

Reputation is all

Law firms are in big trouble if their reputation becomes tarnished. So how can you keep your good name? Two experts offer some pointers

BY PETER SCOTT AND SUE STAPELY

SOCRATES WROTE 'REGARD your good name as the richest jewel you can possibly be possessed of'. Over 2,000 years later, illustrious reputations continue to come crashing down in our business world, as managers fail to heed his words.

Fragile existences

Recent events have driven home the message, particularly to professional firms, that your survival may hang by that most fragile of threads – your continued good name with those that matter to your business. Law firms depend more than most upon maintaining the highest possible reputations, given that the ethos of the legal profession is built upon honesty and integrity.

Damage to reputation can happen as a result of any risk crystallising. In other words, to manage effectively a firm's reputation, it needs to have in place an effective risk management strategy covering every aspect of its business.

As law firms become larger, more sophisticated and geographically spread, they must

actively protect their reputations. Easier said than done.

How to protect

Partnerships are the hardest reputations to protect. The collectivism makes risk assessment tricky, but management must take the lead in building and protecting reputation. Where risk to the firm's reputation is concerned, 'over-management' may be a virtue. The questioning managing partner or chief executive with a 'nose' for what is not right can be a firm's greatest protection. They should question everyone, however senior, about everything and everyone, particularly about things they do not know much about or which relate to high-risk areas of the business. And if they do not receive answers that satisfy, they should dig deeper. They should also always seek written assurances – having to put it in writing can make people think twice about the answers they give, as well as providing evidence if the answers are erroneous. If the person tasked with this finds it uncomfortable, bring in an external professional.



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Here are a few pointers to help firms to identify, assess and mitigate risks to their reputation:

Rules of engagement

Impose risk management rules on your firm and make sure they are 'lived'. You must put detailed written procedures in place to manage the risks inherent in advising clients (professional indemnity insurers are now insisting that firms have effective risk procedures). You should also have procedures to manage other serious risk areas, particularly those relating to people – your partners and staff – because they are where damage to reputation can most easily (and dangerously) occur. It is not enough to have a manual containing a plan. All relevant staff must be informed, trained and required to buy into the approach, and the systems must be regularly checked.

Knowing yourself

An effective risk management strategy depends upon first

having the relevant knowledge, supported by the right systems and personnel. Managing partners should go out of their way to find out what is happening in every part of their firm. As the leader of the firm, it is their job to know. One firm we know discovered to its horror that a partner was operating an entirely separate business undetected within the firm.

Knowing partners and staff is vitally important in the current climate of high partner mobility. Never take at face value what is stated in a CV or the reasons given for leaving by a partner or by the firm they are leaving. Always dig as deep as possible to ensure the true reasons are known. Always take up all offered references, ask to check qualifications and be cautious if the applicant reacts with anxiety to any of this. Expect all search consultants to be rigorous in their approach. Again, if there are any serious doubts, employ a specialist company to check for the firm.

Ultimately, it may be best to trust your instincts and rely on the well-tested maxim 'if in doubt, don't'.

Knowing them

Clients are potentially a huge risk – their reputation (good or bad) can easily rub off on a firm. Check them out thoroughly before they are taken on, speak to previous advisers or even have specialist organisations investigate the client. Few firms seem able to find, let alone quote from, the money laundering guidance they have received.

Put control mechanisms in place as part of the due diligence/conflict checking systems in the firm, not only to vet new clients, but also to monitor the nature of the work being undertaken for clients. It will do neither the firm nor its lawyers' reputations any good if they take on work they are not capable of doing, or keep to themselves a job they are not qualified to do which they should have passed to a colleague. Saying 'no' to new work can be one of the hardest tasks a partner has to do, and one of the most important.

Also, test regularly the firm's complaints handling systems and its compliance mechanisms.

Never wait until they are found to be inadequate before updating them. A well-handled complaint enhances rather than damages the business.

Partner lifestyles

Set up procedures to ensure that 'when the cat's away, the mice don't play'. If the firm has more than one office, particularly offices in far-flung parts of the world, make sure that adequate controls and supervision are in place. Foreign offices of law firms can produce their fair share of problems. Managing partners and all those managing law firms must make it their jobs to know who their partners are advising, and with whom they are associating. Check out a partner's lifestyle if you have any suspicions – you may be surprised by what you find.

Teamwork

Ensure the necessary infrastructure is in place with a team of experienced managers, preferably non-lawyers, to safeguard those parts of the business most at risk.

- Consider employing a specialist risk manager.

- Ensure finance and HR personnel are of the highest quality and experience, and invest in keeping their expertise up to date.

- Marketing and media relations people can be crucial in helping to build the firm's reputation and to limit damage when problems happen. Employ the best available and if you do not have the internal resources then

bring in specialist external consultants when necessary.

When appraising all staff, ensure that their coping mechanisms and skills are appropriate for any roles allocated to them in the risk management team and provide any necessary training.

Implement training for all partners and staff to show them why protecting the firm's reputation depends on their managing every risk in the business. Show them the benefits to be gained from 'living' risk management daily. This, combined with a degree of induced 'fear', is likely to be your greatest safeguard against future disaster.

Investing in the present

Establishing a rigorous process can take a long time. In the meantime, many things can go wrong to dent the reputation that you have been so carefully building over many years. When the worst happens, how can you prevent a potential crisis from destroying your business? These final suggestions are the most important of all.

- Move fast to ascertain the facts – and don't say a word until you have them straight.

- Have temporary switchboard and communications systems in place.

- Have ready full contact details for all relevant people (partners, media, staff, security, premises, suppliers).

- If a physical disaster has occurred, go to the site.

- Prepare and issue an early holding statement, acknowledging distress/inconvenience and, if appropriate and permitted by the lawyers/indemnity insurers, apologise.

- Allocate pre-arranged roles quickly to a small, tight team.

- Set up a central office with telephones and PCs, with the crisis team within earshot of each other.

- Wherever possible, communicate face to face and not via e-mail or memos.

- Prepare communications for all affected audiences. We suggest this order of priority:

1. partners and staff (starting with switchboard, security and reception);
2. clients;
3. third parties (insurers, legal advisers, accountants, suppliers, referrers);
4. media; and
5. rivals/marketplace.

- Maintain the media competence – speak to the media if necessary and monitor all coverage rigorously, but do not allow the media to drive the process.

- Ensure that the team all take regular breaks, have refreshments, and aren't allowed to burn out.

- When the situation is under control, rigorously evaluate the performance of all involved. Much will be learned.

As more professional firms invest heavily in promotion and marketing, it is ever more important to safeguard the reputation of your firm to ensure that it will withstand the scrutiny you are courting.

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Major risk areas for law firms. Some of these risks are interdependent. Damage to reputation can happen as a result of any risk crystallising.