

Professional practices and the future of the office

September 2020

A survey carried out
in partnership with



The Institute of
Legal Finance
& Management



Introduction

Earlier this year we published two surveys in conjunction with Saffery Champness, which considered how UK law firms were adapting their strategies around staffing, their views on future profitability and the initial impact on their attitudes towards remote working.

I am pleased to present our third survey which focuses on how the ongoing pandemic is shaping firms' views on working practices, and the impact these changes are having on their businesses and the employees alike.

We asked participants for their view on the issues that have affected them on an individual level, as well as on the firm as a whole and the results suggest that there will not be a 'one size fits all' solution that will work for everybody.

As always, my team and I, and the Executive Council of the ILFM, wish you all the best.



Tim Kidd, Chief Executive
The Institute of Legal Finance & Management

www.ilfm.org.uk

Welcome to the third in our series of surveys looking at the impact of Coronavirus on professional practices. For this survey, we have cast the net a little wider to include other types of professional services firms.

Participants varied in size, location and type, from small local firms, to large national and international practices. The largest proportion of our respondents (87%) were law firms, and we also gathered responses from other professional service firms, including from the property, accountancy, insolvency and financial service sectors.

Back in April, when we found ourselves at the beginning of lockdown, our first survey revealed that, whilst there was clearly an intention for firms to furlough staff, there was a large amount of uncertainty about how deep those measures should be, and that mood continued through May as we gathered results for our second survey.

Similarly, whilst firms were also uncertain how deep an impact the pandemic would have on profitability, there was a noticeable consistency in firms' views around the future for agile working and how this will change profoundly as we recover from the first stage of the crisis.

This survey looks more closely at that issue and gathers information on how firms' views of the future of the physical office has changed over the course of the past six months.



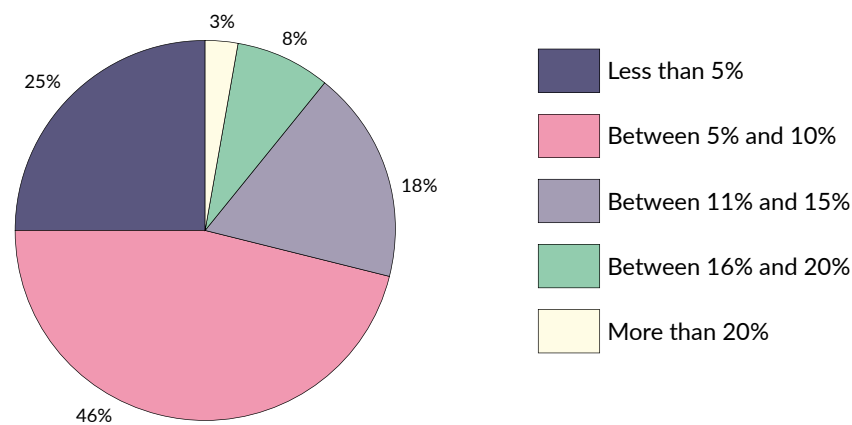
Ian Johnson, Director
Saffery Champness LLP

www.saffery.com

The physical office - cost vs benefit

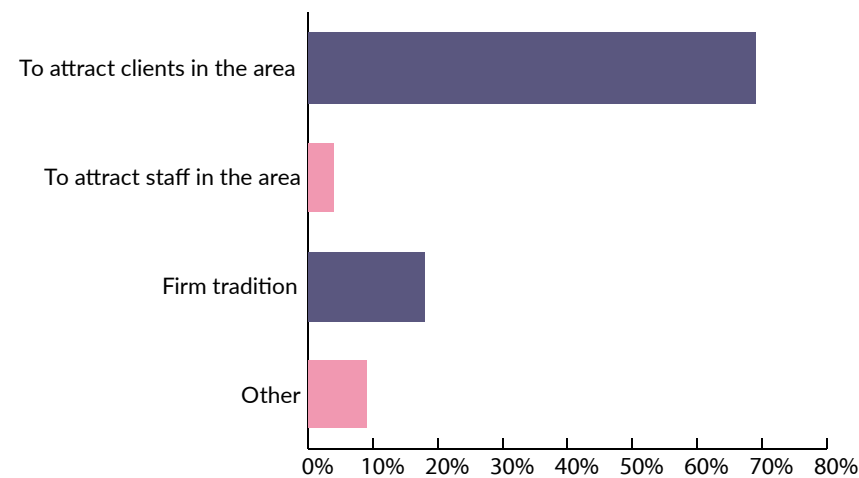
A large proportion of most professional service firms' income is earmarked for ongoing property costs including rent, rates, buildings insurance and utilities.

