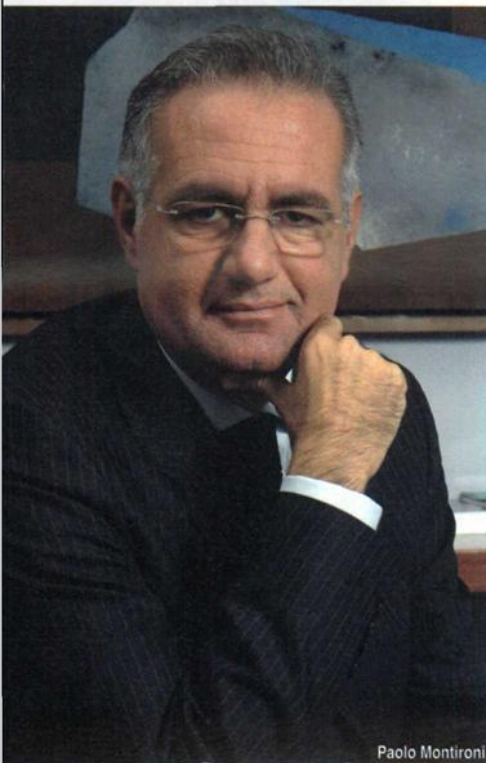


■ European Markets

NCTM COMPLETES MULTIPLE MERGERS

# A CULTURE OF GROWTH

Three takeovers in rapid succession would test any partnership but managers at the Italian independent are confident they have done their homework



Paolo Montironi

ITALY has been a hive of takeover and lateral hire activity this year but NCTM must have broken all records when it announced an unprecedented third merger in the space of a month. The last deal came at the start of June after the Italian independent acquired six-lawyer Brussels boutique O'Connor and Company.

The number of legal and tax advisers at NCTM has doubled over the last five years. The market was surprised in 2006 when a 30-strong team from Ernst & Young arrived at the firm's regional outpost in Verona. But this was small change compared to events in May and June when NCTM's expansion went into

overdrive.

First came the absorption of 30-lawyer Janni Fauda, a mid-tier firm with annual turnover of €6m. That agreement strengthened NCTM's counter-cyclical practices like litigation, restructuring and labour. Soon after came the takeover of DS&P, a leading real estate boutique of 25 lawyers. With the agreement involving EU and WTO specialist O'Connor, NCTM became Italy's largest firm by headcount with a total of 316 lawyers.

A less visible but equally important aspect of NCTM's strategic development has been a series of institutional innovations. Founded in 2000, NCTM has done much to assure a succession change, that elusive holy grail of Italian practices. It elected two managing partners, **Piermauro Carabellese**, who took over from co-founder **Alberto Toffoletto**, and **Vittorio Nosedà**. **Paolo Montironi**, another co-founder and current senior partner, will see his mandate expire in 2010 after which time it is conceivable that none of the founding partners will occupy positions of leadership. The firm also developed its corporate governance by adopting best accounting practices and introduced a mechanism to promote cross-selling by coordinating departments and preventing partners from sitting on clients.

The impact of the mergers on the firm's equity (up six to 44) has been relatively contained. Three equity appointments came from Janni Fauda (**Guido Fauda**,

**Aulo Cossu** and **Fabrizio Pavarotti**), two from DS&P (**Riccardo Delli Santi** along with his daughter **Valentina Delli Santi**) and one from O'Connor (**Bernard O'Connor**). The mergers have swelled the ranks of non-equity partners to 50, leaving NCTM with up to three times more non-equity partners than leading Italian peers. The headcount expansion has also diluted NCTM's revenues per partner (RPP) and revenues per lawyer (RPL) compared with other independents of similar size and turnover (see table).

Amalgamations between Italian firms are nothing new but successfully bedding down a merger is never an easy task, especially with three in quick succession. One potential danger is that the growing institutionalization of the firm will be derailed.

The absorption of Janni Fauda, for instance, bears potential for discontent. Five of the firm's 14 former partners were offered non-equity roles leaving four others with no partnership roles at all. However, senior partner Paolo Montironi is confident individual expectations can be managed through clear and objective guidelines and targets.

"Being an equity or salary partner is only a matter of financial effectiveness," he explains. "You have to have a following above a certain threshold to be an equity partner. But the evaluation of individual performances and each lawyer's autonomy when dealing with clients are the same for all partners."

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"The salary partners will end up earning more money at NCTM than they earned at Janni Fauda because we are more efficient. Also, we have a clear career track for salary partners: they know exactly what to expect in order to join the equity. If they're intellectually honest, they will accept that they only earn the money they deserve. The mathematical formula we use is precise. They have clearer idea about what to

implicitly acknowledging two firms with differing natures. DS&P was a family-run firm in the classic Latin mould, led by a senior partner father and managing partner daughter, and stood some distance from the impersonal aspirations of brand-conscious and tech-savvy NCTM. Their union is more easily stated than achieved.

Mr Montironi claims appearances are deceptive. "I can assure

performances."

Mr Montironi also parries the obvious question about the famous difficulties of Italian rain-makers in getting along.

"We are aware that we have people with very strong personalities," he admits, "but we have been very careful in educating all in-coming partners about the rules and the governance of the firm.

"The reason they chose NCTM was its governance which they judged as more transparent compared with our competitors. Delli Santi and Fauda were given institutional tasks within the firm right from the start. The challenge is to make individual adapt to the rules."

The takeovers demonstrate that NCTM is prepared to stake its reputation (and money) on winning a position among the Italian leaders. The Belgian takeover puts NCTM ahead of its rivals whose Brussels footprint is comparatively faint. Few peers can boast the same level of strategic investment and ambition.

"I hope the market will recognize and give us credit for what we have achieved," says Mr Montironi. (M.M.D.P.) ■

## "We have been very careful in educating all in-coming partners about the rules and the governance of the firm"

Paolo Montironi, NCTM

do now than before."

The takeover of DS&P, meanwhile, presents a different challenge. On paper, the merger with a planning and zoning boutique seems counter-intuitive but NCTM is anticipating an upturn in real estate. The statement which announced the DS&P merger, meanwhile, described it as a "grafting" — the term was used no less than three times —

you that DS&P is more modern than the firm I came from which merged to become NCTM. Delli Santi is the heir of a tradition, but he was also the founder of a boutique in the US for 10 years. We did a lot of diligence about how they worked and we benchmarked our way of working. We can learn from his expertise and organization, he can learn from our management of individual

### Italy's top 10 legal houses by revenue

Rank	Law firm	Revenues (€m)	RPP (€m)	RPL (€m)	Lawyers	Equity	Non-equity
1	Bonelli Erede Pappalardo	147.0	2.77	0.559	263	36	17
2	Chiomenti	130.0	2.41	0.417	312	54	0
3	Gianni Orioni Grippo	90.0	1.96	0.336	268	32	14
4	NCTM*	75.0	0.69	0.242	310	43	50
5	Freshfields	59.0	3.47	0.536	110	17	0
6	Allen & Overy	54.4	2.72	0.296	184	20	0
7	Clifford Chance	50.4	1.94	0.355	142	26	0
8	Legance	40.0	1.54	0.265	151	26	0
9	Cleary Gottlieb	37.5	3.75	0.436	86	10	0
10	Simmons & Simmons	34.0	1.55	0.286	119	10	12

\*Revenue and headcount figures only take account of NCTM's merger with Janni Fauda and DS&P - Source: TopLegal International