

PROFESSIONAL DEVELOPMENT: GETTING TO KNOW YOUR CLIENT'S BUSINESS

To understand the needs of your client there is no better way than to learn about your client's business. Speaking at the City Bar's Professional Development Workshop, *Getting to Know Your Client's Business*, Charles Fox of Fox Professional Development, LLC, acknowledged that getting to know your client's business can be a daunting task. Learning about your client may not be seen as part of your job and clients are often reluctant to give out information. Despite these obstacles, advises Fox, it is worth taking the time and effort.

Getting the Big Picture

It is important to get a basic picture of your client. Is the client public or private? If your client is public there is an abundance of information available and easily accessible on-line. If the client is private it can be a bigger challenge to unearth information but often, suggests Fox, all you have to do is ask. Ask the client for the financial statements, internal research; anything they think may be useful.

Determine if the client is big or small. You do this, says Fox, by looking at the company's annual sales, market capital, income, annual profits, total assets and number of employees.

Is the client simple or complex? In order to determine the complexity of the client look at the number of products or business lines. What do the capital and corporate structure look like? Is the business regulated or unregulated? How many countries does it operate in and what is the number of employees?

Also, knowing the client's decision making process is crucial, says Fox. As counsel you need to know how, and by whom, decisions are ultimately made. Is the culture bureaucratic or entrepreneurial? How does the Board of Directors operate? Is there delegation of authority or must all decisions be approved by senior management?

Understanding Your Client's Corporate Structure

To become a trusted adviser, says Fox, you need to understand how all the parts of your client go together, as well as the assets and liabilities. Though your client may think of their business as a whole, most businesses are broken down into entities. Entities have a separate legal existence, says Fox. One entity is not necessarily responsible for the liabilities of another so it is important for lawyers to analyze their client's issues on an entity-by-entity basis.

To understand your client's assets and liabilities, says Fox, look at the balance sheet. See how it obtains the money it needs to run and what debts and equity are outstanding. Remember to read all the notes to the financial statement, says Fox. It is often in the notes where you find the most useful and telling information. Check the documents pursuant to which capital was raised such as through the issuance of stock or debt. Find out how many classes of stock there are, how dividends are paid and if there are any shareholder agreements. Look at debt, determine when the debt matures, is it pre-payable, who holds the debt and is it secured.

In today's world of unsettled economic circumstances and highly leveraged businesses, having an understanding of the client's corporate structure is vital.

Knowing Your Client's Risks

If you understand your client's risks, says Fox, you are better able to advise against disaster. There are your client's financial risks. These include accounting issues, such as characterizing current expenses as capital costs, premature recognition of revenues and improper use of off-balance sheet transactions.

There are also general financial market risks to your client. What interest rate exposure does your client have, does it have commodity costs, does it buy or sell overseas and have exposure to foreign exchange rates? Also, says Fox, take a look at your client's specific operating risks such as: increase in raw material prices; increased competition; potential for loss of a key employee; or a key vendor or customer.

Consider risks of unexpected liabilities including: tort judgments; damages for contract breach; shareholder suits; or employee benefit plans. Finally, notes Fox, consider public relations risks such as criminal and civil investigations and liabilities; harmful products; accounting problems; and lawsuits.

Learning about a client's business requires time and effort. But if you are willing to make the effort, says Fox, you will be a more effective lawyer; it will make the practice more satisfying, provide more business development opportunities and make you a valuable and trusted advisor to your client.

Professional Development Online Discussion Forum

Connect with fellow attorneys, consultants, and professional development experts to gain valuable career guidance, and share your own insights. Further discuss the Professional Development Workshops and/or post your own questions and comments regarding your career development.

Visit the Career Development Page on www.nycbar.org and click on the Discussion Forums Link to get started. Or visit <http://www.nycbar.org/LegalCareerCenter/forum/>