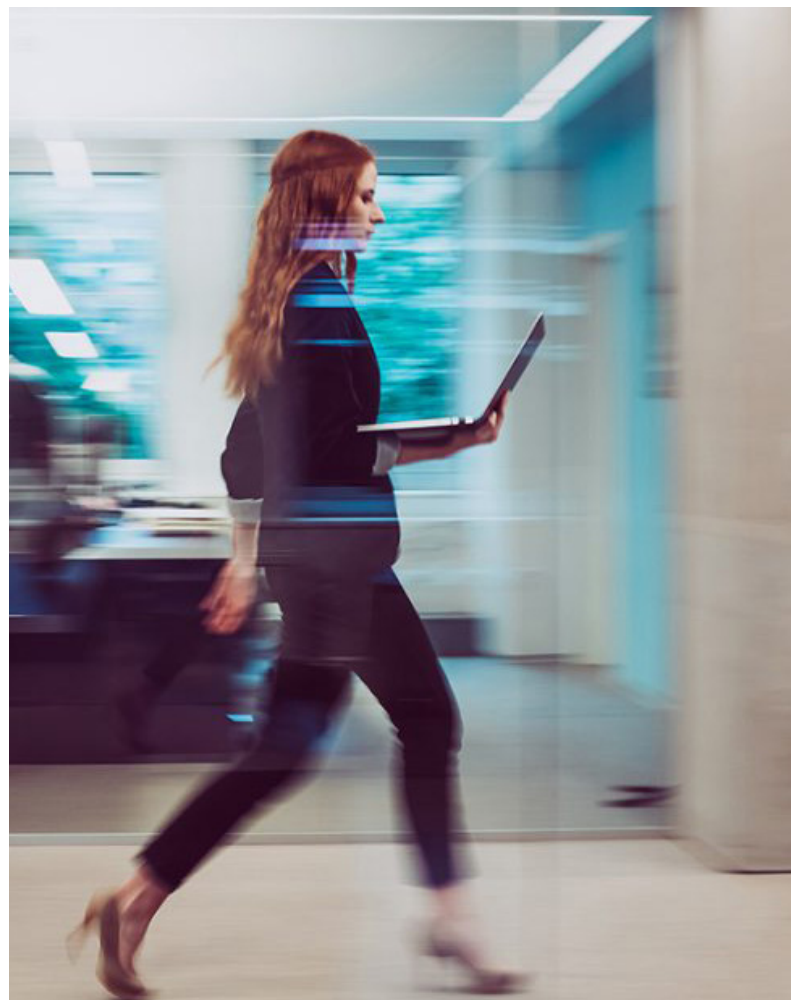
OVERARCHING CONSIDERATIONS FOR THE WORKPLACE OF THE FUTURE

There are a number of overarching dynamics to take into consideration when planning for the workplace of the future:

- *Labor market dynamics.* Labor markets are in a highly transitory state, across industries and workforce segments. COVID-19 dramatically laid bare and accelerated demographic trends portending supply and demand imbalances. Workers are rethinking what is important to them and reconsidering what they want to do, their relationship to their work and their employer,

and where they want to live. The professional services sector is facing this same reckoning. Turnover has increased dramatically, finding talent is challenging, and costs are increasing. As return to the office drags out further, it is growing more difficult to go back to prior ways of working. Some degree of remote work is now table stakes in the employee relationship. The highly successful workplace of the future will embrace the new market dynamic in its policies, programs, and design.

- *Leadership and governance.* Who is leading workplace strategy for your firm, and who is supporting it? Who needs to make or be involved in decisions? It should be an encompassing effort. Chief operating officers are leading the effort in three-quarters of firms responding to our survey, with the chief financial officer, office managing partners, practice leaders, and attorneys at the table. The chief human resources officer, chief administrative officer, and head of real estate are providing key support.
- *Firm culture.* Survey respondents cited the diminution of culture as one of the greatest negatives of the remote work environment. Most law firms view their unique culture as critical to all that they do, and therefore a crucial consideration in developing a firm's future workplace strategy. If a firm heavily leverages remote working models, how will it instill its firm culture in new hires and maintain the firm culture for those that are in the office less frequently? How can new service delivery models and new workplaces enable firm culture?
- *Talent mentorship and growth.* The most significant negative impact of COVID-19 reported by our survey respondents—90% including it in their top five—was the impact on mentoring and development. New thinking is required; the workplace of the future must enable retention, hiring, and development of top-quality talent. Collaboration and purposeful interaction are critical in new ways of work and the workplace design. It should mix flexibility with intent, providing the highest quality remote interaction as well as a great environment for productively getting together.
- *Diversity, equity, and inclusion.* How can your firm ensure the same opportunities for all its lawyers and support staff? With the physical and relationship disconnects of the remote work model, partners, senior associates, and others who are leading and managing may inadvertently play favorites to those they know and physically interact with when offering assignments to and evaluating junior staff. For an industry that is striving to open doors and advance to a new level, how can new ways of work and the new workplace increase and not adversely affect diversity, equity, and inclusion?
- *Regulatory and tax considerations.* Firms have been experimenting with remote and virtual working, with some employees greatly distant from firm offices. If a firm permits remote working or moves legal or business service support across state or national borders, it must ensure compliance with a host of data governance and data privacy regulations, licensing and accreditation requirements, and tax considerations.



CONCLUSION

As COVID-19 drags on, what was thought to be temporary is pushing to new norms. We expect to see significant, lasting changes across how and where law firms operate. As firms plan for a return with more communal space, we advise them to be attuned to the differing space needs across roles, levels, functions, practices, and geography. Involve and seek input broadly; listen and give credence to the many voices. For those firms that are still hesitating—be forward thinking. Push beyond business as was practiced in the past. Think out of the box to what will empower and get the most out of your people and the organization.

We believe that strategically and thoughtfully designed changes—both to the workplace and to the other pillars of law firm functioning—will advance the legal industry to greater success, providing both firms and their people with greater flexibility and enabling more effective and efficient delivery of legal services. While the upside of this evolution is immense, the downside of inaction will be even more striking in terms of economic losses and the inability to deliver client service or compete with other legal service providers.

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