Fig 1: Property costs as % of annual turnover



46% of firms spend between 5% and 10% of their annual income on property running costs, and 29% of firms pay more than this, and so for many firms this is the largest annual cost other than staffing.

Fig 2: Main reason for maintaining branch offices in different locations



Despite the scale of this cost, firms derive a real tangible benefit from their offices and, of those 2/3 of participating firms with more than one office, almost 70% cite the need to attract clients in a particular area as being the primary reason for operating from multiple locations.

Very few respondents see staff attraction as being a key factor to the location of their offices, and as we see firms adapting their agile working policies, as considered in more detail later in this report, this may become even less of a consideration.

Respondents also noted the requirements of regional Legal Aid contracts (law firms) as being a driving factor, while others felt location was a more organic decision based on normal business expansion.

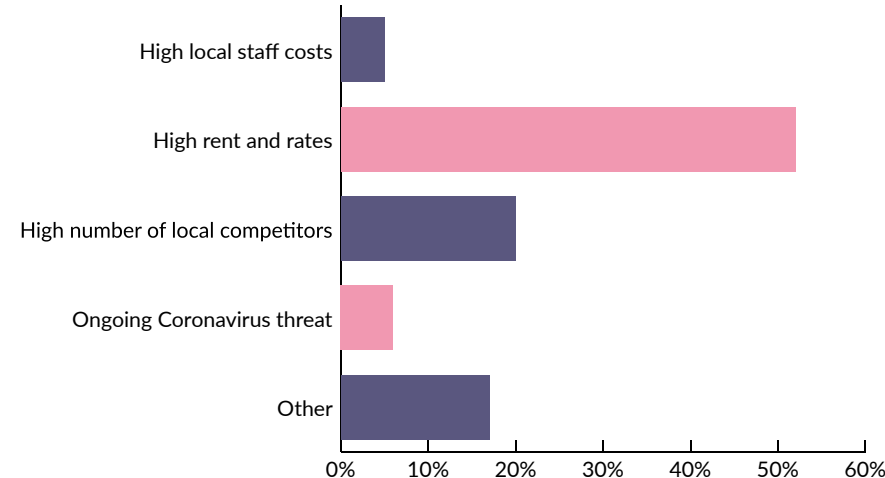
Fewer than 2% of respondents noted the basic need for more space as being a key determining factor. Looking ahead, it is difficult to see that this will ever be more of a consideration as remote working practices continue to evolve.

City living

We asked respondents to consider the value and opportunities to the firm, as well as the associated challenges, of operating from a major city.

It is important to remember that there is not necessarily a correlation between operating in a city centre location and success, and a large number of respondents have neither a city based head office nor a city branch office.

Fig 3: Greatest barrier to opening an office in a major city



Aside from the barriers presented by the high cost of rent and rates associated with being in the city centre, 20% of firms see the local threat from competitors as being the largest barrier to opening an office in a major city. Arguably, although this is clearly a direct threat, it could also be seen as an opportunity and firms that choose to stay away from the city purely based on the perceived threat of not being able to tap into the work stream may be making way for another firm which is willing to take the risk.

