When you push a pause button on a computer, it shuts down. When you push a pause button on a human, as is occurring now in the midst of the Coronavirus pandemic gripping most of the world, we do not rest. We think, refresh, imagine, and try to
adapt to a new world order once the pandemic abates. Darwin surmised that it is not necessarily the strongest or smartest that survive. Rather, the survivors succeed in being flexible and adapting to new environments. Zhou Enlai, when asked by Henry Kissinger what impact the French Revolution had on China, reflected “it’s too soon to tell.” Given the pressing necessity to re-connect our lives and economies, while at the same time staying healthy and safe, we do not have the luxury to reflect. Rather, we must plan for a future that is being quickly thrust upon us, or existing trends accelerated, at warp speed. This article imagines how that new world order might impact our office’s finance department. The survivors will successfully be flexible and adapt.

A recent paper on fifteen major pandemics and armed conflicts since the thirteenth century postulated that the major after-effects of those events lasted over forty years. Real rates of return were more substantially depressed during the period ravaged by pandemics, more so than due to wars, due to the significant precautions and adjustments business and society took after pandemics but not after wars. The postulate is that after wars, most countries just rebuild and, while they may have changed institutional frameworks, do not reassess ways of doing business and conducting their day to day lives.

This article offers possible post-Coronavirus changes to our office environment. While many alterations such as modifications to social relationships, office structure, technology, marketing, and the role of government are inevitable, this article will focus on new approaches to financial management and legal focus. To paraphrase Winston Churchill, I hope these thoughts may help us not waste this crisis and prepare for a brighter future.

**Financial Management in Companies After COVID-19**

The monetary seismic aftershocks of the pandemic will reverberate our financial management in many ways, some of which are noted below.

**More Cash on Hand**

The social disruption caused by abruptly coasting at full employment one moment and, in a flash, jolting to a 14.5% unemployment rate profoundly alters the loyalty workers have to their employer (or former employer). While most intellectually always recognized that the office was a business and not a true social and family organization, no one could have foreseen the sudden radical separation of workers from either their jobs or office environments or both. Repairing that emotional and physical trauma will take time. One way to gradually restore the pre-pandemic security workers felt in their office environments is to provide a better sense of community overlap as a lure to attract and retain employees. Alternatively, businesses could set aside a “rainy day reserve fund”, on top of the usual 401(k) and other retirement plans, where a portion of an employee’s pay, or company profits, could be placed in a fund to which it is used only to retain employees in situations where mass layoffs were warranted. An employee would receive his or her share of the funds upon retirement or being terminated in such a circumstance if they were not used before then.
Obviously these funds are not a panacea but a means to dedicate some resources and provide some comfort to workers concerned for their employers and their own financial security. Moreover, businesses might manage their finances more conservatively and always agree to have some minimum level of cash, say a three months reserve, to assuage employees that it can stay afloat for some reasonable period of time in case another disaster strikes. Further, businesses may consider not living too close to the edge and consider keeping on hand at least two to three months’ reserve to pay rent, payroll, utilities, and other critical fixed costs. This might be prudent fiscal discipline even in good times and a munificent marketing tool to give employees some comfort that they will not be reflexively jettisoned at the first sign of a downturn.

**Focus on Higher Level of Health, Cleanliness, and Safety**

Office environments may soon stress their focus on and sensitivity to health, cleanliness, and safety. This necessity will significantly increase employer costs. Return on investment on intensifying the cleanliness and sanitization of the office is not quantifiable.

These attributes, always taken for granted and never really promoted in attracting and keeping workers, may now catapult to the forefront to comfort workers’ anxieties. For example, disinfectant wipes and hand soap can become omnipresent. Coffee machines, soda machines, food dispensers, and other purveyors of sustenance as well as countertops, printers, copiers, file cabinets will be wiped after every use. The issue of how to open the washroom door without touching the doorknob may be solved by replacing doorknobs, counter space, copier buttons, coffee pot handles with virus-free coatings. We might increase the scope of services our cleaning services providers to enhance disinfecting. A CFO will just have to bite the bullet and sign off on these vital necessities heretofore considered excessive.

