



Predictions for the Year Ahead

Making predictions for the year is always risky. When we made our predictions for 2020, we never anticipated that we would have the kind of year we've just completed. To our credit, we did predict that firms would need to be prepared to manage in headwinds, and that enhancing leadership diversity and reducing bias would be important priorities for law firms. Each of these turned out to be true, although we didn't imagine the degree to which they would dominate the agenda for firms in a challenging year on so many fronts.

Despite the headwinds, the legal industry as a whole has survived, and in some cases thrived. While we anticipate that 2021 will bring a return to more normal times, there are likely to be challenges and some element of ongoing uncertainty along the way. As we look ahead, here are a few of our predictions for 2021 that warrant preparation and action.

Focus on Strategy. Law firm leaders necessarily had to turn their attention to ensuring that their firms were able to continue to deliver uninterrupted service to clients and to pandemic resilience measures in the early days of the pandemic. As we headed into the second half of the year many leaders returned to thinking about strategy. While the fundamentals of firm strategy may not change dramatically in 2021, firms will need to ensure that their strategy aligns with the shifting market, changing client needs, and with the elevated need to prioritize Diversity, Equity & Inclusion. Further, the acceleration of competition from 'New Law' businesses, and the opportunity that presents for law firms, needs to be factored into strategy, and we expect more firms will invest time and money in New Law businesses. Reviewing firm strategy and identifying the priorities for 2021 should be on the agenda in the 1st quarter.

Continued Consolidation of the Legal Market. We started 2020 with several very significant mergers. However, the pace of mergers was soon slowed by the pandemic, and we ended the year with far fewer mergers than expected. While firms were not able to complete as many mergers in 2020, the interest in growth remains high and lateral hiring has continued unabated. The market forces driving growth and mergers pre-pandemic have not changed, and in some instances have accelerated. These include the increasing impact of New Law providers, continuing client pressures, and the need for greater depth and specialization across practices and geography. Based on the high level of current interest in growth, the potential to resume discussions which were paused over the last year, and the increased pressure on some segments of the market that make firms more open to combinations, we expect merger discussions to rebound in 2021, particularly in the second half of the year when in-person meetings are more likely.

ESG Strategy Becomes a Priority. Sustainability and ESG (Environmental, Societal & Governance) issues have become Board-level priorities in the corporate world. Law firms will need to align their own priorities around their clients, as well as consider the legal opportunities that may result from the elevated ESG focus. On the latter point, ESG opportunities and issues (including sustainable finance, renewable energy, digital transformation, supply chain, and human rights and stakeholder governance) may present significant business opportunities for law firms. The rise of purpose-driven business and the growing importance of aligning brand values with customer expectations fits within this bracket too, offering law firms a chance to partner with clients to drive sustainable business forward.

On the former, ESG metrics will be increasingly common as a selection and retention factor for outside counsel, as firms are considered part of the business supply chain. While there will be an increasing focus on the "S" with Diversity, Equity & Inclusion, there will also be more focus on the "E", via environmental credentials, and growing scrutiny on the "G" of law firm governance, as a key enabler of sustainable resilient business. See [our recent Insight](#) for more detail on this topic.

New Law Becomes Mainstream. As we wrote in our recent Insight, [The Rise of New Law](#), we have seen an acceleration in New Law businesses both outside and inside law firms. There will be inevitable challenges in implementation, with some of these efforts falling short of expectations, but there is no question that they will have an impact on the business of traditional

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law firms. In 2021, we expect firms to invest more time in considering the opportunities that New Law offers, and to further explore ways that new business and service lines can help the firm differentiate its services, deliver enhanced value to clients, and establish new sources of revenue. In some instances, this may result in partnerships with existing New Law businesses, or consortiums of firms collaborating to build such a business. Other firms will expand on their existing businesses or start new ones.

Continued Focus on Clients. Given the changes and challenges brought about by the pandemic, understanding client priorities has never been more important. Keeping close to clients, but more importantly, really focusing on their changing needs, must be a top priority for law firms. Formal client feedback programs, whether conducted by a third party or in-house, will be critical this year. These feedback programs need to focus not just on traditional client service factors, but on where the client's business is heading and how they see the firm positioned to help them as they evolve, what is important to them in selecting outside service providers, and what the firm could do to help them achieve their goals. As service delivery is increasingly virtual and digital, there also needs to be a greater focus on understanding and meeting client experience expectations.

Focus on Operational Efficiency, Future of the Office, and Technology. One of the factors contributing to profit performance in 2020 was cost savings. This ranged from savings on travel and business development activities to staff efficiencies. Many small and midsize firms were able to use PPP loans to offset short term revenue shortfalls. As we head into 2021, firms need to take a hard look at all aspects of expenses and determine what is truly necessary. Which aspects of 2020's unexpected savings can be institutionalized, and which programs are important enough to the firm and to client service to be reinstated?

Firms are reconsidering the purpose of the office and their space needs, which in turn requires having clear long-term remote work policies. Will firms in major urban centers evolve to service offices in the downtown business district and workspaces in suburbs? The shape of the support staff is already changing and likely to change even further. We expect to see a decrease in secretarial roles and roles that depend on the firm's physical space, but those may be replaced by more professionals in technology, client service delivery, business development and management. In addition to more technology professionals, we also expect to see an increase in technology spending. A silver lining of the pandemic has been a higher rate of adoption of existing firm technology. As clients and firms look for more efficiencies, greater investment in technology that improves service delivery processes will be required.

You may notice that we haven't included a category specifically for talent management and Diversity, Equity & Inclusion, though we have mentioned them several times as they relate to 2021 priorities. It is not that they aren't critical, but that they need to underpin everything the firm does. These can no longer be special projects but must be core considerations in the firm's business and decision-making.

We have every hope that 2021 will bring a return to times when law firms can once again gather in person and work alongside clients. It will also be a time of tremendous change for the business of law firms, and leaders who prepare their firms for these market forces and priorities will see those efforts pay dividends this year and in future years. As always, we are here to help firms understand these forces and develop plans to address them.

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