

The Role of Legal Counsel in Managing Corporate Crises

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In the context of increasing corporate crises due to economic volatility and regulatory complexities, the role of legal counsel has become increasingly significant. This study aims to explore the comprehensive roles and responsibilities of legal counsels during different phases of corporate crises, emphasizing their strategic importance in not only navigating but also preempting such crises. This qualitative study utilized semi-structured interviews to collect data from 25 legal professionals across various industries. Participants were selected through purposive sampling to ensure a broad representation of experiences and insights. The study aimed for theoretical saturation and employed NVivo software for data analysis, enabling a thorough thematic analysis of the transcribed interviews. Four main themes were identified: Preventive Legal Strategies, Crisis Response and Management, Post-Crisis Analysis and Learning, and Legal Team Dynamics and Support. Each theme contained multiple categories detailing specific activities and responsibilities, such as Risk Assessment, Policy Development, Immediate Legal Actions, Communication Management, Legal Review, Process Improvements, Team Coordination, and Emotional Support. These categories encapsulate the proactive and reactive strategies legal counsels employ to manage and mitigate corporate crises. The study highlights the integral and expansive role of legal counsels in managing corporate crises, from preventive strategies and immediate crisis responses to post-crisis evaluations and team dynamics management. Legal counsels not only ensure compliance and mitigate risks but also strategically guide their corporations through crises, significantly impacting corporate resilience and sustainability.

Keywords: Legal Counsel, Corporate Crises, Risk Management, Crisis Management, Preventive Strategies, Post-Crisis Analysis, Legal Strategy, Corporate Governance.

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1. Introduction

In the intricate landscape of corporate management, the role of legal counsel has progressively evolved beyond traditional legal advising to encompass strategic involvement in crisis management. This paradigm shift is driven by an increasing recognition of the complexity and multiplicity of legal challenges that corporations face in today's globalized market. The legal counsel's involvement in managing these crises not only

underscores their pivotal role in legal governance but also highlights their strategic importance in steering corporations through turbulent times (Carroll, 2021; Melendy & Huefner, 2011).

Legal analysis of agency theory suggests that the intrinsic characteristics of corporations necessitate specialized oversight mechanisms, particularly in the realm of legal compliance and ethical governance (Abbasi, 2009). As corporations navigate through crises, the legal framework within which they operate often



becomes both a tool of empowerment and a source of constraint. The dual role of legal advisors as both guardians of compliance and strategic partners in decision-making is crucial in managing these dynamics effectively (Daily et al., 2003).

Moreover, the identity theory perspective provides a nuanced understanding of the ethical behavior of professionals within non-professional settings, reflecting on how legal counsels adapt to the often ambiguous and high-pressure environment of corporate crises (Gunz & Gunz, 2007). This adaptation is critical, not only for maintaining the legal and ethical standing of the organization but also for ensuring the organization's longevity and success.

The importance of legal counsel's role extends into the corporate social responsibility (CSR) domain, where their guidance helps align the organization's strategies with societal expectations and legal requirements, thereby enhancing the corporation's reputation and mitigating risks associated with non-compliance during crises (Zhou & Ki, 2018). This alignment is particularly significant as corporations increasingly adopt roles that transcend traditional business goals, moving towards models that integrate profit with purpose, necessitating a legal framework that supports such transitions (Segrestin, 2023).

Empirical studies underscore the varying roles played by corporate lawyers, from traditional legal advisors to strategic partners involved in crisis management and compliance monitoring. These roles often require a broad set of skills and an in-depth understanding of the corporate landscape to navigate effectively (Melendy & Huefner, 2011; Nelson & Nielsen, 2000). Additionally, the gender dynamics within the legal profession also impact how legal advice is perceived and implemented within corporations, indicating a need for greater diversity and inclusion (Ingersoll et al., 2020).

The ethical landscape in which corporate lawyers operate is also of paramount importance. Studies have indicated that the pressures of the corporate environment can sometimes lead to ethical dilemmas where lawyers are caught between upholding the law and fulfilling their obligations to their employers (Gunz & Gunz, 2007). This tension underscores the need for robust frameworks that support ethical decision-making without compromising professional integrity.

In addressing these multifaceted roles, this study focuses on the empirical exploration through qualitative analysis of semi-structured interviews with 25 legal professionals across various industries. This methodological approach allows for an in-depth understanding of how legal counsels perceive their roles in crisis management, the strategies they employ, and the challenges they face. This research aims to contribute to the broader discourse on corporate governance and crisis management, offering insights into the evolving role of legal counsel in contemporary corporate structures.

