

Legal risk leaders

STATUS, JOB MOBILITY AND GENDER AMONG RISK LEADERS IN THE TOP 100 UK LAW FIRMS



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Find an up-to-date list top 100 risk directors at www.lsn.co.uk/risk-compliance/top-100

Methodology

The data was originally collected in early 2013, and was fully updated in February 2014. The list was refreshed in April 2014. Alongside researching director positions in top firms using information in the public domain, we contacted the individuals where possible, or asked a specific knowledgeable contact in each firm, to help us ensure our data on directors is as accurate as possible.

Data collected includes: name, current firm, current job title, year they joined the firm, year they became a director (if different to the year they joined the firm) and the title-holder's previous employer. An individual's gender has been derived from the individual's name except where it was not completely obvious, in which case checks have been made to verify the information with the individual.

Top 100 director listing (p14) explained

Info unavailable: We've either been unable to contact or source the information, or someone has made an explicit request for data not to appear.

Position vacant: At the time of the research (updated February and April 2014) there was no one in this position.

Role does not exist: This appears where firms have indicated that there is no individual with this specific role in a director capacity.

First employer: Indicates that an individual has not had an employer prior to their current employer.

About Prosperoware

Prosperoware is a unique combination of a consultancy and software development company, helping firms take their practice areas and engagement to the next level – solutions that give the greatest degree of latitude possible without sacrificing governance, security, or privacy.

www.prosperoware.com

About Legal Support Network

LSN is a publishing, media and events company wholly focused on business services and support staff in law firms, whatever role they're in.

www.lsn.co.uk

Rupert Collins-White

Head of content, Legal Support Network



Today's risk directors (and the other risk head roles, such as general counsel) have a very different role in front of them than heads of risk in the past.

They're now, mostly, liable for all risk-related matters in the firm, for the emplacement of systems to monitor and report on risks and breaches, and for embedding a risk culture inside the firm. They're also, rightly, becoming more involved in how firms take and manage commercial risk. This brings their role more in line with a corporate GC, but their compliance remit is (except perhaps in areas like financial services or health) much wider.

This puts great weight on their shoulders. They are, of course, well suited to the role, as legal risk is now a role almost entirely staffed by lawyers who have worked in law firms before. They're probably better fitted to their role than almost anyone else in what we at LSN would call business services – except, perhaps, for that subject of commercial risk. Managing that for clients is very different to managing it inside a business, for the good of the business. Businesses need to take risks, and the necessity to be a lawyer in order to be a COLP has, perhaps, reduced the likelihood in many firms that the head of risk will be commercially, rather than compliance-minded. The big journey, perhaps, for risk heads in legal is to learn to take more risk.

But the risk role is in other ways in rude health. The years 2011-12 saw plenty of job movement which may or may not continue, and risk represents perhaps the most gender-equal top-level lawyer role in existence.

Personally, I'm doubtful about whether the risk director title will last beyond the mid-term future. I could be wrong (journalists' predictions often are), but it appears there's a shift towards turning risk heads into corporate-style GCs, or at least it feels that way. It may never happen, but I can see plenty of reasons why that might be a good idea. Where will that leave this research? That's an interesting question, but in any other sector, the legal department is as much 'pure' business services as IT or finance.

But it may have interesting consequences, creating more pressure to see both 'sides' of the lawyer/non-lawyer debate differently. That would be good for every legal business.

Paul O'Connor

Director EMEA operations, Prosperoware



This report provides a great statistical analysis of risk chiefs within UK law firms and the extent to which the creation and mobility of risk roles have accelerated rapidly over recent years, driven primarily by regulation.

It has always been in the nature of law firms to take and manage risk, but with increasing regulatory pressures, the transformation of law firms, through initiatives such as OFR, ABS, LSA, AFA, the mobile workforce with their tablets and phones and increased client governance demands, have all combined to create the perfect storm, driving the need for risk chiefs to help firms adopt the necessary changes in how they do business.

These new risk roles have primarily been filled from within the profession, and this function has given women equal representation at board level.

Risk positions may have been created as a response to these pressures, but the risk chiefs are writing their own destinies, looking to do more than pay lip service to requirements by critically analysing the inherent risks that will always be in law firms – and taking steps to mitigate them.

