



Reconsidering business strategies: overcoming previous challenges and adjusting to the new normal

Reed Smith 2021 Virtual Roundtable Series
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Driving progress
through partnership

2021- The new business operating model for future business growth

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One year after the first COVID lockdowns we are finally passing the turning point in the pandemic – 38 million people in the UK and 180 million in the United States have received their first vaccinations: a strongly positive development in the overall trajectory of the pandemic, which in turn is generating a more positive economic outlook for many. As consumers return to the shops and the possibility of a return for many to the workplace emerges, business leaders are now addressing how best to emerge from lockdown, and how behaviour has changed in the wake of the outbreak.

With this in mind, in April, Reed Smith conducted a virtual roundtable discussion to tap into the knowledge and experience of senior legal and business leaders from some of our major clients in the UK, who are tasked with leading their businesses out of lockdown. We asked them to share views on how they managed their businesses and teams during the crisis. We also discussed the fundamental impact the crisis had on the way their businesses operate, and whether they think these changes are here to stay.

Our roundtable events are held under the Chatham House rule. This report outlines the key themes that emerged from our discussion, and some of the key areas that were highlighted during the conversation.

As we continue to explore some of the critical issues our clients are currently experiencing and anticipating in 2021, we are grateful to the participants for their honesty and candour and their willingness to have meaningful discussions with us. We will, of course, ensure that we continue the dialogue as we work to improve and diversify our legal and business services in the future.

Please note: Throughout this report quotes in “*red italics*” are direct quotes from the session



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COVID-19: one year on – what have we learned?

Over a year since the outbreak of COVID-19 and companies and businesses are no longer contemplating the impact of the pandemic on their businesses and operations. The newly implemented operating models have been deemed a success, company results have remained on a positive trajectory, and teams have continued to grow and collaborate effectively. So the question now is: **what have we learned from all this?**

The journey to remote working

Looking back, clients shared that the overnight move to remote working more than a year ago has been **“surprisingly”** smooth with **“little disruption”**. While some clients described the initial sudden move to remote working as a **“forced transition programme”**, the overall view was that the remote working setting is now almost considered a given, with global teams and companies now well settled into this working operating paradigm.

“The isolation bias”

Against the backdrop of this new setting, corporate organisations needed to learn new ways and models of communicating, forcing them to **“adapt quickly”** and **“work autonomously”**.

The need for teams to find new, efficient ways of working together in this environment was exacerbated by the fact that while working remotely, team members who are based in different locations **“are only aware of what’s going on in their solitary bubble”**, meaning that internal stakeholders started to require quicker turnaround times to respond to queries, without being aware of individual home circumstances or other projects going on simultaneously, with one client calling this phenomenon **“the isolation bias”**.



One client noted **“On day one, this was a crisis, but a year later it’s business as usual – it’s been business as usual for 50 plus weeks now.”**



Clients commented that the **“new way of facilitating meetings”** over Zoom or other virtual platforms has been difficult for some people. It has been **“a lot harder for managers because you’re managing people and situations”** and **“Zoom calls are fine but you can’t read people when you’re not in the same room.”**

Mental health and wellbeing remain crucial

Clients were also mindful of the toll that the global pandemic has had on people’s mental health, highlighting that **“the impact on mental health has been really difficult.”** What many employees seemed to be missing was the **“social connectedness”** and maintaining this connectedness in a remote work setting was a challenge for many companies.

While the pandemic has also shown that **“people, teams and businesses are incredibly resilient”**, the remote work setting has also made it difficult for employees to **“differentiate between [their] work life and [their] home life”**. As a result, many companies undertook a bigger role and responsibility in protecting their teams’ mental health. This has led to an increased focus on creating support systems for their remote employee workforce with the wellbeing of employees being at the very heart of these.

The bigger picture – where do we go from here?

Despite the challenges and issues faced by many on a personal and professional level, some businesses and sectors continued to grow, with one client from the banking sector commenting that **“from a business perspective, we had our best year last year.”**

Many businesses are now looking forward and considering the challenges and opportunities that lie ahead – what are the learnings from the past year, what successful practices should be maintained, how can they maintain the highs and address the lows, and at the same time what do they need to do to ensure they still adopt a **‘business as usual’** approach as much as possible?