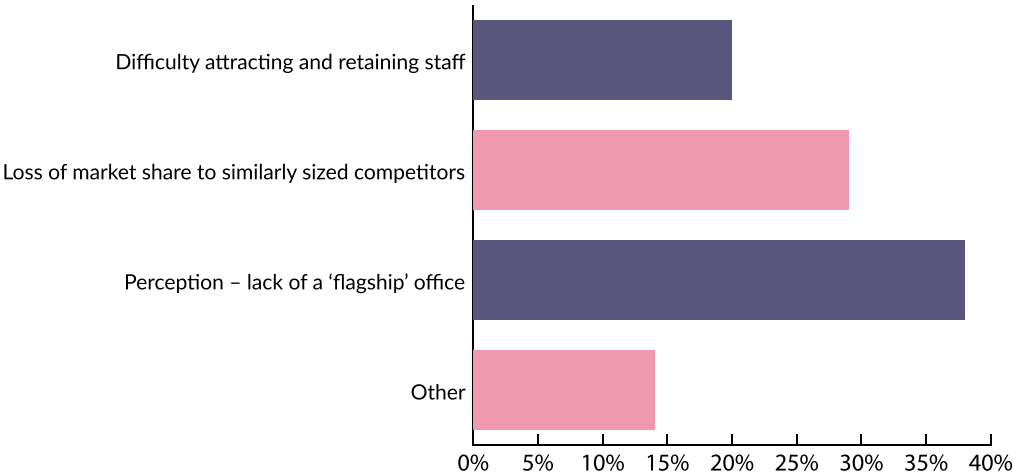
The need to network remotely was mandatory in the early stages of the crisis, the removal of a city centre postcode for many firms is not a permanent solution. Although it is likely that there will be an enduring place in a firm's business development diary for remote networking, this is unlikely to remain the only way of doing business, and many firms, as well as their prospective clients, will miss the face to face meetings.

This means that the need to have a city office will still be important for many professional service firms, but the prospective client pool in which they are fishing may become smaller as other businesses either move away from these locations, or are engaged with in other 'virtual' ways.

With physical interaction and networking events sitting at an unprecedented low, does this leave the door open for firms to make a name for themselves by offering something new?

These considerations are consistent with how participants responded when we asked them for their view on the primary threat of not having an office in a major city. Two thirds of firms stated that losing market share to their peers and the negative perception of not having a flagship office are major considerations.

Fig 4: Greatest threat of not having an office in a major city



The latter of these points is particularly important for firms where the culture and 'brand' of the firm are deeply rooted in their local identity, as this is seen as an attraction for both clients and staff.

Although there will be staff members who will happily set foot in the city office as infrequently as possible, there will be many firms that have sold their brand to staff through their flagship office and those members of staff have thrived in the modern, exciting collaboration spaces that these offices provide.

It is difficult to see how such firms will be able to ignore the important role that their flagship office provides, but it is possible that we will see a decline in the use of satellite or small branch offices being used by regional firms as a way to establish a city presence.

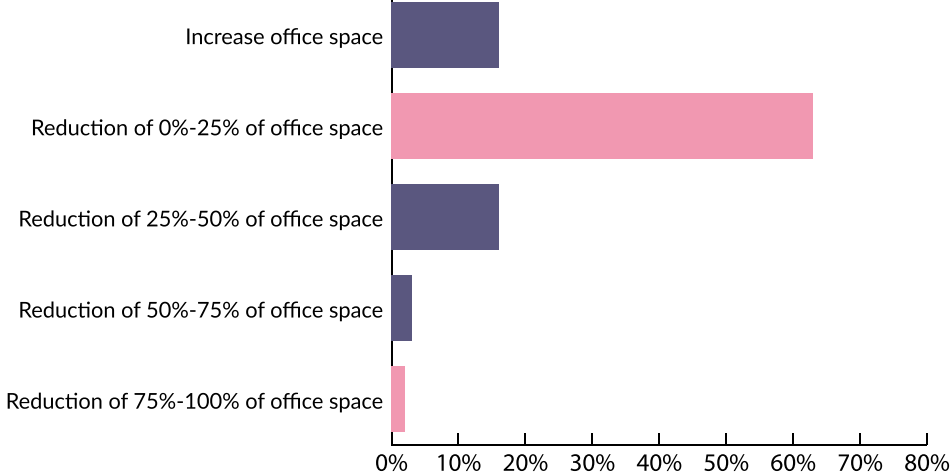
Time for a change?