**Office Design and Use**

Costs will increase to reconfigure office space design so workers feel safer. For example, office pools or closely clustered desks may be rethought or need to be reconfigured to assured proper ventilation. Plexiglas dividers between office pool carrels and facing the open halls should be considered. Chairs for visitors in offices may need to be spaced out or removed to discourage proximity. Conference rooms, cafeterias, and other gathering spaces may also need to be redesigned so people keep at an appropriate distance while at the same time enjoy some social interaction and forge some sort of community. HVAC and other ventilation systems may change to assure more optimal air circulation and toxin filtration. Meetings may be limited to a few attendees in person, spaced appropriately apart, with the other participants connecting by video. Just as we submit ourselves to baggage searches at airports, perhaps there could be random, or even routine, temperature checks either at building security or random tests at the office. Further, just as we pass a scanner to gain entrance to our elevator banks, perhaps we will all pass heat detectors to gauge whether we have a fever. All this comes at a cost, again, unquantifiable to gauge the impact on return on investment.
Higher Level of Fee Earners in Relation to Assistants

The pandemic may finally accelerate the trend toward converting labor to capital. Fee earners’ embrace of producing documents and other ways to become more self-sufficient have already increased the ratio of fee earners to assistants from maybe 1.5 or 2 to 1 ten years ago to 3 to 3.5 to 1 now. Needing to physically space assistants out more, perhaps alternate those working from home and at the office, combined with increasing proficiency of at office and at home fee earners suggest the trend is likely to accelerate to maybe 5 to 1 in the not too distant future. Some of the replaced assistants could become retooled to fee earning work, such as quasi paralegal work, especially as legal fees continue to increase with apparent inelasticity.

Office Space

The cost of office space will be another financial aspect under greater elasticity and change. The cumulative effect of more people working remotely and less office staff suggests the need for less overall office space and thus less cost. The size of offices has trended toward the small size in recent years, with an average size of around 140 square feet. Some are suggesting the downward trends will continue unabated, perhaps to 125 square feet per office. A countervailing offset to that trend, however, may be the requirement for more space due to the need for greater distance between and among workers and conferees and perhaps fewer employees out of the office by virtue of not traveling as much. Even if office sizes are smaller or the same, the trend toward office hotels and using more conference rooms where proper distancing is desired is likely to continue.

Wellness Programs

This will be yet another unquantifiable but necessary cost of the new office environment. Taking an interest in the health of the office environment is but one component of health and safety. Another is the employee’s personal health. Wellness programs have proliferated in recent years, as well as access to gyms and health clubs. These trends will only accelerate, provided that gyms and health clubs can provide sufficient comfort regarding cleanliness and social distance.

Technology Costs

Expenditures for technology are likely to increase but consider that technology pricing usually declines over time with scale and adoption so perhaps that will not be as dramatic. The crucial need for workers to be connected all the time everywhere and possibly need to be remote for long periods of time underscores the recognition that it is not prudent to be miserly with tech spending. The need for broadband, cabling, wi-fi, bandwidth, data storage, data compression, backhaul, caching, routers, hubs, processing power, internet of things, bits and bytes will be the lubricant to this generation reducing if not replacing the role of oil in previous generations. Remote working will increase the risk of hacking and the heightened need for secured networks fortified against cyber theft and introductions of malware. Further, the adoption of more sophisticated applications of technology such as AI
and machine learning will accelerate. AI and machine learning will enable corporate and litigation document review more efficiently and conducted at remote locations. The need will intensify to support the seemingly insatiable demand for video and broadband service.

**Decreased Travel and Entertainment Costs**

Greater technology use may decrease other costs such as travel and ultimately the need for office space as more people regularly and systematically work remotely. Business trips, tradeshows, and even meals and entertainment are Petri dishes for breeding microbes. Sitting in a crowded basketball arena, constantly passing beers down the twenty seat row and then passing the germ-ridden money back to the vendor, or standing up at a theatre every time a patron wants to brush by you to get to her seat conjures up frightful images of too little social distancing. Recent income tax code revisions diminished deductions for some of these items and, unless reassessed, will only contribute to this declining tactic.

**Higher Insurance Premiums**

The cost of providing health care, not just to pay for all the Coronavirus cases but to underwrite future pandemics, will undoubtedly lead to higher insurance premiums. How employers share these increased costs with their employees is not only a financial matter but also a policy choice of the type of “safe” workplace image the employer desires to portray. Further, insurance premiums for business interruption coverage may also increase, even if the policyholder does not purchase pandemic coverage.

**Higher Levels of Inventory**

The 2000s introduced a virtual revolution in the efficiency of supply chains and improved just in time inventory management. Purchasing managers could keep inventory lean and mean, knowing that replacements were just an order refill click away. Not anymore. The confluence of trade wars, increased nationalism and now the pandemic have shattered the smooth functioning of inventory replenishment and certainty of seamless restocking. Not having to keep several months' supply of Lysol wipes and other cleaning supplies, not to mention other basic necessities like copy paper and printer ink, saves countless dollars in working capital. Concerns for delays and shortages have the opposite effect on working capital management and increases the cost of capital as well as decreases the businesses’ cash flow which is allocated to building inventory.