A bird’s-eye view of the real estate sector

Clients from the real estate sector shared that in the past year, rent collection has been the key issue for their business. As a result of the restrictions imposed on landlords by the UK government, corporate landlords felt that there was a perception in the market that **“landlords and investors can afford this [tenants not paying rent] while individual businesses can’t and that’s not always the case.”**

One client also commented **“people who were able to pay rent, were taking advantage of the situation”** so landlords were forced to come up with commercial solutions that would help struggling tenants go through the crisis: **“working out who is really deserving of rent concessions has been a real challenge.”**

Brexit – no longer an issue?

Participants from European headquartered banks felt that Brexit was a 2017–2018 priority and that they had put in place the measures needed to operate in the UK in a post-Brexit environment. Some shared the view that the formal end of the UK relationship with the EU **“was not a 2020 challenge but it has been in the past”**.

Some clients, for example from the banking sector, commented that they have had a few years in the past, i.e., between 2016 and 2019, to prepare for this new status quo so they felt that in 2020, they only had to implement their rehearsed and well-considered strategy. **“We implemented what we planned for, just to rejig the business.”**



“Before you had to travel many times to other countries, but now there will be no budget for this. The question is: do you still need to do this? Probably not.”

'Virtual first' ethos

Having a remote workforce for a period of over a year has made some companies think about their operating business models, beyond the office and real estate space:

“If there was some reluctance about working from home a few years ago, now that’s completely overcome.”

As businesses gained increased comfort with remote working, business leaders turned to analysing the overall successes of the past year: ***“We’ve bought some new businesses [in] the last 13-14 months and I have never met these people physically, I’ve only met them virtually.”*** This trend has led business leaders to question whether some of their previous and old business practices, such as business travel, are sustainable at pre-pandemic levels in the future.

Some clients shared that their organisations have now officially moved to a ***“virtual first”*** philosophy, meaning that as a future and new business travel policy, their employees would need to consider organising virtual meetings with their business counterparts, before travelling physically for business.

This has raised a number of questions among senior and business leaders in relation to the success of this approach once the pandemic has finally eroded. As the importance of developing personal relationships in the business world cannot be underestimated, clients have said:

“Moving to this ‘virtual first’ environment – are we kidding ourselves that it’s going to be successful?”



The “new Brexit” debate: remote working v working in the office

While clients unanimously agreed that **“Brexit is no longer an issue”**, what has become apparent is that conversations around the future of the office have now replaced the Brexit debate, turning the office into one of the hottest and most controversial topics in the corporate world. With many global companies set to announce their plans for their workforce returning to the office, clients are considering different scenarios to maintain a balance between keeping their employees safe and motivated, and at the same time protecting their company culture.

The new hybrid working model

The unexpected and mass move to a remote work setting has pushed many organisations to re-evaluate their business operating models. Clients admitted that the success of remote working was undeniable and acknowledged at all levels: **“Senior management acknowledges that this has worked well, there has not been any loss of productivity.”**

Companies are now starting to rethink their traditional office model by thinking ‘outside the box’ and considering how to make it more appealing for employees to return to the office. A big concern for clients seemed to be around building and maintaining relationships in and outside of their organisations: **“We missed the creative spark, we used the existing social capital that was built up internally. However, we are not building new relationships.”**

The roundtable participants had a good debate on whether a transition to this working model was feasible and practical in the long run. Some clients commented that parts of their workforce were particularly willing to get back to the office, stating that:

“Before we thought that millennials were the ones who wanted to work from home, they are now desperate to get back to the office.”

Overall, clients remained optimistic about the future and concluded that **“the office will remain a thing, especially for younger people”** and **“a lot of habits will come back, which will recreate cities.”**

And what about Legal?

The importance of legal departments cannot be undervalued, particularly in times of crisis like last year when GCs and legal teams were at the forefront of tackling business and legal issues along with their internal stakeholders.