Looking ahead, we asked firms for their views on how they think their existing office space will change over the next few years.

We found that a reasonably large number of respondents – more than 15% - predict an increase in office space over the coming years, while the majority – almost two thirds – predict a relatively modest reduction in office space.

Of those firms that are considering a reduction in office space, or looking at closing offices altogether, almost one third are considering closing their head office.

Fig 5: Predicted changes to office space over the next 1-5 years



This may seem like quite a surprising proportion, we need to consider what function the traditional 'head office' serves for a professional services firm.

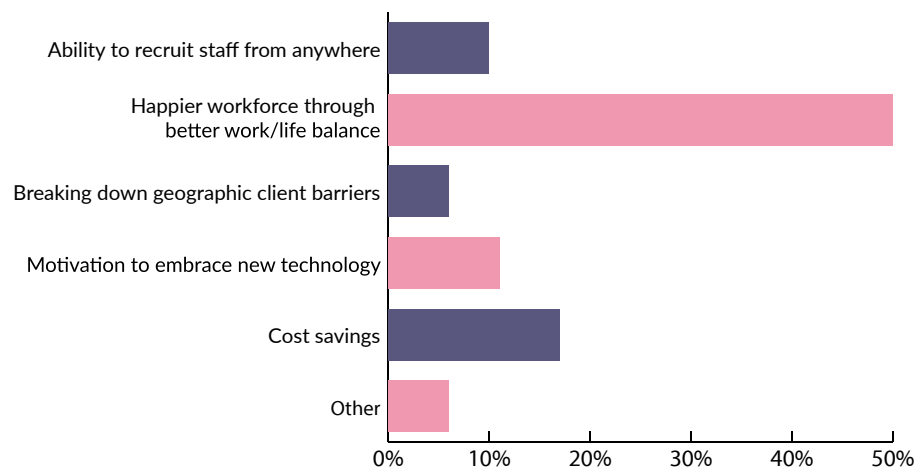
For some firms, the head office is the heart and soul of the business; it is the place where the brand has been carefully developed and is the public persona of everything those firms represent. For other firms however, the head office designation may just be an operational title because the finance, IT and other central support functions are based there. For these firms, the need to maintain a centralised office to house these teams, however vital they are to the operation of the business, may not be quite as critical where these teams have been able to demonstrate the ability to work effectively in a remote environment.

In any case, it seems that the majority of firms are opting for now to see how things change over the coming months before committing to any more drastic decisions. Assuming that many firms are tied into leases that they can't quickly or easily extract themselves from, then we may see the changing shape and size of the physical office being something that evolves slowly over time.

Remote working – the view from the business

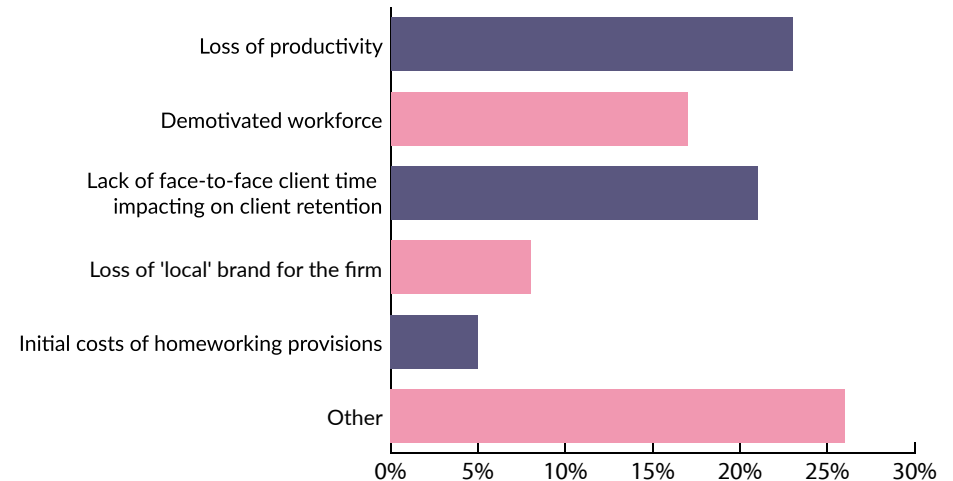
We asked firms what they thought the greatest opportunities and threats were to them in increasing the availability of remote working to staff.

