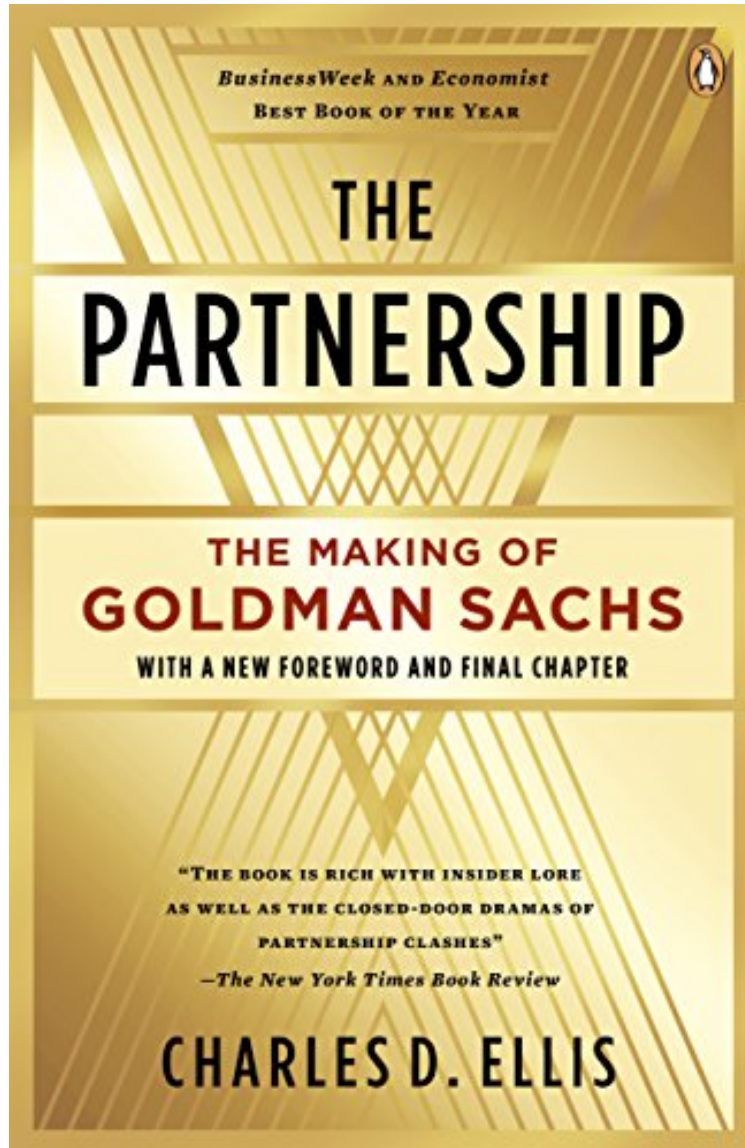


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# The Partnership: The Making of Goldman Sachs

Charles D. Ellis

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**Charles D. Ellis : The Partnership: The Making of Goldman Sachs** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Partnership: The Making of Goldman Sachs:

2 of 2 people found the following review helpful. Exciting and thorough account of the firm's leaders, albeit somewhat repetitive and not well organized By Vasilij Zhulin The Partnership is the product of many years of research, interviews, and historical accounts. It is a thorough account of the history of Goldman Sachs, with a strong focus on its leaders (many of which contributed a lot of material for the book as primary sources). The book is exciting and well-written - a great read for those interested in learning more about the firm's background. While lengthy and repetitive in

