



Ringling the changes: Dechert London's new HQ in Blackfriars (above)
Titmuss Sainer & Webb's old HQ in Holborn (inset)

Titmuss Sainer/Dechert: A cautionary tale

As speculation intensifies about a new wave of Anglo-US mergers, **RAVINDER CASLEY GERA** recalls the tale of the cautious partnership that became a sweeping transformation

A US merger can be a lifeline for smaller UK firms, offering top-range clients, a stronger brand and a step change in profits. But there are risks. Even the most cautious firm will ultimately be taking a step into the unknown. Take the strange story of Titmuss, Sainer & Webb – known these days as the London office of Philadelphia's Dechert.

Titmuss can hardly be accused of marrying in haste. It spent six years cosying up to Dechert, swapping partners and even tentatively sharing

profits, before taking the plunge in 2000. Titmuss' partners expected some changes. But no one foresaw the sweeping transformation of the firm that Dechert – under the determined leadership of chairman Bart Winokur – carried out. Once best known for real estate, Dechert London is now a financial services specialist. Its profits have increased threefold. But fewer than half the Titmuss partners who went into the merger are still with the firm. Did Titmuss sleepwalk into a takeover?

“At several times leading up to the merger, people had asked Steven Fogel: shouldn’t we have a plan B, in case this doesn’t work out? And he said, absolutely not.”

Former partner, Titmuss Sainer/Dechert London

A very long engagement

In the early 1990s, Titmuss was in a bind. One of the country’s leading property firms, it was reeling from the slump in the real estate market. To make matters worse, it had lost its former prize client, the late Robert Maxwell (and been left with substantial unpaid fees). It was desperate for new sources of work.

Enter Dechert, Price & Rhoads. By 1994, the Philadelphia firm was also feeling bruised: it had just fallen out with ‘Le Club,’ a network of European law firms co-ordinated by the then Ashurst Morris Crisp, of which Dechert was the US member. Eager to build its European presence beyond its two-partner office in Russell Square, Dechert had proposed to Ashurst that they merge. Ashurst had politely declined – the first of many US near-misses – and ‘le Club’ had fallen apart.

Though smaller and less profitable than Ashurst, Titmuss had one great asset: it was willing. In June 1994, the two firms announced an “engagement.” Dechert’s London partners moved to the offices of Titmuss, which changed its name to Titmuss Sainer Dechert. A complex fee-sharing arrangement was set up.

From day one, the intention was that the firms would eventually merge, but for two years nothing happened. The firms slowly increased their levels of cross-referral, and Titmuss’ moribund profits slowly improved. But a proper union between the two firms seemed no closer than the day the engagement began.

Then in 1996, something changed: an ambitious corporate partner named Bart Winokur became chairman of Dechert. Winokur intended to turn Dechert into a global platform for high-end work. His first priority was to kick-start the firm’s stalled engagement in London. The starting point was the US firm’s vital investment funds practice whose clients sought good London counsel. Dechert hired former Linklaters funds expert Peter Astleford, placed him in the

Titmuss office, and encouraged him to build a practice with Titmuss’ associates.

Astleford quickly built an expanding practice. Moreover, he became a vocal proponent in London for full merger. “Mid-sized firms, in my personal opinion, are going nowhere,” he said in an interview in 1999. “Relative profits are going to decline, and the quality of work is going to decline.”

Astleford won the support of Titmuss’ managing partner Steven Fogel, and slowly but surely, they began deepening the relationship. In June 1997, corporate partner Nick Wagstaffe became the firm’s first transatlantic secondee, spending six months in the US. In 1998, Titmuss hired former Clifford Chance associate Richard Ambery to build a new structured finance practice to complement Dechert’s in New York. And in July 1999 Dechert sent corporate partner David Schulman to London to build links between the two firm’s corporate departments.

In September 1999, *LegalWeek* profiled Titmuss and reported some partners at the firm saying “it is not a case of if the two firms merge, but when and how.” In fact, the two firms were already in merger talks.

Wedding day jitters

But while Titmuss’ ambitious young partners were ploughing ahead, many others were getting nervous. Titmuss’ PEP in 1997-8 hovered around the £200,000 mark, two-thirds that of its prospective partner. Titmuss would need a concerted performance push just to get up to scratch. Ultimately, merger with Dechert would mean abandoning the firm’s cosy lockstep in favour of performance-based pay.

This would be a considerable shock to Titmuss’ culture. It hadn’t even allowed partners to see each others’ billings until the mid-90s. And Dechert’s strategic ambitions, focused on high-end finance, sat poorly with Titmuss’ traditional property-heavy practice. Many Titmuss partners feared they



Steven Fogel, Dechert

would have to change their practices to fit into a merged firm – or be told they didn’t fit at all.