Fig 6: The greatest opportunities from increased remote working



The benefits of a happier workforce was the clear leader when firms considered the opportunities, and clearly a happier workforce should equal a more productive workforce, but this also comes with a warning.

Fig 7: The greatest threats from increased remote working



While freedom from the daily commute and the ability to spend more time with families is an obvious work/life balance improvement for many of us, this doesn't apply to everybody, and 17% of respondents cited a demotivated workforce as being a major firmwide threat associated with remote working.

The greatest single challenge to the business in the eyes of our respondents was around the risk to productivity and this is potentially an area where we will see positives as well as negatives, depending on individuals' preferred working styles. Although a lack of structure and supervision for some might prove to be a challenge when structuring their working day, the lack of the daily commute and other distractions may prove to be a real boost for others.

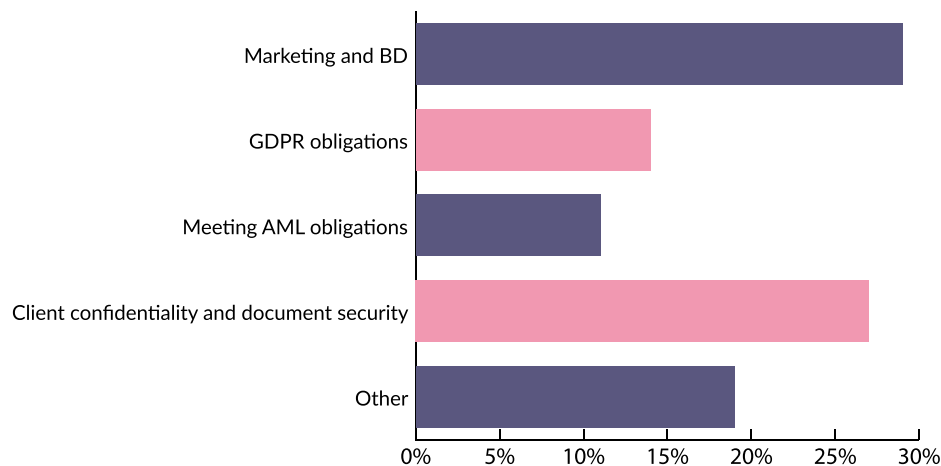
Other challenges noted included barriers around knowledge and information sharing, as well as the negative impact on the sense of team and being part of a firm's culture. It was also noted that this lack of a sense of cohesion could result in an increase in 'silo' working.

It is natural to focus on the fee earning implications of remote working when looking at this in the context of a professional services firm, but we also considered where the major challenges lie with the non-fee earning aspects of the business.

While regulatory and statutory obligations such as complying with GDPR, AML and client confidentiality requirements all scored highly, the impact on marketing and business development activity was the single greatest concern for firms.

Building on an earlier point, some firms commented that the impact on non-fee earning team building and socialising activities will be negative, though we are beginning to see firms finding creative solutions to replace cancelled social events.

Fig 8: The non-fee earning operations most likely to be negatively affected by increased remote working



For every similarity we see between professional service firms in working practices and policies, there is something that makes each firm unique and we have so far seen different views from different firms, sometimes working in very similar fields.

