

“I spend more time as GC talking about risk and culture than I do about the law.”



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What was 2020 like for you and your team?

Like life for lots of people generally, it was really, really very hard. Rolls-Royce was coming out of its latest restructuring programme at the start of 2020 thinking it would be a year of execution and then Covid happened. Half our revenue depends on aircraft flying – it was a bit of a problem. Selfishly, from a legal and risk management perspective, it was very interesting and I was in the middle of it as part of an executive team and board handling some pretty high-profile issues. That included going through the people issues, ensuring liquidity, the rights issue, the restructuring we are currently in the middle of, and the change to our strategy. It's been a fascinating year, but exhausting for the teams.

How did you approach those challenges?

As general counsel, I get to experience a broad remit. Firstly, I was chair of our crisis management team, so at the point all this started in February, March [2020], when we were dealing with operational and people safety and business continuity, it quickly got to realising that revenues had dropped and people weren't flying, so what were we going to do? You have short-term demands and then longer-term issues to deal with and – once we realized things weren't going back to normal any time soon, you're in the middle of co-ordinating the impact of that on the group. My role as GC was to make sure we were pulling away from the weeds and taking that broader perspective of risks that teams in the business didn't have the time to focus on. I learnt that that role was an important one, at a time when those in the business were focussed on business issues and some of my other exec colleagues were rightly spending a lot of time managing a number of other external stakeholders.

How able did you feel to assess those risks through 2020?

I'd reflect on the benefit we've been able to take from previous restructurings over the last few years, as I'm not sure we as an organisation would previously have had the maturity or simplified structures that enable you to handle the crisis. We've spent a lot of time as an executive team trying to build the right cultures and behaviours across the organisation and that helps. Everyone understands you are trying to enable a better result. But it's hard work.

If you had a teachable moment from 2020, what would it be?

Two things. Firstly, this whole thing about GCs being more than just lawyers is absolutely true. Companies need somebody that thinks beyond the law and is prepared to stick their elbows out and think about reputational risk and not be afraid to have a business perspective. The second lesson is the need for agility in a changing environment. There's three lines of defence in a risk world: making sure you've identified risks to your strategy, that you've put controls in place and, most importantly, that you're assuring the tasks you are trying to achieve are still achieving the outcome you need. We have an environment where our civil business has to shrink by a third and we've got to lose a large number of our colleagues. We have oversight to make sure we are hitting all of these targets, but you also need the constant feedback loop asking: "Are those targets still fit for purpose?" That's often forgotten.

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How well did the risk procedures you had at the start of 2020 stand up to the realities of Covid-19?

We've got great people and a good understanding of risks throughout the organisation, but there were always going to be lots of lessons to be learned. We have a fantastic incident management framework and risk framework. But it's got to be more than a framework on paper; it can't be a separate industry to business-as-usual decision-making. Organisations often have too much 'risk appreciation', so people identify risks and put them on a register but stop there, missing the need to do anything about the risk identified. We did scenario plan global pandemics, but I'm not sure anyone anticipated this specific scenario. But our systems are good. We recognised quickly that you can't have one approach to this pandemic where, after the first wave, the second wave became much more of a localized action for local issues. We moved, thanks to our risk team, to create a lessons-learned process – not at the end of the crisis, but halfway through. That was really important.

Looking back a few years pre-Covid, how were the risks facing Rolls-Royce changing?

I became group general counsel in 2015 and was head of legal when the SFO came calling. I was involved in getting that deferred prosecution agreement closed out [in January 2017, following a four-year bribery and corruption investigation]. The move from commercial customer/supplier type disputes into reputational, company-threatening disputes was already happening and that's continued whether in respect of compliance or broader reputational issues. This includes macro trends around sustainability in its broadest sense, whether that's Black Lives Matter, the #MeToo movement or harassment, as well as regulatory-type issues. These trends are set to continue. We are an organisation that is very alive to making sure we are doing the right thing – rather than just simply complying with the law. And there are a lot of people looking at companies to make sure we're doing what we say we do.

A number of GCs talk about reputational issues blurring with legal risks. What's driving that?

There's nowhere to hide anymore – and that's a good thing from a societal perspective. People used to scoff about the concept of companies with “purpose”, but that's really changed. It's not just pressure from investors, but from our people – me included! Look at the climate crisis and energy transition, look at our businesses. We need to keep asking ourselves what we're doing to make sure we're part of the solution.

Does Rolls-Royce have a defined style of resolving disputes?

In the past, there has been a perception in the aerospace industry that nobody ends up in court. That's changed over time and we've had to adapt. The litigation team in Rolls-Royce has tried to drive the right understanding of the facts – good or bad – and the right approach to resolution, with pragmatism and a real understanding of the business context. And if you're going to avoid court, you really need to understand the litigation strategy and work back from there. Litigation is flaming expensive and can take an incredibly long period of time – companies have neither time nor money to litigate on a whim these days.

How should legal providers be evolving their services for the disputes of tomorrow?

Big, bet-the-company disputes need strategic advice and therefore I'm prepared to pay for it, but I would be looking for external barristers or lawyers to be harnessing the technology we've all learned to love over the last 12 months. I'm also looking for them to support the legal ecosystem such as the judiciary, legal educators and legal tech companies in trying to find new ways and dispute mechanisms that can resolve things more quickly, that can encourage pragmatic win-win situations. Otherwise, we'll all stay stuck in our silos and not drive any change.

How do you think GCs need to shift their attitudes to risk in the years ahead?

I've spent more time in the last five years as general counsel talking about risk and culture than I have about the law; there is a mentality switch that needs to keep being pressed to ensure GCs move towards being guardians of risk and reputation. We can't drive risk as a separate industry – GCs need to drive it as part of business decision-making. Companies don't survive unless they take risks – it's about making sure people take decisions with their eyes open. GCs have such an opportunity to drive that mentality through their organisations.

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