



# **What Happened to Goldman Sachs: An Insider's Story of Organizational Drift and Its Unintended Consequences**

*Steven G. Mandis*

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## What Happened to Goldman Sachs: An Insider's Story of Organizational Drift and Its Unintended Consequences Steven G. Mandis

This is the story of the slow evolution of Goldman Sachs—addressing why and how the firm changed from an ethical standard to a legal one as it grew to be a leading global corporation.

In *What Happened to Goldman Sachs*, Steven G. Mandis uncovers the forces behind what he calls Goldman's "organizational drift." Drawing from his firsthand experience; sociological research; analysis of SEC, congressional, and other filings; and a wide array of interviews with former clients, detractors, and current and former partners, Mandis uncovers the pressures that forced Goldman to slowly drift away from the very principles on which its reputation was built.

Mandis evaluates what made Goldman Sachs so successful in the first place, how it responded to pressures to grow, why it moved away from the values and partnership culture that sustained it for so many years, what forces accelerated this drift, and why insiders can't—or won't—recognize this crucial change.

Combining insightful analysis with engaging storytelling, Mandis has written an insider's history that offers invaluable perspectives to business leaders interested in understanding and managing organizational drift in their own firms.

## What Happened to Goldman Sachs: An Insider's Story of Organizational Drift and Its Unintended Consequences Details

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# From Reader Review What Happened to Goldman Sachs: An Insider's Story of Organizational Drift and Its Unintended Consequences for online ebook

University of Chicago Magazine says

Steven G. Mandis, AB'92  
Author

From our pages (Nov–Dec/13): "A Goldman Sachs employee from 1992 to 2004 and then a client after cofounding his own global alternative asset management firm, Steven G. Mandis combines personal experience, interviews, and analysis of SEC and congressional filings to inform his account of the company's changing culture. Assessing the values that made Goldman Sachs successful, Mandis analyzes 'why and how the firm changed from an ethical standard to a legal one as it grew to be a leading global corporation.'"

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Jan Bos says

Steven Mandis manages to put what happened to Goldman Sachs into a bigger picture. The organisational drift experienced cannot be traced to one event (IPO) or one CEO, but is more complex. Having worked at GS for a year, I recognized many of his observations and appreciated the elaborations of history, anecdotes and organisational theory.

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Alex MacMillan says

"Dark Knight feeling, die and be a hero/ Or live long enough to see yourself become a villain." - Jay-Z

"In the passion and depth of their struggle, the very art that had raised them to such Olympian heights... was lost. Their techniques vanished." - *Duel of the Iron Mic*

This book, the best insider's perspective on Goldman's history out there, really brings home the ways that large organizations in the capitalist world mirror the continual (and amoral) pressure on every species to evolve in the biological world. As we live in the present and are mostly blind to the future, every new adaptation or abandonment of an out-of-favor survival strategy can leave us stranded when a sudden or rapid shift occurs in the ecosystem. As the financial sector exploded between 1980 and 2008, the species *Goldmanus sachus* had to choose between either extinction (bankruptcy or hostile takeover by Morgan Stanley) or a reorganization gradually overriding the company culture, and reputation with customers, that had worked so well.

Mandis' description of what Goldman once was was striking, as I have only known the company through books and news reports about the skullduggery it participated in to not only precipitate but also survive 2008 financial crisis more profitable than ever. The old Goldman sounds like a place I would want to work at, even as this would mean a commitment of my adult life to the company's prerogatives. Goldman harnessed the masculine virtues of courage, strength, mastery, honor, and teamwork to transform a dull and stressful

hustle into a glorious quest towards Partner status in the firm. Personal culpability for financial losses, brought about by placing one's prodigious net worth into the firm's long-term equity, also appears to be the best possible method to prevent or buffer against Black Swan events that periodically rattle Wall Street.

Alas, Goldman thought it needed to grow rapidly and adopt a short-term hedge fund mentality to survive. Without the TARP bailout, it wouldn't be standing today, but I don't think they'll use their second chance at life to roll back the clock. Perhaps new competitors will revive honorable finance in the future (one can dream).

