

# TEAM SPIRIT:

From SJ Berwin to Goodwin



HAVING BEEN TRAIL-BLAZERS IN PRIVATE EQUITY FUND FORMATION IN THE LATE '90s, IT IS A STORY OF CARE AND COLLABORATION THAT A LARGE COMPONENT OF SJ BERWIN'S TEAM HAS HELD TOGETHER DESPITE THE MERGER AND SUBSEQUENT COLLAPSE WITH KING WOOD MALLESONS  
By ALICE MURRAY

“There was tremendous excitement at that time. SJ Berwin was fairly new and it was doing things to challenge the Magic Circle firms; in some ways it was way ahead of them,” Michael Halford, now partner at Goodwin, says about what it was like working at SJ Berwin’s fund practice in the mid-90s.

Despite being a relatively small firm, SJ

Berwin made a big name for itself in the private equity market in the 1990s, thanks to co-founder Jonathan Blake’s successful negotiation with the Inland Revenue and Department of Trade and Industry that agreed statement and guidelines on the use of limited partnerships as venture capital investment funds in 1986.

Over the ensuing decade, SJ Berwin became the go-to law firm for any team setting up or

raising a fund. “I joined in 2004 when it was more of an established team,” says Ed Hall, partner at Goodwin and previously part of the SJ Berwin team.

“It was an exciting time; we weren’t the size or the scale of a Magic Circle firm but we were top of the market for private equity. In 2004-06 funds were raising quickly, new teams were spinning out almost every week – back then it was about keeping on top of it all.”

## **SJ blazing a trail**

Beyond working with a large proportion of the British private equity market, SJ Berwin was at the forefront of the industry’s geographical expansion. “When I first joined SJ Berwin in the mid-90s, we had offices in the UK and in Brussels,” Halford says.

“The defining moment for us was working on pan-European funds – getting the different European legal systems to work together; to bring together the different rules around carry and so on. The expansion across Europe was major.”

It was also around this time – as the market was peaking – that Halford’s relationship with Goodwin began. As private equity firms grew into continental Europe, naturally there was also more interaction with the US.

Consequently, the nature of the SJ Berwin team’s work became more global. “Then we were seeing private equity being taken to China, Brazil, Turkey and so on; that huge diversification of geographies, but it was all coming out of London. Because SJ Berwin was such an established brand, people were coming to us to work on these funds,” says Ajay Pathak, former SJ Berwin lawyer now partner at Goodwin.

The team recalls frenzied emails flying around the office asking if anyone knew anything about fund formation in Pakistan or ‘has anyone ever set something up in Vietnam?’

Due to the team’s prominence in private equity, the partners were doing much more than just fund formation. “We felt we were at the heart of the industry,” Pathak says. “We weren’t just interacting with clients, we were active across the market; we were involved with associations and very much part of the ecosystem.”

**East or west**

In 2010, against a post-crash backdrop of thinning deal volumes and fewer fundraises, the firm felt the need to expand globally in order to survive the testing times, and rumours of various talks frequently swirled in the headlines.

In October 2010, the managing partner election appeared to reveal a deep divide, with large swathes of the firm supporting the eventual victor Rob Day’s opponent Perry Yam, in what was at the time labelled a protest vote due to lack of transparency over merger talks. However, it would seem the heart of the conflict centred on whether the firm merged, and therefore expanded, into the US or Asia.

Despite a lot of talk and excitement around the Asian private equity market back then, it was still in its infancy and lacked substance, whereas the US market was the largest centre for the asset class. “There was lots of capital coming from Asia-Pacific but fewer managers, so from a strategic point of view, a US merger might have been better,” says Halford.

However much a US merger would have been preferred, the profitability gap between

suitable organisations made it impossible. For 2011-12, SJ Berwin’s turnover was £180.1m, whereas Proskauer generated \$686m. Add to that the fall in Sterling following the 2008 downturn, and achieving a sensible deal with a top performing US firm became untenable.

Instead, a tie-up with KWM, a top performing firm within its own market, was highly compelling at the time. For 2012, KWM’s combined Australian and Chinese revenue was around £430m.

By 2013, the \$1bn merger between SJ Berwin and KWM was agreed. “The decision for us as partners was about where we saw the firm going: do we take it global? Yes, we made that decision,” says Pathak.



*“There has always been a culture of helping each other, even when there were problems – that’s how we all stayed together”*

**Collapse**

Fast forward three years and reports of partners leaving the expanded firm continued to surface, many of which blamed a lack of proper integration between the merged organisations. For the fund team, the challenges were more about the brand. “Because the team was so well known in Europe, the change of name meant it was necessary to double up education efforts,” says Hall.

When the firms first came together, the group held the King & Wood Mallesons SJ Berwin moniker for just one year. Given the length of private equity fund cycles, this meant many in the industry completely missed the merger and, when speaking to partners of what had then been shortened to KWM, were unaware it was the original SJ Berwin team.

By late 2016 the writing was on the wall for KWM, with commentators attributing the firm’s collapse to poor governance and management, succession issues, greed, lack of strategic direction and major partner capital shortfalls.

Though the team’s move from KWM to Goodwin was announced all at once, according

to the partners, each made the decision to go to Goodwin independently. Halford had a long-standing relationship with the US firm and there had been plenty of overlap with Goodwin over the years. “I was always disappointed we didn’t get closer to them when we were at SJ Berwin given Goodwin’s strong US funds practice at the time,” he says. “The heart of our practice was mid-market private equity, and that was similar for Goodwin in the US for their private equity practice – putting it all together, for me it was the obvious choice.”

**Culture survives King**

With Goodwin keen to grow its European operations, it was in a position to take on a large component of the original team as an agreed deal with the prospective administrators of KWM: “Not just the six partners, they also wanted to keep the associates, the trainees, the assistants together as well,” says Hall.

Goodwin was so accommodating that in order to keep the entire team, it launched a trainee programme to enable those still training from KWM to move over. Furthermore, Goodwin ensured a smooth transition, “Within 30 minutes of leaving one office we were back online and up and running in the next,” says Pathak.

Of course, it is only one faction of the original SJ Berwin contingent that has held together. Other components have peeled off along the way: Matthew Hudson set up MJ Hudson back in 2010, Perry Yam joined Reed Smith in 2012 and is now at Mayer Brown, Blake joined O’Melveny & Myers in early 2017, and a large group from various practices within KWM joined Reed Smith.

But what kept the core fund team from SJ Berwin together over the last 15 or so years? “There has always been a culture of helping each other, even when there were problems – that’s how we all stayed together and it fits well with the culture at Goodwin,” says Halford.

Drilling down into more detailed characteristics, Halford says a culture of strong innovation has always been important, as well as having an international mindset.

However, what seems most compelling is the deep-rooted nature of nurturing greener team members. “A large part of our team’s growth has been organic; though associates rising up through the ranks, by proactively supporting their growth,” says Pathak. ⬇️