By mid-1999, Fogel’s performance push and Astleford’s success raised Titmuss’ profits per partner by 26% – enough to tempt Dechert into starting merger negotiations in the autumn. But the Americans proved tough negotiators. Titmuss was told to manage its own transition to Dechert’s merit pay system; the partnership agreed in early 2000 to switch to a modified lockstep system, forcing the partnership to critically assess each other’s contributions for the first time. And three partners were informed they wouldn’t be able to join the new firm. Unnerved, Titmuss’ partners instructed Fogel to ask for a guarantee there would be no further forced departures after the merger. The answer came back clearly: no.

The management’s enthusiasm for the merger plan, say some partners, blinded them to the risk of relying on Dechert. “At several times leading up to the merger, people had asked Steven Fogel:

“We made a collective decision for the office as a whole. The partners didn’t want to use their right of veto based on any personal fear they might have.”

Steven Fogel, Dechert London

shouldn’t we have a plan B, in case this doesn’t work out?” recalls a former partner. “And he said, absolutely not. If we have an alternative, it’ll become a self-fulfilling prophecy.”

Dechert did make some concessions. Fogel would stay on as head of the London office. Titmuss wouldn’t transfer onto Dechert’s merit pay system until 2002, allowing time for lower-billing partners to adjust their practices. And Dechert made clear that it had no intention of seriously reshaping the London office’s practice right away. “We could obtain some peace of mind for a year or two,” recalls one former partner. “After that, it would be up to everyone to prove their worth.”

In June 2000, the firm’s 46 partners gathered to vote on the merger. Titmuss’ constitution meant that Fogel and Astleford needed a unanimous vote. But there was still opposition. The partnership was divided.

“A handful of partners spoke up against the merger, saying: ‘there are friends around this table we know we’ll have to say goodbye to,’ recalls one former partner. “But people said: ‘Who? How do you know? Where are the details?’ And they had to admit it was, effectively, a hunch.”

Dechert had been sufficiently vague about any future reshaping to allow most partners to believe that they, at least, would be safe. “Some people can hear the same statement and interpret in different ways,” points out one former partner. “We knew in future people could, and probably would, go. But everyone had a different view as to where the axe would fall – and how fast.”

Fogel recalls the partnership putting the firm’s overall needs ahead of their individual practices. “There was a range of views, both optimistic and pessimistic, about the impact [of the merger] on individuals,” he recalls. “We made a collective decision for the office as a whole. The partners didn’t want to use their right of veto based on any personal fear they might have.”

In practice, Titmuss’ partners, even those with reservations, knew it was all or nothing. If the merger didn’t go ahead, the engagement with Dechert was likely to fall apart. Shorn of its most profitable practices, Titmuss would be unlikely to survive. The engagement had allowed Titmuss to get to know its merger partner – up to a point. But it had also led them to a position where they had no real choice but to go ahead with what was still something of a leap into the unknown.

The opposition surrendered. Management got their way. Titmuss’ partners voted unanimously for the merger. In the end, there seemed little alternative. Titmuss’ more ambitious partners knew that Dechert offered their best chance of a larger platform – and bigger rewards. Titmuss’ older partners, and those in less profitable practices, simply hoped there would be no radical changes. “No one pretended that the process was going to be easy,” recalls Steven Fogel. “The decision to merge was an embrace of the challenge of moving up the ranks.”

The honeymoon – and after

For over a year, the lawyers of the newly minted Dechert London went about their business. The three pre-identified partners left without fanfare; a few months later, the firm shuttered its private client practice, dispatching head Ian Marsh to Withers; but other than that, there was no major fallout. Then in 2002, things began to change. Winokur, well into his second term as chairman and CEO, had initiated an ambitious five-year plan to push the firm into the top echelons. It meant relentlessly raising profits and focusing all the firm’s offices on the firm’s core financial services clients.

The office’s real estate department, formerly its beating heart, was merged with its finance team. Over the next two years a swath of notable real estate partners departed, including department head Chris Edwards. Real estate clients, too, balked at the firm’s increased rates and finance

focus. WHSmith dropped the firm from its panel in May 2002 in favour of Shoosmiths.