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### **Jay Waghray says**

Nice insider view of GS' culture and how it's changed

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### **Justin Samaniego says**

Recommended by my MBA 'Designing a Good Life' Professor, Nicholas Epley

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### **Catherine says**

organizational drift.... a bit didactic yet wholly reminiscent of healthcare "growth"  
idealism is lost to capitalism

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### **Todd Benschneider says**

Good scholarly level read on the evolution of investment banking, but there seems to be a pro-Goldman spin on every historical event when the title persuaded you to buy the book thinking that it was going to be an expose on the players.

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### **Topherjaynes says**

Great history of the company. I learned a lot about the company as it grew, but not sure of the issues that caused the shift. I feel like Mandis might hold a few punches, but over all good lessons to think about if you're starting a company or growing one.

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### **Cain S. says**

Was a better read than I expected it to be. Mandis walks through the organisational dynamics at Goldman Sachs, providing a sociological commentary on its workings as an outsider, and based on his own

experiences at the firm as an ex-employee. Succinctly, the intended moral of the analysis is general and applies to any sort of large institution with multiple stakeholders.

The take away is that organisational dysfunction often begins with small infractions in institutional norms. And these infractions in due course come to be rationalised away by pointing to mitigating circumstances, often articulated by looser, or more tendentious, reinterpretations of formative institutional norms. As this process escalates, norms are subverted to the point where organisational deviance comes to be normalised.

At this point the organisation becomes incapable of moderating its own actions because the correlation between espoused institutional norms and allocated responsibilities and privileges of members cease to be constrained by, and coordinated with, each other.

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## **Ben Wong says**

Love the insight into the history of this great firm and a detailed breakdown of how incremental changes in a culture and cause a drift over many years and have something completely different emerge after that period, As well as how a shift from a “long term greedy” mindset to one of short termism was caused by moving the company public. (Partnerships who shared in the p/l of the company led to self regulation —> IPO lead to need to satisfy shareholders)

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## **Rama says**

Goldman Sachs Saga: a story from an insider

This is a fascinating story of the rise and fall of one of the most influential financial corporation of our times from an insider who witnessed it all. Goldman grew from a modest privately owned investment banking firm (focused on United States), with less than \$100 million profit to a publicly traded company with \$10 billion profit and equity of \$100 billion. In 2006, Goldman spent \$16.5 billion in compensation with an average of \$622, 000 per employee; it was at the height of its earning power and prestige. But gradually the Goldman values, the business principles and the firm's culture eroded. Two years later it was widely accused in the press of unethical and criminal behavior; the press alleged that it squeezed the body of humanity to extract anything that looked like money.

The author proposes that the organizational drift that occurred after the company became a publicly traded corporation is the root cause of its downfall. The changes in business practices and policies led to Goldman's organizational drift. The daily grind of competition and the rapid growth stuck in the minds of Goldman's executives to ignore the most fundamental principle of the company. Invest stockholders money at the same level of care and caution, as if you are investing your own money. Part of the problem was the inherent difficulties of the financial system. Public trading brought new kind of ownership and financial interdependence among the partners. The elimination of capital and growth constraints made the firm to take into account the outsiders perceptions, like the analysts' estimates of earning per share (EPS) and stock values. The firm was bent on providing higher returns to its stockholders. Increased competition and complexities of banks with too many deals going around the clock made the system too complex. The barrier between legal and illegal deals became so thin that conflicts became unmanageable.

This book focuses on the Goldman's case, but the story has much broader implications, because many problems the firm faced is very similar to any other firm playing the game. But the executives did not pay attention to the signs that shows that it is losing touch with original principles and its values. These signs include; leading market share, appeal to stockholders, brand name, and attractiveness as an employer. The firm did not wake up and made things right, but it merely responded to business pressures and its financial environment.

Goldman did not do too badly at the end, because at the height of the mortgage crisis, it still managed to come back with vengeance. In 2008, the firm had a return on its equity of 4.9% versus -5.0% for its peers, and 22.5% versus -1.8% in 2009. Lehman Brothers, Bear Stearns, Merrill Lynch, Washington Mutual and Bernie Madoff were not lucky enough to beat the crisis.

There are several books about the success and failures of Goldman Sachs and this one is interesting in that the author was an insider, and knew the executives and their business philosophy personally.

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**M V says**

too boring, didn't finish

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