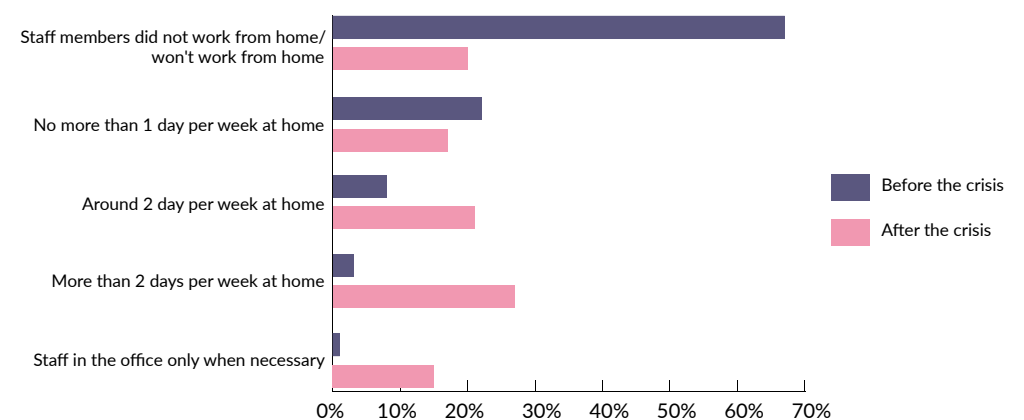
A consistency between most firms however is the direction of travel around their pre and post Coronavirus remote working policies.

Prior to the pandemic, an overwhelming 89% of firms adopted a policy where staff worked no more than one day per week at home, with 67% only allowing home working in exceptional circumstances.

Compare that to the post-Coronavirus view, and only a third of firms now feel that a similar policy will be needed, of which only 20% of firms anticipate sticking to a policy of only allowing home working when absolutely necessary.

Interestingly, when we asked firms for their view on who would benefit most from the shift towards greater agile working practices, the majority of respondents who felt there will be a change to their policy believe that the firm as a whole will see the greatest net benefit.

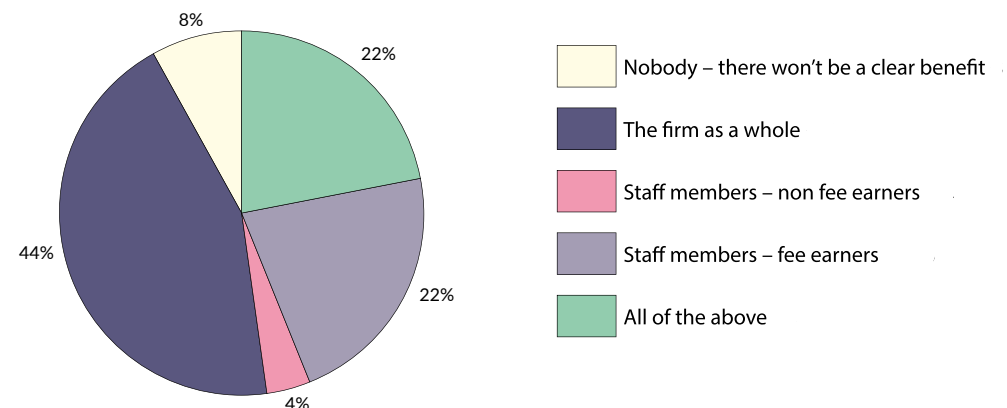
Fig 9: Remote working policy before the crisis and estimated policy after the crisis



In fact, only 8% felt that the overall impact will not be positive and, when we compare that view to the vast majority of firms that had little or no remote working in place prior to the Coronavirus, the overall movement in mood is remarkable.

It is encouraging to see that the general consensus among firms appears to be one that supports adapting deeply rooted legacy work practices to best suit the needs of the organisation as a whole, including those of its employees.