Of course, Dechert was not alone in reshaping its real estate department in the early 2000s. But the reforms did not stop there. In 2003–4, as Dechert continued to raise partner performance targets, more departures decimated the London office’s smaller departments. The firm’s construction chief and sole insurance litigation partner both left in the spring of 2003, along with its three-partner criminal team. Corporate, too, was affected, with several notable partners leaving in the second half of 2003. Even Nick Wagstaffe, whose secondment began the deepening of Titmuss’ co-operation with Dechert, left the firm in June. When Titmuss Sainer had voted for the merger, it had 46 partners. By the end of 2004, Dechert London had just 38 – several of whom were no longer in the equity.

Not all these partners were pushed. “A small number of people were simply asked to leave,” points out a former partner, “but others were asked to develop new clients or work in a different area.” Some decided they were too old to learn new tricks. Others decided to leave after being moved down or removed from the equity. “It wasn’t done in an inhumane way, but in a businesslike way,” Steven Fogel concurs, saying the firm has “raised the game ahead of others, without compromising human values.”

But former partners say the tough profits regime undermined the morale of even highly successful partners. “A number of people – including me – were in no immediate danger, but left just to avoid that level of pressure,” recalls one former partner. “Why submit yourself to that nagging worry about one day getting the chop, if you don’t need to?”

Those who stayed, prospered. Winokur’s reforms – in London and around the network – pushed the firm’s PEP up at a startling rate – from £671,000 in 2004 to £891,000 in 2005, and through the million mark in 2006. But the office’s turnover shrank by almost a fifth as the cull took its toll.

“Why submit yourself to that nagging worry about one day getting the chop, if you don’t need to?”

Former partner, Titmuss Sainer/Dechert London

Partners hoped that a swath of new hires would rebuild and expand the office. And a few significant hires were made, such as an eight-strong securitisation team from Morgan Lewis in early 2004. But the firm’s partner count continued to decline: to 36 in 2005 and 35 in 2006.

In 2005, after a long search, the firm moved into new headquarters in Blackfriars. They were shiny, modern and open-plan. They were also small: 55,000 sq ft. Before the merger, say former partners, Titmuss had begun looking for more than 100,000 sq ft. The message to the partnership was clear: a small, highly profitable finance boutique was what Titmuss had become – and how it was to stay. “There was a decision taken to make the office a certain size – and keep it that size,” recalls one former partner. “And from then on, it seemed, if someone new came in, someone else would have to leave.”

The present day

Dechert’s London office is now focused firmly on international financing and investment funds work, with the nation’s leading hedge funds practice. Its partners share in the firm’s impressive PEP of \$2.35 million. But of the more than 40 Titmuss partners at the time of the merger, only 18 remain.

Many former partners say that the competitive atmosphere engendered by Winokur’s assertive pruning served to destroy collaboration. “The guys you would talk about football with were not there anymore, and the ones who would steal your clients given half the chance were next door in their place,” recalls one. “You go from sharing opportunities to protecting them; laterals not sharing clients they bring in, and no one sharing theirs with them.”

But others point out that changes were on the horizon for Titmuss, merger or no merger. “There’s a perception out there that Titmuss in the late 90s was somehow a successful firm,” says one. “It wasn’t. It was going nowhere. It relied too

much on property; the equity was in the hands of too many older partners. There would have been more bloodshed if the merger hadn’t happened.”

Certainly change has been the norm at City law firms in recent years, not least property firms. “I don’t know whether the number of partners leaving our London office is unusual,” says Steven Fogel. In fact, though, other medium-sized property-heavy firms have managed to survive without such high levels of upheaval. Nabarro has shed just 36% of its partners since 2002, and achieved a similar level of turnover growth – 21% – to Dechert London. Mishcon de Reya has shed just 32% of its partners, and achieved a whopping 84% turnover increase.

For other firms taking US merger partners, the upheaval has been greater – though still not on a par with Titmuss’. The London office of Mayer Brown, formerly Rowe & Maw, and that of Jones Day, formerly Gouldens, have both shed around 45% of their pre-merger partners in the last six years.

Despite the turmoil, many former Titmuss partners say they have no regrets. “You have to be grown-up about it,” says one. “It allowed me to get to the position I felt I was entitled to be at – albeit at a different firm.” Few can imagine going back, however. “I’m sure Steven and the others who are still there are having a whale of a time financially. But there has to be more to life than struggling to keep up with targets, battling for survival.”

If a new wave of US-UK is in the offing, firms would do well to learn from the lesson of Titmuss, Sainer and Webb: that, no matter how well you think you know your merger partner, any merger with a much larger firm – especially a US firm – is a leap into the unknown. “Will there be more mergers like ours? Of course. With so many US firms trying to get into London, it’s inevitable,” says one former partner. “But those who would be merged with need to be very careful about the business plan, and the culture, of the firms they’re considering.” ■