In conclusion, as corporations continue to face unprecedented challenges and crises, the role of legal counsel remains integral not only in navigating these challenges but also in shaping the strategic responses that define the future trajectory of these corporations. Through this study, we seek to provide a comprehensive analysis of these roles and offer strategic insights that can aid legal professionals and corporate managers in enhancing their crisis management frameworks.

2. Methods and Materials

2.1. Study Design and Participants

This study employs a qualitative research methodology, focusing on semi-structured interviews to explore the role of legal counsel in managing corporate crises. The choice of this method is grounded in its ability to elicit detailed insights and personal experiences from participants, which are vital for understanding the complex dynamics of legal advisory in crisis situations. Participants for the interviews were selected using a purposive sampling technique, targeting legal professionals in various corporations who have been directly involved in crisis management. This selection process ensures that the data gathered is both relevant and rich in context, pertaining to the research questions. The study continues to conduct interviews until theoretical saturation is reached, meaning that no new themes or relevant information emerges from subsequent interviews. This approach ensures the comprehensiveness and depth of the qualitative analysis, confirming that the collected data sufficiently covers the research topic.

All participants were provided with informed consent forms detailing the purpose of the research, the nature of

their involvement, and the handling of their data. Confidentiality and anonymity of the participants are strictly maintained throughout the study to protect their identity and the sensitive information they may disclose.

2.2. Measures

2.2.1. Semi-Structured Interview

The primary data collection method for this research involves semi-structured interviews with legal experts who have direct experience managing corporate crises. These interviews are designed to be open-ended to allow participants the flexibility to express their views and share experiences in their own words, while still guided by a set of predetermined questions that aim to uncover deep insights into the role and impact of legal counsel during crises.

2.3. Data Analysis

Data from the interviews are transcribed verbatim and analyzed using NVivo software. NVivo aids in managing,

sorting, and organizing the data, allowing for effective coding and thematic analysis. The software's robust analytical tools enable the identification of patterns and themes across the data set, facilitating a systematic examination of how legal counsels contribute to and influence the management of corporate crises.

3. Findings and Results

In this qualitative study, a total of 25 legal professionals were interviewed to explore the role of legal counsel in managing corporate crises. The demographic composition of the participants included 15 males and 10 females, reflecting a diverse range of perspectives within the field. These participants varied widely in terms of experience, with 8 having less than 5 years of experience, 10 possessing between 5 and 15 years of experience, and 7 boasting over 15 years of experience in legal crisis management.

Table 1

The Results of Thematic Analysis

Main Themes	Subthemes	Concepts (Open Codes)
Preventive Legal Strategies	Risk Assessment	Identifying threats, Legal audits, Risk prioritization, Scenario planning, Compliance checks
	Policy Development	Drafting guidelines, Implementing regulations, Internal compliance, Stakeholder communication
	Training Programs	Crisis simulation, Legal workshops, Ethical conduct training, Decision-making processes
	Legal Advisory	Regular consultations, Legal opinions, Preventive counseling, Strategy reviews
	Contract Management	Contractual obligations, Contingency clauses, Supplier relations, Contract reviews
Crisis Response and Management	Immediate Legal Actions	Cease and desist, Injunctions, Regulatory notifications, Legal holds
	Communication Management	Public statements, Press releases, Internal communications, Stakeholder briefings
	Litigation Management	Lawsuit preparations, Legal defenses, Settlement negotiations, Court representations
	Regulatory Compliance	Government inquiries, Compliance reports, Audit responses, Licensing issues
Post-Crisis Analysis and Learning	Legal Review	Incident analysis, Legal outcomes, Feedback integration, Documentation review
	Process Improvements	Policy updates, Strategy refinement, Training updates, Compliance enhancement
	Lessons Learned	Root cause analysis, Success evaluation, Improvement identification, Strategic recommendations
Legal Team Dynamics and Support	Team Coordination	Role assignment, Communication protocols, Response synchronization, Task delegation
	Emotional Support	Stress management, Psychological support, Team morale, Coping strategies
	Professional Development	Skill enhancement, Career progression, Educational opportunities, Knowledge sharing
	External Support	Consulting specialists, External legal advice, Collaborative partnerships

The analysis of the interview data revealed four main themes concerning the role of legal counsel in managing corporate crises: Preventive Legal Strategies, Crisis Response and Management, Post-Crisis Analysis and Learning, and Legal Team Dynamics and Support. Each theme encompasses several subthemes and associated concepts, as outlined below:

3.1. Preventive Legal Strategies

Risk Assessment: Legal professionals frequently highlighted the importance of proactive risk assessments to mitigate potential legal issues. Concepts such as "Identifying threats," "Legal audits," and "Risk prioritization" were often discussed. One interviewee stated, "It's about foreseeing the storms and having a plan ready, not just reacting when the sky darkens."