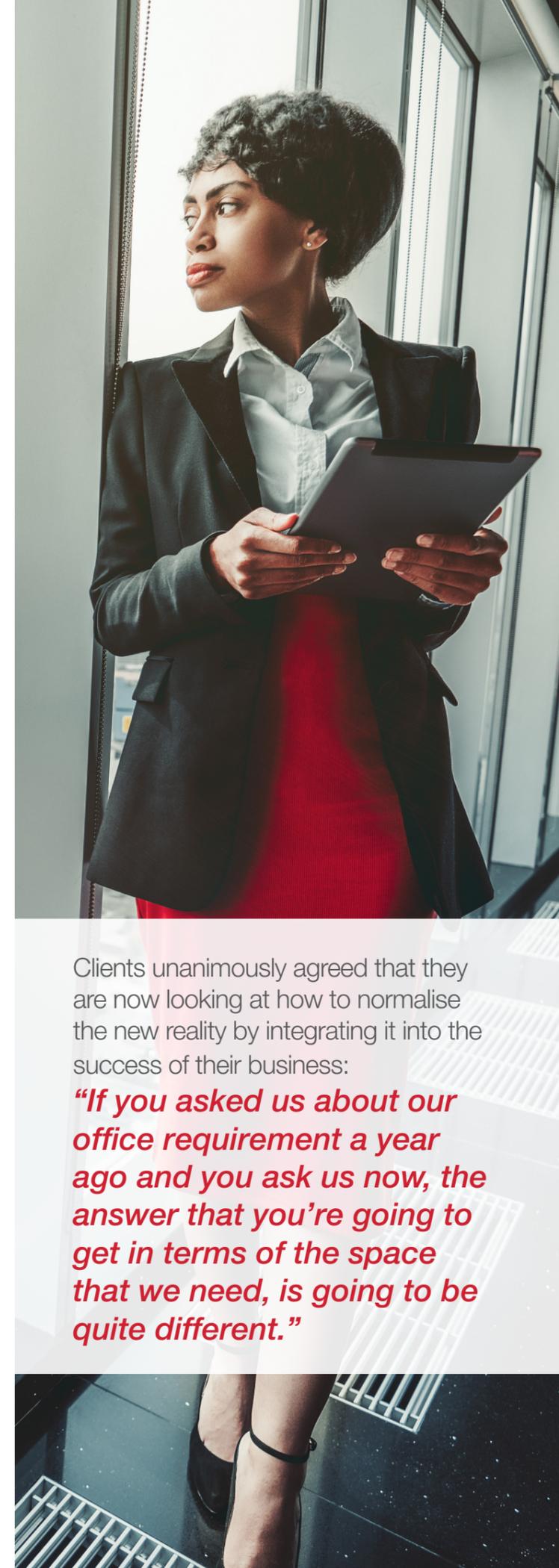
However, as an in-house support function, there has always been a push for legal teams to demonstrate their value to the business while managing their internal stakeholders’ expectations and setting parameters around the current business priorities:

“One of the things that I tried to do is have my team better engrained with the business so Legal isn’t an afterthought but that we can provide a lot more tailored and accurate advice.”

Clients commented that they did not expect the expectations of legal teams to change in the future, even if the remote working environment is here to stay going forward. One client concluded that the new working setting has not changed the way Legal provides value to the business: **“We had this debate two years ago – people were in the same building [physically] but still picking up the phone; they were comfortable with that and this has not changed very much [in the new environment],”** while another expressed a concern about the future: **“It’s been okay but the pressure will be when everyone is back in the office.”**

Clients unanimously agreed that they are now looking at how to normalise the new reality by integrating it into the success of their business:

“If you asked us about our office requirement a year ago and you ask us now, the answer that you’re going to get in terms of the space that we need, is going to be quite different.”