some parts, it does not feel like a drag - I enjoyed every page. The book starts out with some history on how Goldman Sachs came to be. Founded by Marcus Goldman in 1869 as a commercial paper sales shop, the firm was renamed to M. Goldman and Sachs in 1882 after Samuel Sachs (husband of Marcus' youngest daughter Louisa) joined them firm. In 1888, the name of the firm became Goldman, Sachs Co. In 1907, a young Brooklyn lad named Sidney Weinberg joined the firm - and would eventually become the driving force behind the firm's growth into a respected investment bank. In his account of the firm's history, Charles D. Ellis focuses primarily on the major leaders of the firm, its managing partners and other influential figures. Starting with Sidney Weinberg, Ellis covers Gus Levy, John Whitehead, John Weinberg, Bob Rubin, Steve Friedman, Jon Corzine, and Hank Paulson, finishing with a few pages on Lloyd Blankfein. I think it's important to note that this book is not a thorough history of Goldman Sachs. It doesn't get into a lot of details on specific transactions (although the chapter on the Penn Central catastrophe is quite interesting), and doesn't talk a lot about the actual business model. Instead, it is a story of the people that ultimately made the partnership into what it is today. Through the eyes of these people, we get a glimpse into the culture of Goldman Sachs: put clients first, be number one in everything you do, promote leadership and teamwork, and hire the best possible talent. Ellis describes the firm's intense focus on its unique culture. Commitment to clients is first and foremost: the product/service delivered to the clients must be the absolute best. Being number two is not an option: even if it takes years of losses and failures, there must be a strategy to become number one. The word "I" is never used, instead "we" is the standard. Everyone is expected to lead, there are plenty of opportunities for everyone to lead in some way. Furthermore, the best leaders never promote themselves - but instead give credit to others on the team; those who put themselves first hurt themselves in the long run. There is a lot in this book about management and leadership - and the differences between the two. I really enjoyed a quote by John Whitehead on this: "Doing thousands of little things, day after day, inching along as consistently as you can, in the right direction as best you can tell, is management - and motivating or inspiring everyone to work together for long-term purpose is leadership" (p. 179 in the hardback edition). For those of you prepping for business school interviews - jot that one down. I enjoyed reading about the more recent events in the last half of the book. There is a chapter on Long Term Capital Management and how Jon Corzine effectively mishandled his role as managing partner, instead acting more as a CEO or single decision maker, which brought about his downfall. It shows the importance of picking the right folks to side with you in situations of power - while Corzine was well-liked within the firm, he shrunk the management committee to 6 people, and alienated most of those partners. There is also a short but intriguing chapter on how Goldman Sachs almost acquired J.P. Morgan at the turn of the century - Hank Paulson changed his mind at the last moment. My favorite part of the book is the chapter on recruiting, as it really showcases the firm's culture. Many senior people at Goldman Sachs believe that recruiting is the single most important thing that they do. Another great quote from John Whitehead: "If you don't have the best people, you can't be the best firm. But if you do have the best people and you train them rigorously, organize them effectively, and motivate them to do their best work consistently, you will inevitably become the best firm" (p. 553 in the hardback edition). Ellis describes the rigorous process for being hired at Goldman Sachs, and how challenging it can be for lateral hires to be successful at the firm due to cultural fit. While this book is a great read, it is quite long - and repetitive at times. Furthermore, organization is somewhat lacking. There are several topics that pop up over and over again, two in particular: international/global expansion and building out investment management. It feels like *deja vu* sometimes - didn't I read about false starts in investment management already, and the push to expand globally... several times? What's new this time? Additionally, while the book is generally organized in a chronological order, Ellis has a tendency to jump around 10-15 years back and forth, which makes things difficult to follow. Toward the end especially, Ellis keeps alternating between pre-IPO and post-IPO, which is confusing. In conclusion, the book provides a good look at the people who built the partnership of Goldman Sachs. While there are some repetitive parts and thoughts could be better organized, it is an enjoyable read that reveals and explains the culture behind one of the most important corporations today.

Pros: + excellent background of the firm's history and beginnings + vivid portraits of many partners and employees (great primary sources) + interesting views on insider trading and how blurred lines became less grey over time + clear insight into the firm's culture, including views on leadership and recruiting

Cons: - repetitive, especially about global expansion and investment management - could be organized better: jumps around a lot, hard to keep track of time periods

3 of 3 people found the following review helpful. The Partnership: the Making of Goldman Sachs By Dr. P. Brent Wheeler

The Partnership - Charles D. Ellis

There are few really classic books in finance - Le Fevre's "Reminiscences of a Stock Operator", Peter Bernstein's "Capital Ideas" and perhaps half a dozen others at most. Outside of these the books tend to fall into one of two camps - "how to for dummies" books written by the several hundred people who have failed to internalise the irrefutable truth that there is no free lunch into their thinking and behaviour let alone their writing. The rest are works by various do gooding preachers who suffer not only from this condition but, arguably worse, try to occupy some unjustifiable moral high ground without mandate while seeking to exploit the market in books in the very ways they rile against.