Fig 10: Who will benefit the most from changes to remote working policies

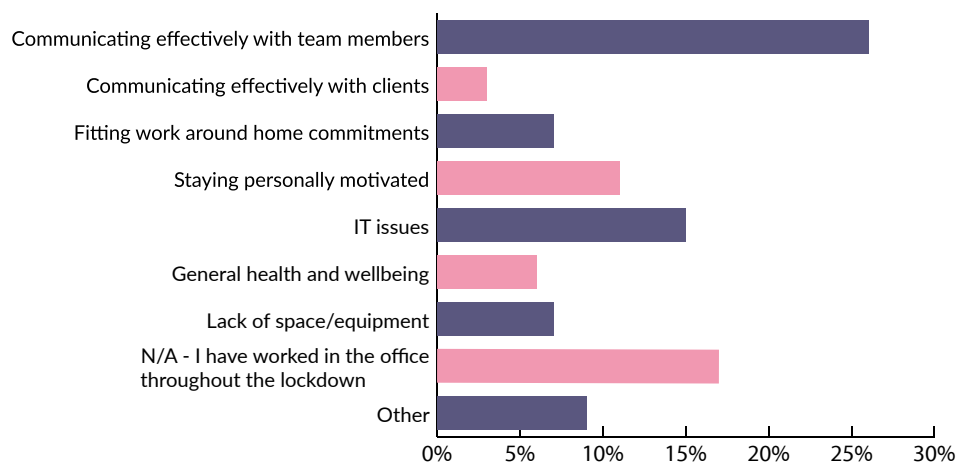


Remote working – the view from the individual

Finally, we were keen to get thoughts from individuals around what they felt are the greatest benefits and challenges to them personally when working at home.

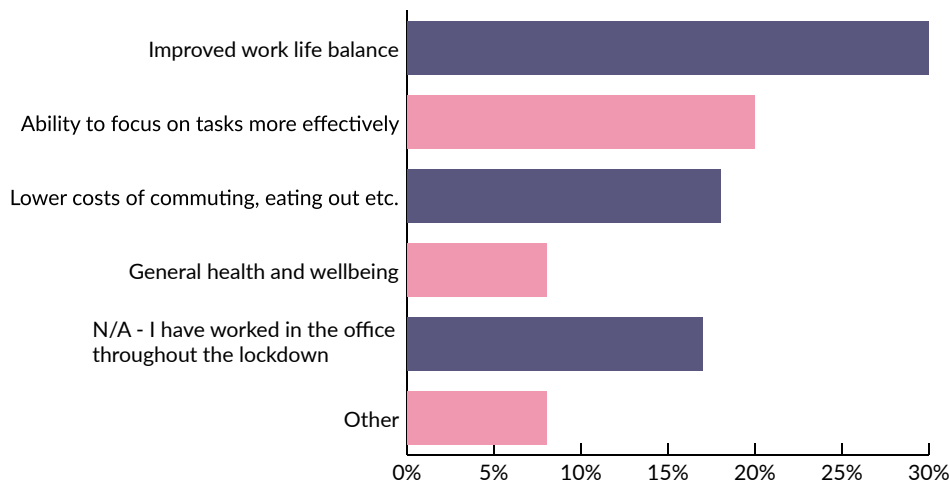
Whilst the loss of regular one to one communication with team members is also seen as a challenge to the individual, not only to the firms as a whole, the beneficial impacts of an improved work / life balance was also clear. A number of respondents cited the absence of the daily commute as being a positive factor on not only their personal wellbeing, but also on their productivity as they were able to devote more time to their day job with fewer interruptions.

Fig 11: Biggest day-to-day challenge when working from home



It is important to remember that there isn't a 'one size fits all' policy for home working that will appeal to everybody. Some individuals prefer the structure that working in the office brings, and some feel that they end up working more when they are at home because of the lack of clear separation between being at home and being in the office.

Fig 12: Biggest positive when working from home



While the last few months have been characterised by everybody rolling up their sleeves and doing whatever was required to push through the early stages of the crisis, the challenge to firms going forward will be balancing the needs of the individual with the needs of the business and making sure that every individual is listened to when shaping future policies.

Support for businesses during the Coronavirus pandemic

Further information on the various government support measures, together with other Coronavirus resources for individuals and businesses, can be found at www.saffery.com/our-services/coronavirus.

Stay informed

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