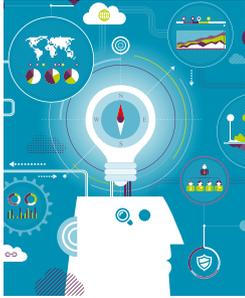
Smart lawyers will find means to bypass cumbersome systems and processes and smart risk chiefs know this. You want doing the right thing to be easy. For instance, it's no use insisting that all documents live within a matter file if you don't make it easy for staff to do that. Anything you do to slow down fee earners simply drives lawyers to create their own 'systems'. Familiar is as important as easy. A user shouldn't have to use an unfamiliar interface just because a matter requires confidentiality. Check boxes and risk registers are better at finding out what went wrong, rather than preventing it.

Modifying systems to work the way lawyers work is the most efficient way to ensure governance.

Dialogue with clients, management, and lawyers facilitated by risk chiefs will fundamentally change the culture of how services are delivered. I expect that the new placement of these high-profile professionals will impact far more than envisaged. This is good news for the profession.

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Executive summary



Managing risk in legal business is a big deal. Regulation and compliance duties are increasing and ever more burdensome. More telling, perhaps, is the increasing need to manage and run with commercial risk. Firms now have to take a significantly more conscious and strategic approach to risk.

It's this new climate that has encouraged Legal Support Network to include risk chiefs in its Top 100 Directors research, adding them to the roles already studied: finance, IT, HR and marketing/BD. The risk research results indicate we're not wrong to do so.

The profile of this relative newcomer role to the table is (generally) markedly different to that of his or her executive colleagues. Risk director at TLT, John Verry, gets straight to the point about the risk leader role: even law firms have to take risks in the course of their normal business, and it's the effective management of that risk which is important – therefore, a board-level risk role is required.

“Irrespective of the type of risk – strategic, operational or financial – an adverse high-risk, high-impact event can have very serious, even long-term consequences for a firm. If risk is to be managed effectively, all areas of risk need to be addressed. The business takes risks, and the risk director manages them. But this can only be done effectively after a process of risk identification. It is difficult to see how this role may be undertaken effectively unless the risk director is a board/strategic level role.”

But there are wide variations in the risk leader's job titling, indicating perhaps that the definition of what a risk chief is, and is not, is still very much to be decided.

The role is recruited overwhelmingly from within legal and is now an almost completely lawyer-dominated one since the COLP definitions

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were set. But in many cases risk presents a highly credible alternative career path for lawyers, and it's also the role, out of all the roles we research, with the most even gender balance. Why? It might be because it's a very credible career path for lawyers, without the ridiculous hours associated with fee-earning partnership – or it could be just the newness of the role as a management function, and a sign of things to come.

The risk leader role has also been highly mobile, but only very recently. This might not prove to be true over time, especially if those risk heads we quizzed for this report who say that the job movement since 2011 is down to the COLP definition are right. But other risk chiefs we questioned (see section 1.1) say the role is simply growing in importance and power – which lends itself to ongoing job mobility and attractiveness.

LSN Top 100 Risk Directors research: key findings

Risk is a comparatively new role, with high recent mobility. Almost every hire or promotion (97.5%) in risk has taken place since 2000, and 41% of moves over the last five years occurred in 2011.

Most top 100 firms have a dedicated risk head in business services, but there are almost no C-level risk leaders. Three-quarters of top 100 firms have a senior risk role in management, but there's still a real reluctance to give them a C-level title – just 3% of firms have chief risk officers.

It's good news for gender equality – risk is the most balanced role in town. With a pretty even balance of 55% women to 45% men, risk management is providing men and women alike with a real alternative to fee earning while driving a nonetheless legal career.

Legal risk leaders, mainly, come from within legal business. Three-quarters (74%) held a role in a law firm before they gained their current position – the highest figure across all the roles LSN studies.

Find an up-to-date list top 100 risk directors at
www.lsn.co.uk/risk-compliance/top-100

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On the move? Job mobility, opportunity and backgrounds of the risk elite

Risk is a relatively new role, so it's no surprise that, over the last 25 years, 97.5% of risk hires and promotions/moves have taken place since 2000.

More significantly, perhaps, 41% of all risk moves since 2009 happened in 2011 – perhaps stimulated by the SRA's decision to require a COLP to be a lawyer. Whether that's the primary cause or not, post-Legal Services Act changes are bound to have caused movement and hastened the role's maturity. The average length of service in risk supports this – the average is six years in post, without significant variation across the 100, compared with nine years for other directors.

Looking at the background of risk leaders, it's probably unsurprising to see that three-quarters (74%) of top risk roles were filled from people already in law firms. This is the highest percentage relative to all the other roles studied in LSN's recent Top 100 Directors research, which placed HR at 40%, IT at 51%, finance at 55% and marketing at 62%.