Charles D. Ellis' "The Partnership: the Making of Goldman Sachs" is a genuinely remarkable finance book and joins the ranks of the top tier mentioned above. The quality of this work is unsurprising if we consider the breakthrough which Ellis most famous work - "Investment Policy: How to Win the Losers' Game" - the first seriously useful book on sound

institutional investing - represented. There his uncanny knack of combining thorough conceptual understandings with street toughened practical experience was poured into well written, compelling prose in a manner yet to be surpassed. So it is with *The Partnership*. For a start, the scope of the work is immense covering the more than a century's development of today's preeminent investment banking and financial services firm. To the reader at least, the detail of characters, accounts of events and interpretation of the strategic and commercial motivation of the myriad unfoldings is no less intense, painstaking or informative when dealing with the late eighteenth century than with the FDC a matter of months ago. The breadth is equally staggering covering, necessarily, the development, conceptual underpinnings and means by which Goldman Sachs profited from as well as managed risk within every major financial innovation, product and transaction type over the last 120 years or more. What is invaluable here is that while numerous of the events are well known (the 1907 crash, that of 1987, the inside trading cases of the mid 1980s, the dotcom bubble and bust etc), Ellis provides the view, the exposure and the response of one firm to these events personalised through discussion of the responses of the key actors at Goldman Sachs. For students of management and organisational theory the book is pure gold as well. Problems of creating, maintaining and growing a global behemoth, recruiting the best people on a sustained basis, managing ego and arrogance while retaining innovation are all dealt with. Analysis of the leadership styles, successes and failures, succession winners and losers are given a warts and all treatment throughout. Are there genuine surprises? Yes. To me at least. One is the conclusion that in a competitive market where sooner or later all participants are using the same theory, the same practices, where product life is extraordinarily short and differentiation is close to impossible on any sustained basis, the key to competitive advantage lies in recruiting and training. Another is the slightly puritanical streak which runs through the firm's culture and history. Another is just how many strongly successful leaders at Goldman Sachs were (and are) democrats or signatories to "soft" social policy - Rubin, brilliant risk arbitrageur and eventual adviser to Clinton is probably the standout here. The book is a must and absolute testament to the excellence of "Charlie" Ellis. Is he biased? He is absolutely a fan - of that there is no doubt. But rather than sycophantic adoration, Ellis is an admirer of success and excellence. The three themes I drew from his analysis were the crucial significance of unremitting commitment to clients, constant internalisation and management of risk and ability to continually adapt through making the toughest of decisions. The one thing Ellis does not make perhaps as explicit as it is in the Goldman Sachs story - though it lurks on every page - is the more than century long deployment of a relentless but carefully managed aggression which has been key to success. 0 of 0 people found the following review helpful. I have just read the first 120 pages and I am just thrilled to learn about the foundation of this great company which is simple. By Dayanand Menashi I was taking an Investment Banking course and thus wanted to know more about Goldman Sachs and purchased this book. I have just read the first 120 pages and I am just thrilled to learn about the foundation of this great company which is simple "CLIENTS COME FIRST". This does not mean that the firm gave large discounts to its clients, in fact it charged a premium but made sure that the services provided in return matched the high premium. I would definitely recommend this book to anyone who is looking to understand the intricacies of Investment Banking biz

The inside story of one of the world's most powerful financial Institutions. Now with a new foreword and final chapter, *The Partnership* chronicles the most important periods in Goldman Sachs's history and the individuals who built one of the world's largest investment banks. Charles D. Ellis, who worked as a strategy consultant to Goldman Sachs for more than thirty years, reveals the secrets behind the firm's continued success through many life-threatening changes. Disgraced and nearly destroyed in 1929, Goldman Sachs limped along as a break-even operation through the Depression and WWII. But with only one special service and one improbable banker, it began the stage-by-stage rise that took the firm to global leadership, even in the face of the world-wide credit crisis.