Change is the law of life. And those who look only to the past or present are certain to miss the future.

John F. Kennedy
EVALUATING POTENTIAL BUSINESS CLIENTS

Shannon Kemen

Checking for conflicts and assessing a client’s ability to pay are routine concerns for attorneys taking on a new client. In addition to these steps, attorneys should also consider conducting some simple background research before investing a lot of time and resources on a new client’s matter. Preliminary research can not only protect you from potentially taking on a problem client but it also has the added benefit of allowing you to better market your services to the client’s specific needs by developing a better understanding of their business.

Researching a potential client is especially prudent when that client is a business entity. Determining who really has the ability to make decisions for the business is a necessary first step, but there are other considerations you may want to investigate before you take the case. Simply answering basic questions like “Does the company website describe the activities of the company in the same way the client is representing the company to you?” or “Is the company listed as active and in good standing with the Secretary of State?” may be able to alert you to other potential problems with the company. For example, a corporate status of inactive and bad standing in Kentucky could simply mean that the company failed to file an annual report or it could be a more serious warning sign of trouble in the company.

There are several business resources available that can help you avoid taking on a problem client. The list below includes business sources that are free or freely available at local libraries:

SECRETARY OF STATE

The Secretary of State site will help you verify if the company is legally doing business in the state. It will also help you locate the names of principals who are authorized to sign and do business on behalf of the company, the company’s corporate filings and UCC filings. Research Tip: Some Secretary of State sites provide a very small amount of company information. If you know your company does business in other states, consider checking the Secretary of State sites in those other states to uncover additional information.

COMPANY WEBSITE

Reviewing a company’s website can help you locate news articles on the company, ownership information, executive biographies and historical information about the company. Research Tip: Finding information on company websites can be difficult. Instead of wasting time searching the company’s entire website, try using Google’s site search feature to locate the information you need. This feature will let you to run a normal Google search, but it will limit the search results to those found on the company’s website. For example, if you wanted to search Jolly Plumbing’s website for any mention of their relationship to PumpHouse Plumbing you would enter the Google search “Site: www.jollyplumbing.com + pumphouse.”

FACEBOOK

Searching for a company’s Facebook page is especially important with small businesses because many small businesses no longer maintain company websites, which have traditionally provided some of the best sources of information. According to the State of Small Business Report, while small companies rarely update their websites, “there is a high level of interactivity with social media sites. Among businesses that use Facebook, 66 percent 'update or interact with' the site for business purposes at least weekly.” The information available on a company’s Facebook page
can include contact information, company locations, ownership information, information about employees, product information, historical information, and other company information. Research Tip: The most important company information is generally found on the About and Timeline sections of the page.

ReferenceUSA

This database is available through the Public Library of Cincinnati and Hamilton County and the Boone County Public Library. It includes information on 24 million U.S. businesses and it is updated on a monthly basis. You can search for companies by name, executive title, business type, sales volume, employee size and more. You can also generate Reports with company information and view a Corporate Tree, which will show other subsidiary or branch locations of the company. Research Tip: Use the Custom Search to locate new clients by searching criteria like industry, location, number of employees, sales volume, and more to locate additional potential clients.

HOOVER'S ONLINE

This database is available through the University of Cincinnati. It is a good source for basic background information on both public and private companies. Examples of the types of data provided for most companies include: the number of employees, industry information, key people, key financials, press releases and more. Research Tip: In addition to company profiles, Hoover's also has a Build A List feature which can be used to locate new clients. You can search by location, industry type, annual sales, number of employees, income and more.

LEXISNEXIS ACADEMIC

In addition to company profiles, LexisNexis Academic also includes general news and trade journals which may be relevant to your company. Trade journals may be especially helpful in locating very detailed information about your company and its industry. Trade journals typically offer in-depth analysis of the targeted industry and industry journal writers are generally experts in their field. Writers may be business developers, company presidents and CEOs. Trade journals also provide interviews with and profiles of key people. LexisNexis Academic is available through Northern Kentucky University and the University of Cincinnati. Research Tip: To locate Trade Journals directly select Sources, Browse Sources, and Industry Trade Press. Then select relevant publications and select OK-Continue to search all your selections at one time.

These are just a few basic resources to review during your preliminary evaluation of a client. If you have unanswered questions or feel uncomfortable with the information you have uncovered keep researching!

1 Note: If you are interested in reviewing a company's UCC filing history you will also want to check the County Recorder's site for filings that were made before July of 2001.


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