But risk is a very different beast, requiring a dynamic combination of legal and, increasingly, commercial acumen. This means that finding and keeping a leader who can manage commercial risk as well as compliance is the risk recruitment challenge of the moment for top 100 firms.

1.1 The COLP and COFA connection

Michelle Garlick, partner and head of compliance at Weightmans, says the risk role has matured alongside external pressures towards consistency and codification. "The requirement for a COLP/COFA has focused the industry on having to find risk professionals,

but for many firms it is simply a codification of good business practice and the introduction of new terminology. The primary difference is that the new role focuses on accountability and supporting documentation."

Angela Robertson, general counsel and partner at Eversheds, doesn't believe the COLP/COFA requirements are the driving force for recent high job movement, putting instead the shift down to the role's increased importance.

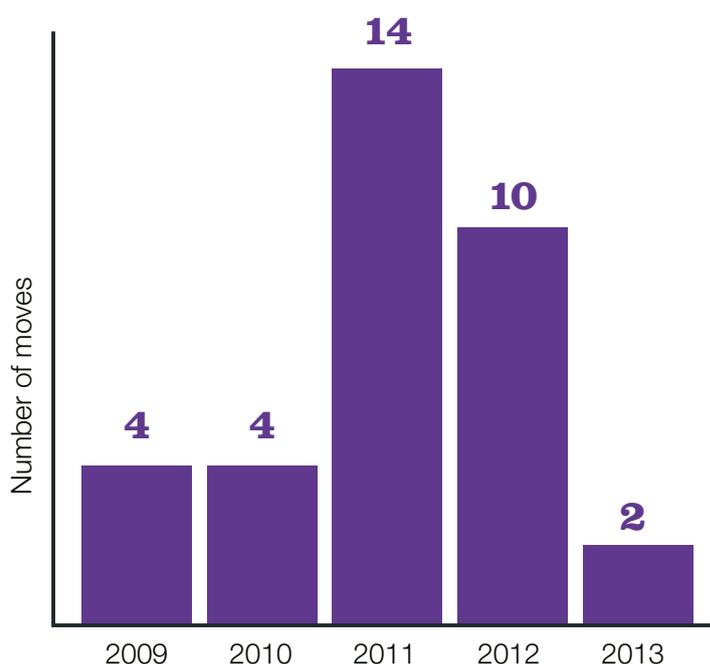
"It has only been in recent years that law firm risk management has been identified as a career option for professionals in the legal sector. I think it unlikely that the COLP/COFA regime brought about the peak in moves during 2011 – a number of firms have been organising their internal structures in contemplation of accommodating the compliance officer roles, and I suspect the true impact and importance of those roles is only now being realised."

Andrew Cheung, UKMEA general counsel at Dentons, agrees, saying regulations have simply pushed risk to the top of minds. "I don't believe it was the COLP and the COFA requirement, in and of itself, that has been the catalyst for so much change in this industry – but it helped.

"Instead, I think it was the whole programme of OFR and the concept of an active regulator that hugely increased the profile of risk and put it front and centre on the desks of law firm leadership. In well-run firms, many of the changes required by OFR were happening already, and with increasing pace. OFR, and the senior management attention it garnered, was the catalyst for accelerating this change."

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Finding COLP-ability: 2011-12 saw a big spike in risk chiefs hires/moves, just when the COLP rules were set:



In contrast, John Verry, risk director at TLT, asserts that regulation did cause the 2011 risk moves spike, and the driver – COLPs must be lawyers – may be unnecessarily restrictive on law firms’ abilities to drive forward commercially.

“While there has been a steady increase over the past five years in the number of risk roles being created, the element of compulsion introduced by the authorisation rules is undoubtedly responsible for the peak in 2011.

“Requiring the COLP to be a lawyer unnecessarily restricts the choice of selecting the best person for the role. There are many highly qualified risk specialists who are not lawyers – it is difficult to understand the mindset as to why a COLP should be a lawyer. The role needs to be filled by a suitably qualified risk specialist – not a lawyer who happens to know a bit about risk. It is not that lawyers cannot do the job, just that in some cases there may be non-lawyers who would be better at the role.”

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Could this mean that legal is missing out on the best risk chiefs available? Robertson says the COLP rules have certainly removed people from the list.

“There are a number of senior risk chiefs with a huge breadth of experience and ability who have not been able to take on the COLP role. This is likely to produce some interesting changes in the way that risk is structured at law firms, if the requirement for a COLP to be a lawyer remains an SRA requirement.”

