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How to get staff to take personal responsibility for risk management

A discussion for the RiskBites Club
14 March 2023



Getting staff to take personal responsibility for risk management

- **What's the problem?**
- **What's the impact?**
- **Why does it arise?**
- **How can you overcome it?**
 - Personal responsibility- 'what's in it for me?'; and
 - Support



What's the problem?

- Claims can be caused by anyone in the firm, from the senior partner to the receptionist!
- Responsibility for risk management has to rest with everyone as part of their role/job description
- But most staff see risk management as something that happens behind the scenes and is nothing to do with them!
- Risk management only truly works when it is fully embedded 'top down' and 'bottom up', with a no blame culture, where staff feel safe and encouraged to admit when they don't feel comfortable on a case.
- All too often that doesn't happen, issues are hidden until it is too late, meaning the problem can't be turned around, further issues can't be prevented and potentially huge costs arise for the firm.
- So how you create that in your firms?



What's the impact?

The hidden cost of a claim- the 7 impacts of a claim

- The excess- the first part of the claim (£5k, £20k?)
- The premium- can increase for many years even on unpaid claims (the 'tail')
- Time spent on renewal- this can be significant and is time when you are not earning fees
- Time spent on the claim- risk partner, board, fee earner, admin staff- can be 100s of hours, irrecoverable time which could otherwise have been spent on earning fees or driving the firm forward
- Loss of the client (or at least, damage to the client relationship)
- Damage to staff (potential loss of staff and damage to confidence)
- Damage to wider reputation and loss of future unknown income streams

The hidden cost can be £10,000s or £100,000 or more and comes off profit not turnover!



Why does it arise?

Some reasons/excuses

- A risk management department exists- surely it's their job?
- Hourly rates charged -v- salary paid
- The partners make so much money, yet they want me to spend time on this
- I am under pressure to earn fees and don't have time to focus on this rm stuff.
- 'I am a qualified accountant/solicitor/xxx- admin is beneath my paygrade'
- 'I am an administrator- risk management is for the qualified staff'
- 'I didn't know what to do when the client got hostile, so I froze'
- I didn't want the boss to think I couldn't handle it so I tried to resolve it myself'
- I didn't know who to talk to about the issue and kept putting off dealing with it.



Overcoming the issue

- **Financial**
 - Transparency over impact of claims on insurance cost and firm performance?
 - Transparency over differential between salary and overhead? To reduce resentment?
- **Contractual**
 - Ensuring it is clear that there is a responsibility for RM
- **RM team are there to support not replace**
 - Making it clear what the role of RM team is in the firm (if you have one)
- **Why it matters to you as an individual- what the impact on you and your career will be if you have a complaint or a claim both within and without the firm (the stick)- see next slide**
- **Support- what the firm does to help if someone feels uncomfortable about a case – at any stage- see later slide**



Personal responsibility- why it matters to you as an individual

Impact on firm if a claim is made

- Hidden cost of claims- significant and impacts on profits/ability to pay bonuses, make pay rises and potential redundancies

Impact on individual if a claim is

- time consuming, negative focus, losing confidence.

Potential complaint to professional body- impact for career

- No matter how much the firm supports the individual, personal complaints can be pursued and orders made

Potential personal claims against individual by clients

- If engagement letter not sent when it should have been (eg retainer creep) then the protections aren't there to prevent such claims

Potential impact on career

- It is a question asked by recruiters- have you had a claim against you?
- What caused the claim? Bad luck? Or a failure to follow process?



Support- helping create the right culture

- **Who do staff turn to when they are worried on a file?**
- **Will they do that early enough if that person has an impact on their career?**
- **Buddy system? But does the buddy have sufficient knowledge to understand the difference between:-**
 - GDPR requests (however informal), Complaints, Claims
 - Circumstances, and Pre complaint/claim/circumstance issues that need de-escalating
- **And know how to deal with them appropriately?**
- **Having someone for staff to turn to who can assist and deal with these issues in a no blame way will support and prevent matters being left until they are 'critical'**
- **Think about who that person should be in your firm.**



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How to get staff to take personal responsibility for risk management Any Questions?

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