Scenario 1 – Impact of Client Conflicts

John Smith, a senior partner at the Firm, is the relationship partner for Acme Pharmaceutical, a client of the firm for 20 years. Acme's billings have been declining annually and this year's projected billings are estimated at $8.0 million, down 15% from last year. The work for Acme is done solely by Smith and his small self-selected group of associates and he has no other significant client relationships.

Other partners strongly believe there is more work the firm could capture from Acme. Smith is very protective of his relationship and has never been willing to give other partners access. There is also an undercurrent among some partners that Smith has put Acme's interests before the firm's, e.g. there have been occasions when Smith committed other partners to unreasonably short deadlines and then became angry when he encountered resistance. There is a growing feeling that Smith is not living the firm's values, a hallmark the firm truly adheres to.

Scenario 1 – Impact of Client Conflicts

John Doe, an up and coming, newly ordained equity partner has developed a strong relationship with the general counsel of Zinke, Inc. a competitor to Acme. His growing marketplace reputation has prompted the general counsel to ask Doe to join their panel of legal advisors. The prospects for doing a great deal of work are encouraging and estimated to be $5.0 million in the next fiscal year. Of course the work is not guaranteed and Doe has been asked to pitch for the work with the caveat that if he is retained, the firm will no longer be able to serve Acme

Doe is one of the bright lights for the firm and is being groomed for practice area leadership. His reputation in the marketplace has put him on the radar screen of competitor firms and he is being wooed regularly by headhunters. His loss would be a blow to the morale of your junior partners.

Do you retain Acme as a client?

Scenario 2 – Global Practice Expansion

You have the opportunity to acquire a boutique IP practice in London. The group would complement your existing US practice and leverage your growing presence in the European marketplace. One of your major clients is strongly encouraging the acquisition with the promise of more work as it moves aggressively into the Eastern European marketplace.

The potential acquisition is heavily weighted with senior partners, whose billing rates are significantly lower than what you normally charge. In traditional UK form, their partners are paid on a lock-step compensation structure and the greater majority of the new partners are at the top of their ladder. The deal would also give them a guaranteed 3 year premium compensation package.

Scenario 2 – Global Practice Expansion

You know one of your major competitor firms is also talking to the group and the impact of that combination would be a major blow to your business development efforts in this arena as you would be perceived as "second tier" with neither the expertise or the depth of bench of a major player.

You have never brought in such a large lateral group and many of your partners are concerned wit the integration of the partners and their practice. Other partners are raising concerns about the precarious UK economy, the impact of the exchange rate on the bottom-line cost to the firm and whether your firm should be seeking geographic expansion during the downward economy.

Do you bring in the boutique practice?