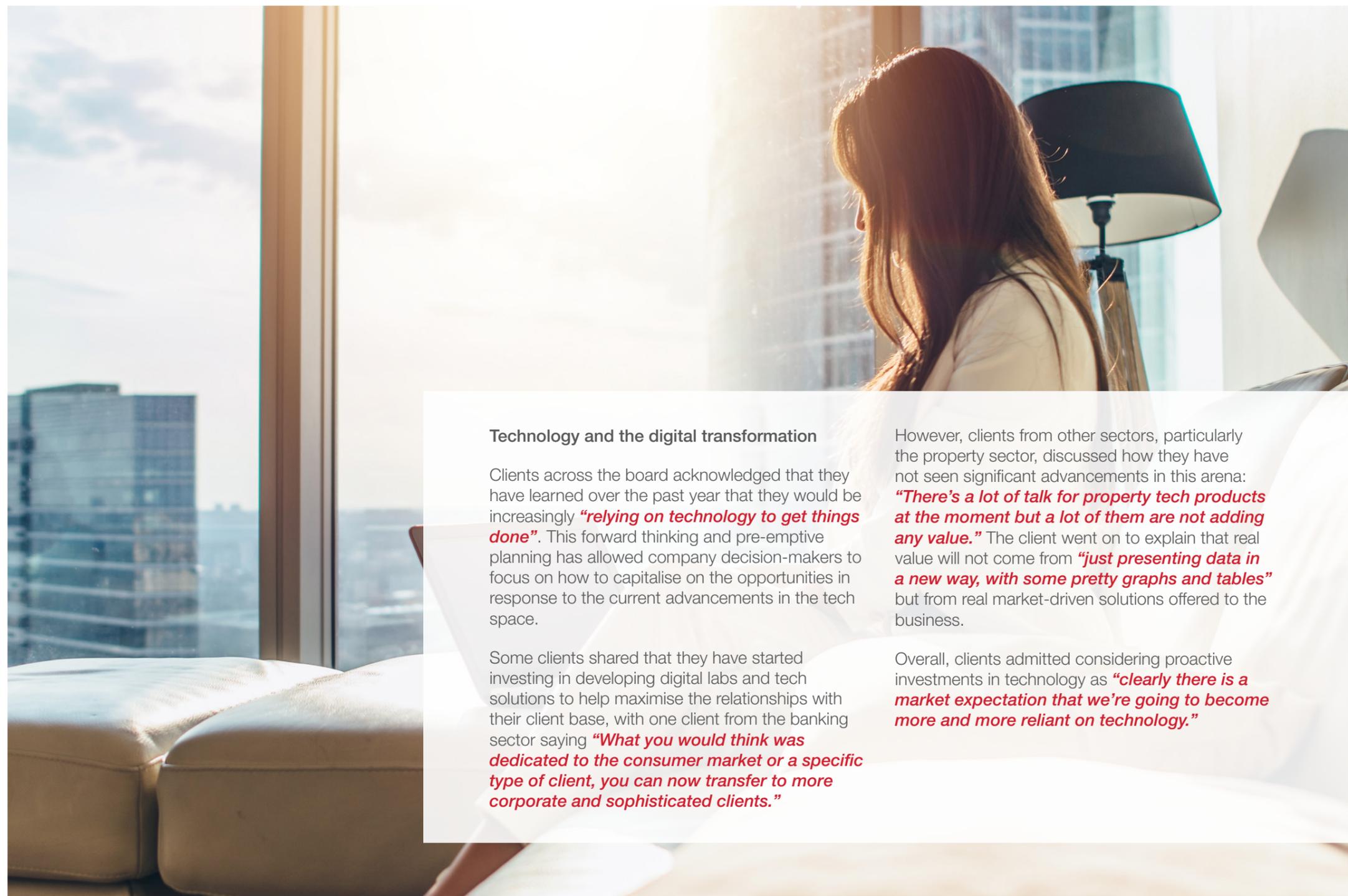
The emerging trends – ESG, technology and digital transformation

Senior leaders in legal departments are increasingly assuming a more proactive role to help their companies obtain a better understanding of emerging trends and areas where implementing new policies could be beneficial to their organisations. When asked about the disrupters that businesses should be confronting within their sector, clients focused on hot areas such as ESG and technology.

Environmental, social and corporate governance (ESG): the new ‘must do’ item on the corporate agenda

A ‘green focus’ has become part of the corporate agenda and provides another opportunity for corporations to enact change. Across different industries, clients seemed to be at various points on the continuum with regard to their ESG policies. This has been the subject of increasing focus within the banking sector lately, with one client stating that they’re **“making sure that our portfolio is as clean as it can be”**, while clients from other sectors commented that **“speaking to potential or existing bank lenders, the questions are now starting to be asked in that area so this is positive news.”**

One client shared that their company had just released its first ever sustainability report, noting that this was **“the first time our company [has] celebrate[d] sustainability – a milestone in the company’s 200 years history”**. Others are looking at recruiting talent and experts in this area to help tackle the business challenges and opportunities that come with it, with one client commenting **“We just hired our new head of sustainable investments”** as required by regulators.