**Migration to More Certain and Fixed Revenue Streams**

To mitigate, if not avoid, the vicissitudes of hourly billing, professional service firms may consider more monthly fixed retainer models. This steady income, in good times and bad, could soften the slings and arrows of unpredictable cataclysms (assuming the clients stay solvent or do not renegotiate). The willingness of clients to pay fixed monthly retainers, however, may be problematic and, even if it is agreed to, may be reassessed at the first whiff of a downturn anyway. Ironically, many clients
who had previously suggested a fixed cost arrangement with flat monthly retainers have recently started to see the benefits of a variable cost structure, which frees up monthly burdens during challenging times.

**Possibly Lower Rent Costs**

With more workers working remotely, less space will be needed. Of course, that need for lesser space may be offset by the required spreading out of personnel in the workspace, so maybe this will equalize itself.

**More Zealous Monitoring of Cash Collection Cycle**

Liquidity in the form of prompt receipts from clients and moderately stretched payments to vendors is essential to keep a business afloat and well-capitalized. Certainly, during any challenging economic set of circumstances, the cycle becomes elongated. The experience during the pandemic reinforced slavish devotion to the basic principles that Cash is King or Queen. I would expect businesses to pursue this truism more slavishly to avoid defaults or delayed payments from customers. Prudent financial management will require retainers, staying replenished, as well as security deposits and not permit advancing significant costs. Interest for late payments, late payment fees, early pay discounts, retainers, good relations, friendly but prompt reminder calls and follow-ups, credit card auto-pay, and abrupt cessation of work are some tactics a business could be quicker to pursue to avoid being used by their customers as a bank.

**Increased Taxes**

While the author is not an economist, the trillions of dollars of government stimulus, amounting to over 14% of our GDP, should be inflationary (although TARP and other excessive stimulus in 2007-08 did not lead to inflation). Increased taxes are a conventional tonic to drown deficit spending. This could both lead to great use of the multitude of income and estate tax planning services but at the same time decrease business activity. Financial managers will need to deal with greater tax claims on owners’ income and creative ways to minimize the bite.

**Increased Regulation**

The pandemic has unleashed a torrent of legislation addressing crucial pillars of our economy and business. These include lending, labor, employment, and executive compensation. Most of the legislation was written hurriedly to deal with the impending political and fiscal crisis and the need for interpretation and well as compliance creates work for the service industry. Regulation always imposes cost, whether in the form of taxes or personnel or advisors to address the rules.

**More Downtime Due to Pandemic Alerts**

This pandemic will scar the psyche of many for decades to come and with the inevitable passing of stories down to the succeeding generations. Given the great disruptions a pandemic inflicts, the memories of which may become exaggerated and
shibboleths as the years progress, and given the perceived slow and the less than energetic response the federal government provided, future leaders will view the efficient, competent and rapid response to even a whiff of a pandemic to be the prism through which their competence is judged. Therefore, the government will be expected to react with alacrity, not panic, and competence. Just as governors of states in hurricane regions lead efforts to warn citizens in advance of an impending hurricane and exhort them to board up their houses and head for higher ground, future national leaders, and even some state leaders, may closely monitor outbreaks of illnesses in faraway lands, just as we now monitor the formation of tropical depressions in the Caribbean, and perhaps prepare citizens and businesses well in advance. This may result in more precautionary business closures, some warranted and some like the putative hurricane that thankfully never develops or veers off course. Very few will blame a government for shutting down the office too soon rather than keeping it open too long. While we as a society balance economic health against physical health, this pandemic has slightly tilted the balance toward the latter. Therefore, business and financial models will need to add a closure cost and downtime “vacancy rate” lost revenue expense to prudently and conservatively prepare for this eventuality.

Some might say that all the talk of major transformational shifts due to the COVID-19 pandemic is an overreaction. After all, pandemics are rare black swan events. Ideally, there will soon be a vaccine. In theory, there may already be a treatment. Many die every year during the flu season. Society has to balance health and safety against a booming productive economy. All of this is true. However, in the past twenty years, we have had several worldwide pandemics, like SARS, MERS, H1N1, avian flu, Ebola, to name a few. We have also had societal and business altering events like 9/11 and the financial pandemic in 2007-8. Some might even observe that these “black swans”, being not so rare, are more like “black ducks”.

Ignoring the trends of spreading diseases in a rapidly globalized world, as well as the likely occurrence of other truly unforeseeable occurrences, is to ignore the need to properly address the ramifications of these events and perhaps recognize ways to improve our ability to mitigate disruption in the future. While no one has a crystal ball, the possible responses to the pandemic may lead to profound changes or accelerate existing trends in our office environment in a broad panoply of areas, not the least of which includes those discussed above. Our future office and work environment, particularly in how we model our financial responses, will be as profoundly different in the future as was our country before and after the last world war. Once the Genie is out of the bottle, it is difficult to put back in.

The opinions and views stated herein are the sole opinions of the author and do not reflect the views or opinions of the National Law Review or any of its affiliates.

© The National Law Forum. LLC

National Law Review, Volume X, Number 153