Policy Development: Developing robust policies was cited as crucial for maintaining compliance and managing relations. "Drafting guidelines" and "Stakeholder communication" were pivotal, with one counsel noting, "Our goal is to build policies that are not just compliant, but that also enhance our resilience against potential crises."

Other subthemes included Training Programs and Legal Advisory, where participants mentioned the importance of "Crisis simulations" and "Preventive counseling" to prepare the organization for unforeseen events.

3.2. Crisis Response and Management

Immediate Legal Actions: Interviewees emphasized the necessity of swift legal actions such as "Cease and desist" orders and "Regulatory notifications" to mitigate the impact of crises. "The first 24 hours are critical to setting the stage for legal control," one respondent remarked.

Communication Management and Litigation Management were also identified as crucial, with emphasis on managing public perception and navigating the legal battleground effectively.

3.3. Post-Crisis Analysis and Learning

Legal Review: This involves "Incident analysis" and "Feedback integration," where one interviewee mentioned, "Every crisis is a lesson; our job is to decode that lesson and integrate it into our future strategy."

Process Improvements and Lessons Learned focused on refining strategies and policies based on the crisis outcomes to better prepare for future incidents.

3.4. Legal Team Dynamics and Support

Team Coordination and Emotional Support were highlighted as essential for maintaining team efficacy and morale during high-pressure situations. "Supporting each other through a crisis not only helps us survive it but often means we come out stronger," shared a participant.

Professional Development and the utilization of External Support were also noted as vital for enhancing the capabilities of the legal team and ensuring access to necessary external resources during crises.

4. Discussion and Conclusion

The qualitative analysis of the semi-structured interviews with legal professionals yielded four main themes, each capturing a distinct aspect of the role of legal counsel in managing corporate crises. These themes include Preventive Legal Strategies, Crisis Response and Management, Post-Crisis Analysis and Learning, and Legal Team Dynamics and Support. Each theme is broken down into multiple categories with associated concepts that collectively describe the comprehensive activities and responsibilities undertaken by legal counsels.

The theme of Preventive Legal Strategies encompasses five categories: Risk Assessment, Policy Development, Training Programs, Legal Advisory, and Contract Management. Risk Assessment involves identifying threats, conducting legal audits, prioritizing risks, scenario planning, and compliance checks. Policy Development is focused on drafting guidelines, implementing regulations, ensuring internal compliance, and facilitating stakeholder communication. Training Programs include conducting crisis simulations, organizing legal workshops, training on ethical conduct, and enhancing decision-making processes. Legal Advisory captures regular consultations, providing legal opinions, preventive counseling, and strategy reviews. Lastly, Contract Management deals with managing contractual obligations, integrating contingency clauses, handling supplier relations, and reviewing contracts.

This theme is divided into four categories: Immediate Legal Actions, Communication Management, Litigation Management, and Regulatory Compliance. Immediate Legal Actions cover initiating cease and desist orders, injunctions, regulatory notifications, and imposing legal holds. Communication Management emphasizes managing public statements, issuing press releases, orchestrating internal communications, and conducting stakeholder briefings. Litigation Management involves preparations for lawsuits, developing legal defenses, conducting settlement negotiations, and representing in courts. Regulatory Compliance includes handling government inquiries, producing compliance reports, responding to audits, and managing licensing issues.

Under Post-Crisis Analysis and Learning, three categories were identified: Legal Review, Process Improvements, and Lessons Learned. Legal Review entails incident analysis, legal outcomes review, feedback integration, and documentation reviews. Process Improvements focus on updating policies, refining strategies, enhancing training, and improving compliance measures. Lessons Learned cover conducting root cause analysis, evaluating successes, identifying areas for improvement, and making strategic recommendations.

The final theme, Legal Team Dynamics and Support, consists of four categories: Team Coordination, Emotional Support, Professional Development, and External Support. Team Coordination includes assigning roles, establishing communication protocols, synchronizing response efforts, and delegating tasks. Emotional Support covers managing stress, providing psychological support, boosting team morale, and offering coping strategies. Professional Development focuses on enhancing skills, facilitating career progression, providing educational opportunities, and sharing knowledge. External Support involves consulting with specialists, seeking external legal advice, and forming collaborative partnerships.

Our findings demonstrate that legal counsels actively engage in preventive strategies to mitigate risks before they escalate into full-blown crises. This includes activities such as risk assessment, policy development, and the provision of training programs, echoing Abbasi's (2009) emphasis on the necessity for legal structures to proactively manage potential risks inherent in corporate operations. Similarly, Melendy and Huefner (2011)

highlighted the growth of compliance committees as an initiative towards monitoring legal compliance, supporting our findings that legal teams are integral in the development and implementation of internal policies aimed at compliance and risk mitigation (Melendy & Huefner, 2011).

