

How COVID-19 Will Affect Law Firm Revenue in 2021 and Strategies for Dealing with It

For many law firms, COVID-19 created a serious disruption to the revenue of 2020. And even with a vaccine on the horizon, it is likely that some firms may continue to feel the economic effects of the pandemic well into 2021. But all hope isn't lost. Unlike the unexpected shock of 2020, the obstacles of 2021 are somewhat foreseeable, which creates an opportunity for preparation and planning.

This post will discuss the possible effect of COVID-19 on 2021 law firm revenue, and some strategies that firm leaders can take to stay profitable.

A Look Back at 2020

The first few months of 2020 were filled with uncertainty and unanswered questions as lawyers around the world had to figure out how to maintain their practices in the face of a historic pandemic. Many firms experienced fewer inquiries from potential clients and a diminished number of new matters walking through the door. Some existing clients decided to delay their legal matters or ended their matters altogether. Even corporate law firms experienced reductions as business leaders sought to cut overhead expenses.

In early spring, many law firms turned to compensation reductions, layoffs, and other cost-saving strategies in response to the pandemic. As we moved into the fall of 2020, firms that were able to maintain their revenue reversed course by rehiring laid-off members or returning salaries to their original levels. At the same time, firms that suffered financially made additional cuts or even closed their doors altogether.

By looking back at the obstacles and law firm responses of 2020, attorneys can better prepare for the near future, while also creating a viable plan for the long run. Firms that have been able to navigate the pandemic had a few things in common:

- First, they were willing to be fluid and adjust to the new normal. Whether it was moving to a completely remote office, trying new practice areas, or making necessary profit-sharing decisions, these firms had leaders who recognized the value of adjusting in the midst of unprecedented times.
- Second, they were prepared. Though the specifics of COVID-19 caught all of us off-guard, many successful firms already had Standard Operating Procedures (SOPs) and emergency contingency plans in place. With these tools, firm leaders were able to quickly implement a viable strategy instead of having to move forward with no direction.
- Third, they made the client service a priority. These law firm leaders recognized that their clients were facing difficult times too. In response, they implemented procedures to focus on the needs of the clients and instill confidence in the law firm's reliability.

As lawyers look ahead to 2021, these examples can serve as a roadmap to maintaining law firm revenues and keeping their practices viable.

Dealing with 2021 Financial Challenges

No one knows when the pandemic will end, but it's inevitable that the legal industry will continue feeling the financial effects into the coming year. Here is a list of strategies that firm leaders can implement to prepare for the economic challenges of COVID-19 in 2021:

#1 Meet client needs – Remember that your clients are dealing with their own COVID-related challenges. Don't add to their stress by slacking on the level of service your firm provides. Consider the immediate needs of clients and what your firm can do to meet them. Send regular communications and instill a sense of confidence in your firm. Let them know that you are still available and working in their interests. Your clients will feel appreciated and recognize the value of your legal services.

#2 Reevaluate firm expenditures – Revenue challenges make cashflow even more important. Analyze your firm's current expenditures to identify possible savings. By conserving dollars now, law firms can prepare for the financial challenges that COVID-19 may bring in 2021.

With sufficient capital, law firms can better navigate and stay afloat when economic challenges arise. Cashflow also helps firm leaders take advantage of unforeseen opportunities. For example, as some law firms struggle during the financial crisis, other firms may find opportunities for mergers. With enough capital on hand, a financial challenge can turn into significant growth.

#3 Utilize efficient technologies – By identifying and implementing the right legal technologies, firm leaders can prepare to handle the service delivery obstacles that 2021 may bring. Embracing innovative legal technologies now positions law firms to remain economically viable during a financial crisis.

TimeSolv legal billing software provides law firms with a wide range of valuable features, including time tracking, invoicing, mobility, and project management tools. The company offers its services for an affordable monthly subscription, making it far more cost-effective than most of the legacy legal billing systems on the market.

#4 Craft a plan of action – If your firm did not already have a crisis management plan in place, hopefully, you crafted one in response to COVID. But if you haven't, the time is now to get started. Firm leaders need to consider potential solutions for revenue challenges, along with plans for implementing those solutions.

Many law firm leaders found themselves unprepared and ill-equipped to handle the changes that this pandemic demanded. This lack of preparation led to closed offices and the inability to adequately provide legal services to clients. Crafting a plan now can prevent these negative circumstances next year.

#5 Consider new practice areas – Specific practice areas experienced significant changes during 2020, suggesting that some areas of practice increased during the pandemic while others decreased. For example, some

areas of transactional law saw substantial losses while areas related to bankruptcy and health care law experienced increases.

Law firms can maintain or even grow their profits by focusing on practice areas with high demand during economic slowdowns. Begin cross-training associates and supporting staff to work on these new practice areas in the coming year.

Navigating Firm Finances in 2021

When compared to other industries, the practice of law has generally proven resilient during times of economic crisis. But COVID-19 will bring about significant challenges next year, and law firms need to prepare for them. Firm leaders that implement proactive strategies now will be prepared to successfully handle the rough times ahead.