Garlick is more pragmatic, but warns that the requirement does potentially jeopardise the ability to drive forward in a more commercial way.

“As with all roles, some lawyers will be a natural fit, while others will not. It’s the same with business development – some people can do it with ease, others struggle.

“The danger is that firms will appoint someone

to the role who has an excellent knowledge of technical compliance issues but who is unable to prioritise and evaluate risks commercially. This is based on a fundamental misunderstanding of the job description – a good COLP/COFA needs to understand risk management within the context of the business and the sector.”

Fundamentally, we know that risk leaders have a lot to deal with across a broad range of challenges – it’s as much about business strategy as compliance, if it’s done well. As Robertson explains: “Managing commercial risk requires a detailed understanding of the firm and its clients, and of the overall market conditions. Working closely with a firm’s management team is another element vital to ensuring that the firm’s approach to risk takes due account of any strategic or directional changes.”

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John Verry, risk director, TLT

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Getting women on board - gender in the top 100's legal risk leadership

The risk role has the best balance of all director roles studied by LSN – 55% women to 45% men in the top risk jobs.

This is almost identical to marketing, (56%/44% female/male), whereas IT and finance roles are occupied by women in only 17% and 15% of instances respectively. HR reverses this trend with 63% of top HR titles are held by women.

Men (slightly) dominate the top 25 firms in risk, with a 46%/54% female/male split. Although there is some variance across the middle of the top 100 (66% women leaders in 26-75 segment), it evens itself out at 47% women and 53% men in the top risk jobs for firms in the 76-100 segment.

Verry at TLT says this is good news. “It’s difficult to say why there is an even split in this role, but long may it continue. One hopes that [other] areas will emulate this balance, and anything that encourages this, such as high-profile women in the role of risk directors, is to be both welcomed and encouraged.”

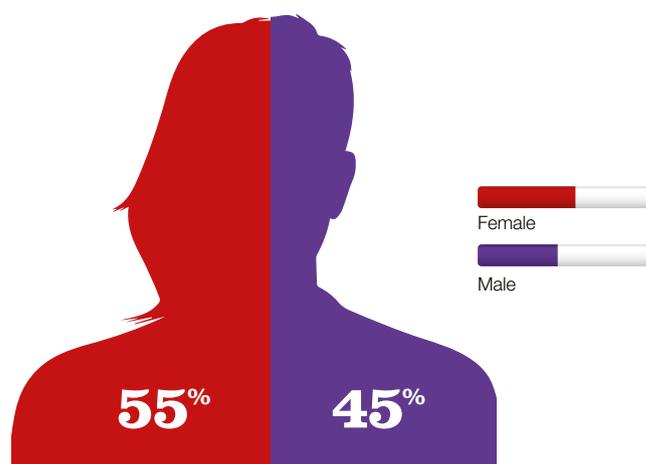
2.1 An alternative path to success?

This evolving role of risk director may be giving women the chance to have a high-profile role in legal that many would have missed out on in the past.

Robertson at Eversheds says she doesn’t experience this gender balance in risk at risk conferences and networking events, but “I suspect that a role in legal risk is seen by some women as an alternative to a role in fee earning”. However, she warns, a solicitor is less likely to pursue an alternative career in

the other functions, such as IT or marketing – which may prevent a spread of diversity by example.

But it’s still good for risk, says Garlick at Weightmans. “Many of the skills are transferable from fee earning. As we know, women are known to be good at multi-tasking and (at the risk of over-generalising), good with



people. Both traits in my view are essential in these roles.”

But Cheung at Dentons says it’s conversely proving hard to get men into risk at the top levels. “When I started out, the idea of someone who was vocationally trained as a risk professional in a law firm was unusual. [But] in recent years I’ve seen, perhaps for the first time, graduates who want a career in risk and compliance and have studied for it. The split at that level is overwhelmingly in favour of women, and it is actually quite difficult to recruit men at that level. Perhaps the diversity in this area will be very different in 10 years.”

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Status of risk leaders: Is the role gravitating towards general counsel, rather than a director?

In this research, three-quarters (74%) of firms have put risk in the hands of a dedicated senior management individual – but there are 50 different job titles for those people, and many combined roles. Both those facts seem to indicate a role still in a state of flux. This is brought to light especially when comparing risk with more established roles. IT has 29 titles, HR has 32, finance 24 and marketing 37.