Technology and the digital transformation

Clients across the board acknowledged that they have learned over the past year that they would be increasingly **“relying on technology to get things done”**. This forward thinking and pre-emptive planning has allowed company decision-makers to focus on how to capitalise on the opportunities in response to the current advancements in the tech space.

Some clients shared that they have started investing in developing digital labs and tech solutions to help maximise the relationships with their client base, with one client from the banking sector saying **“What you would think was dedicated to the consumer market or a specific type of client, you can now transfer to more corporate and sophisticated clients.”**

However, clients from other sectors, particularly the property sector, discussed how they have not seen significant advancements in this arena: **“There’s a lot of talk for property tech products at the moment but a lot of them are not adding any value.”** The client went on to explain that real value will not come from **“just presenting data in a new way, with some pretty graphs and tables”** but from real market-driven solutions offered to the business.

Overall, clients admitted considering proactive investments in technology as **“clearly there is a market expectation that we’re going to become more and more reliant on technology.”**

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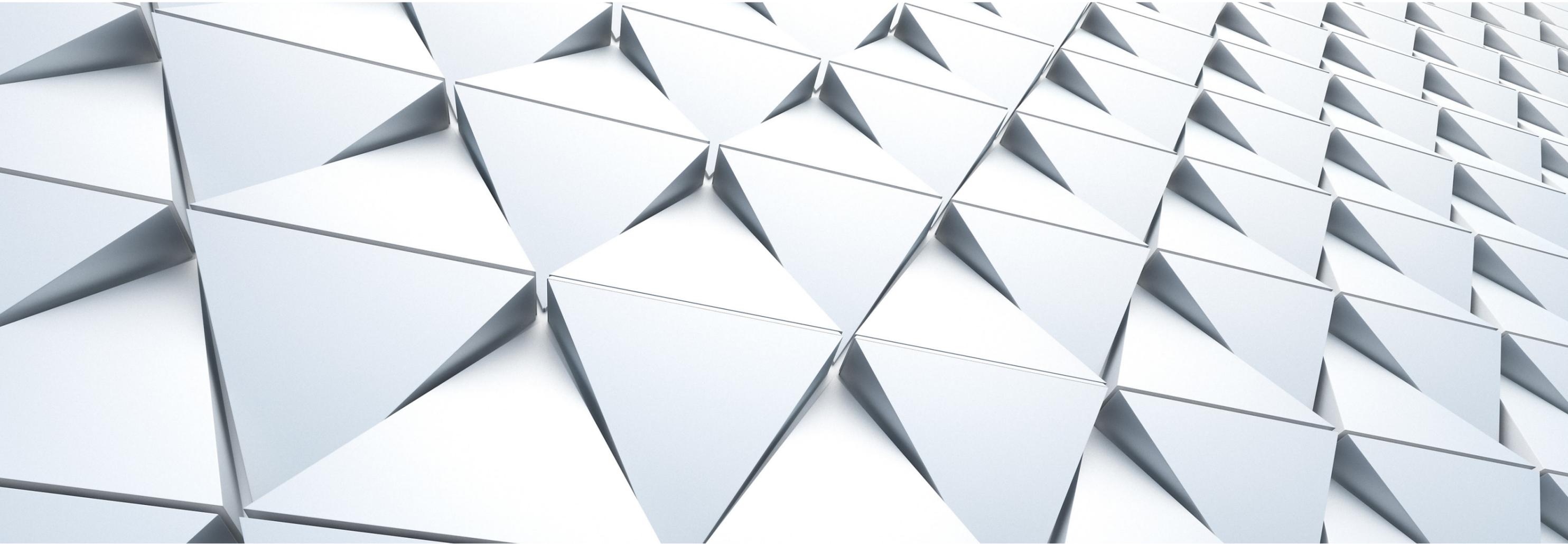
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