During crises, the roles of legal counsels are critically pivoted towards immediate legal actions and communication management, as illustrated in our study. This reactive dimension is supported by Lee's (2020) study on corporate CSR and its effects on crisis management, which identifies the alignment of CSR strategies with crisis management frameworks as beneficial (Lee, 2020). Moreover, Zhou and Ki (2018) emphasized the importance of CSR fit in both routine business and corporate crisis settings, aligning with our findings that legal counsels play a pivotal role in managing communications to uphold corporate reputation during crises (Zhou & Ki, 2018).

Post-crisis, legal counsels engage in evaluating the legal approaches taken and developing lessons learned. This aligns with Singh et al. (2019), who discussed the role of brand equity and strategic corporate partnerships in crisis recovery phases (Singh et al., 2019). Our study expands on this by highlighting that legal teams not only review the outcomes but also refine legal and strategic frameworks to better prepare for future crises, reflecting Nelson and Nielsen's (2000) description of the evolving role of inside counsel in shaping corporate strategies (Nelson & Nielsen, 2000).

The support system within legal teams, as identified in our study, includes emotional support and professional development which are crucial for maintaining morale and effectiveness during high-pressure situations. This is in line with Ingersoll, Glass, and Cook's (2020) findings on pathways to gender parity in the legal field, emphasizing the need for supportive environments that foster professional growth and resilience (Ingersoll et al., 2020).

The multidimensional roles of legal counsels identified in this study suggest a significant evolution from traditional views of legal advisors as solely gatekeepers of legal compliance to strategic partners in corporate governance. This evolution is consistent with the perspective offered by Peterson et al. (2015), who posited that the integration of law and business strategy

is crucial for navigating social changes and global environments effectively (Peterson et al., 2015).

Furthermore, our findings about the proactive and strategic involvement of legal counsels resonate with Gunz and Gunz's (2007) analysis on the ethical behavior of professionals in non-professional settings, where the identity and role of legal counsels are continuously shaped by the dual pressures of ethical integrity and strategic crisis management. This dual role necessitates a balance that can be challenging but is essential for the sustainable management of corporate entities (Gunz & Gunz, 2007).

The study revealed that legal counsels play a multifaceted role in managing corporate crises through preventive strategies, direct crisis management, post-crisis analysis, and team support dynamics. The findings emphasize the importance of legal counsels not only as compliance monitors but also as strategic partners capable of influencing corporate direction before, during, and after crises. These roles encompass risk assessment, policy development, training programs, immediate legal actions, communication management, litigation management, regulatory compliance, post-incident reviews, process improvements, and support for legal team dynamics.

This study has effectively highlighted the critical and expansive role of legal counsels in corporate crisis management, illustrating their involvement in various stages of crisis handling—from prevention and control to learning and adaptation post-crisis. The insights gained underscore the strategic importance of legal advisors in fostering organizational resilience and providing guidance that navigates corporations through complex, multifaceted crises. By integrating legal expertise with strategic management, legal counsels contribute significantly to the governance and sustainability of corporations, ensuring they are better prepared and responsive to crises.

This study is subject to several limitations. Firstly, the reliance on semi-structured interviews, while beneficial for depth of insight, may limit the generalizability of the findings due to the subjective nature of the responses and the potential for interviewer bias. Additionally, the study's focus on a qualitative approach does not quantify the impact or the prevalence of the observed strategies across a broader range of industries, which could vary significantly. Finally, the theoretical saturation

approach, while thorough, depends heavily on the chosen sample and may not capture all possible variations in legal counsel roles across different corporate cultures or international contexts.

Future research could expand on the findings of this study by incorporating quantitative methods to measure the impact of legal counsels' strategies on corporate outcomes during crises. Comparative studies across different industries and cultural contexts could provide a more comprehensive understanding of how legal practices in crisis management might vary globally. Additionally, longitudinal studies that track changes in the role and effectiveness of legal counsels over time could offer insights into the evolution of legal practices in response to changing corporate and global environments.

The results of this study suggest several practical implications for corporate governance. Corporations should consider enhancing the strategic roles of their legal departments, integrating legal counsel more deeply into crisis management planning and execution. Training programs focused on crisis preparedness should be expanded to include not only legal aspects but also strategic decision-making processes. Additionally, the development of internal policies should actively involve legal perspectives to ensure that they are robust against potential crises. For legal professionals, there is a clear indication that expanding their roles beyond traditional boundaries and engaging in proactive corporate strategy and crisis management can significantly influence corporate resilience and success.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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