There are some big groups of risk titles (26% of titles include the word ‘director’, 20% are ‘head’ of risk) but there are almost no C-level risk leaders in legal – ‘chief’ appears just twice across 74 reported positions. With such wide variation it is difficult to assess the status given to the role. Some firms are creating a board-level strategic role to drive a culture of risk management, others are adding the risk responsibility to senior partners and general counsel roles. Is this spreading them too thinly? Or is it giving the role the authority it requires or deserves? Perhaps more important, how does this affect the hiring of risk leaders?

Garlick at Weightmans says making risk a senior role is how to get the right candidate, and that “creating a strategic/board-level role for risk management also assists with making the challenge attractive to the type of individual who has the personality to challenge dominant characters who may traditionally have dominated the decision-making process”.

According to Cheung at Dentons, variety is the spice of life – in describing his role, he provides a good indication of how differently the role can be interpreted. “There are as many approaches to risk as there are firms, and I think that will always and necessarily be the case, as risk functions and cultures tend to grow organically and reflect culture and operational practices. I

have a board-level risk role that is broader than simply regulatory and legal risk, though that is something that dominates our risk register.”

Robertson at Eversheds says firms must see risk as pervading every activity in a firm. “The SRA’s code of conduct makes it very clear that risk is not simply a compliance issue, but also a relevant factor in how the firm is governed and managed. In my view, risk should be considered in the very widest context and has relevance to every aspect of a law firm’s activity.”

3.1 Whatever they’re called – get them on the board

Are law firms currently giving the right level of status and focus to the risk chief role, especially as it should incorporate thinking about the firm’s commercial risks?

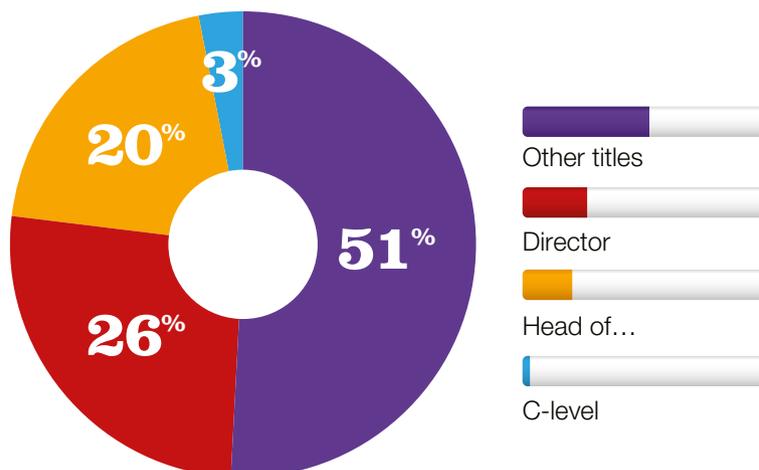
“The risk director needs to take part in the decision-making process,” says Verry at TLT. “Do we merge? Open a new office? Do we start a new work stream, become a paperless office? The risks attached to such decisions need to be identified and managed at the first opportunity.”

For Cheung, being at board level is a must. “I think it’s crucial that risk has a seat on the board, for a number of reasons. First, that is where strategic decisions and direction take shape and the merits of different options and approaches are debated and weighed. It is important that risk be able to influence the outcomes of those discussions, rather than trying to reverse engineer risk solutions once decisions have been made.

“Second, the mere presence of a risk person

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What's in a name? Risk's titles range far and wide



at a board level reminds each of the board members of the importance of risk to their organisation. I have a regular slot on risk issues and, while that needs to be carefully managed, I find it is very effective. Third, risk at a board level provides the right tone from the top for the rest of the organisation and lends legitimacy to the risk function and decisions around risk.”

Robertson also recommends a ‘from the top’ approach. “If the messages are promoted from an executive/board level, they are more likely to infiltrate the firm’s culture. By giving sufficient status and emphasis to the senior risk role, it conveys a message to the business that the importance and contribution of this role is recognised. This differentiates those firms prepared to acknowledge that risk can and does play a key part in upholding a firm’s reputation.”

Placing risk with a general counsel role indicates, she adds, that a firm is putting risk at the top of the strategic agenda. “There appears to be a wide disparity between firms as to how this role is treated. When it sits within the remit of a firm’s general counsel, frequently the role will be at partner and board level. Where the role sits outside the general counsel, there is a tendency for it to operate at a non-partner level in the firm (although obviously there are exceptions). As firms come to appreciate the importance and impact of the role of the COLP, I think it extremely likely that this will change.”

Ultimately, not taking risk seriously isn’t really an option, and perhaps the variety of titles in legal risk is not an issue – whatever the title, it’s got to be a strategic role to ensure the job gets done.

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