

In today's litigious business world, court actions are no longer restricted to industry giants and more and more companies, including SMEs and sole traders, can find themselves in the firing line. Potential legal claims can be categorised as follows:

Claims under contract	You should clearly define the scope of services and responsibility within the contract you hold with your client. This ensures that your client is clear about what they are buying and you are clear about what you have to deliver. The more specific this agreement can be, the better. Contracts should also include a full legal review process where appropriate.
Professional negligence	As a consultant or contractor to another business you can also be sued under the common 'law in tort'. This is based on legal precedent, rather than statute, which means that the standard of skill and care expected of a particular profession or industry has not yet been precisely defined by the courts and so is open to contention. To protect yourself, you should always operate under the assumption that you owe a higher level of duty than the person on the street. You possess special knowledge and experience in your particular field of expertise and should act accordingly.
Defamation	This can occur at any level and may even include, for example, case studies used during an internal training session. Organisations should be careful of using or producing any material about other companies that may cause offence and that risks going beyond the intended internal audience.
Intellectual property (IP)	This can mean, for instance, considering how much of an employee's knowledge and methods are really the property of their previous employer. In the creative industries, e.g. media and design, this area of the law has mushroomed and shows no signs of abating. IP claims can become a problem particularly when a company starts to become successful. At this point claimants can appear from the shadows. Even if it is without merit, defending such a claim can be very expensive.
Loss of documents or breach of confidentiality	<p>When working with a company's senior management, you may often be exposed to their very closest working secrets. Loose tongues at a restaurant, or indeed a laptop left accidentally on a train, could have very serious consequences.</p> <p>All of these risks can be effectively managed and there are some practical ways to address them. From experience, a company need not necessarily have done something wrong to receive a solicitor's letter demanding compensation. A change of management, company financial difficulties or boardroom politics can result in clients not wanting to pay after the advice or a service has been delivered. The first step of effective risk management is to accept that risks do exist and then to identify the specific risks facing your business. These may include: physical risks (e.g. property damage, bodily injury, etc.), financial risks (as described above), credit risk, reputational risk (e.g. damage to brand) or any other type of risk that may affect the operation of the business.</p> <p>The next step is to quantify the potential impact to the business – the likelihood of it happening and the potential outcomes if things do go wrong. Tangible risks with a material chance of occurrence, such as default by your creditors, can be minimised with simple processes such as tightening up payment terms or increasing the frequency of payment chasing.</p> <p>Most risks can be reduced or managed but very few can be removed altogether. At this point you need to consider 'risk transfer', where the potential impact is transferred from your balance sheet onto someone else's. This can be done in several ways:</p>
Legal contract	As mentioned above, it is important to have a contract in place between yourself and your client. This contract should be the very first line of defence where you can "lay off" some of the risks you potentially face.
Insurance policy	<p>An insurance policy is the most common form of risk transfer used by companies of all sizes and is ideally suited to small to medium-sized organisations. Risks are shared by many policyholders, making the cost to you proportionate to the size of your business.</p> <p>When buying insurance, you should focus on the insurance companies who deal with your specific sector. Specialist insurance is designed to protect the unique relationship you have with your client and offers specific covers that you would not get from a standard policy. To summarise, once identified, risks can be minimised but very rarely are they removed altogether. The transfer of any unacceptable levels of risk is therefore an essential element in safeguarding the future of your business. Buying an insurance policy is generally the best option for the small to medium-sized businesses and you should challenge your insurance provider to help you identify and remove the key risks your business faces.</p>