Summaries.Com
INTERNET DELIVERED BUSINESS BOOK SUMMARIES

KING OF CAPITAL

Sandy Weill and the Making of Citigroup

AMEY STONE and MIKE BREWSTER

AMEY STONE is a financial writer with *BusinessWeek*, *SmartMoney* and *Financial Planning* Magazine. She currently works as an associate editor with *BusinessWeek Online* where she co-writes the *StreetWise* column published each day.

MIKE BREWSTER is the former editor of *LeadersOnline*, a magazine focusing on executive leadership and career management. He has previously worked as a sportswriter and director of communications at KPMG Consulting.

1.

Sandy Weill (whose full name is Stanford I. Weill) was born in Brooklyn, New York on March 16, 1933 – just as prohibition was ending in the United States and the depression-era banks were reopening for business. His parents, Sandy and Mac Weill, were the children of Polish immigrants who had left rural Poland during the Russian revolution in 1907 and immigrated to the United States the following year.

The Weill family were very close-knit, as were many immigrant Jewish families of that era. Sandy's father and his father-in-law, Louis Kalika, started a dressmaking business which was successful for about 10-years. The business ultimately folded in 1944 when the company pled guilty to wartime price gouging under the rules administered by the federal Office of Price Administration. Sandy's father would later go into the steel importing business, but with only mixed results.

Sandy, meantime, decided to attend a military school, Peekskill Military Academy located about 30 miles north of New York City (not far from the U.S. Military Academy at West Point). This school closed in 1968, but when Weill was there, he excelled academically, on the tennis court – he was even invited to try out for the Eastern U.S. Junior Davis Cup team at one stage – and as drum major in the school band. Weill earned high honors in algebra, geometry, science, Latin and French. Weill was never voted "Most Likely to Succeed" by his classmates, but did earn the dubious moniker, "Mr. Five o'Clock Shadow".

A few of his high school friends also noted his personal drive and ambition: *"I didn't really expect this kind of success,"* said Start Fendler, one of his roommates. *"But whenever Sandy got to be the head of something, I'd buy it. When he bought Primerica, I'd buy it. I've got a ton of Citigroup stock. My father would buy the stock, too, because he met Sandy at the school, and he was impressed by him."*

Sandy Weill graduated third in the Peekskill Military Academy's Class of 1951 and was admitted to both Harvard and Cornell. He decided on Cornell since he wanted to major in engineering. Sandy struggled with physics, however, and ultimately changed his major to government. Weill graduated from Cornell in June 1955. While there, he also met and married Joan Mosher who was studying education at Brooklyn College.

"I think my greatest accomplishment in life was marrying my wife."

– Sandy Weill

Weill's graduation from Cornell was delayed for six months because he had failed to take a cost accounting exam. (He had missed the exam because he was away trying unsuccessfully to convince his father not leave his mother for a younger woman). Therefore, in the summer of 1955, Sandy was unable to join the Air Force as he had previously planned. Faced with six months of waiting to fill in, Weill decided to get a job.

"One day, near Forty-First Street and Seventh Avenues, he noticed an office of the old securities firm of Bache & Company. He had never seen the inside of a brokerage office, and since the street window was darkly tinted to ensure that customers had privacy from passers by, he wandered in. What he saw was confusing: brokers picked up telephones, filled out slips, rushed back and forth across the room. Yet there was an undeniable surge of energy in the place that appealed to Weill."

– Tim Carrington

With that, Sandy Weill decided to apply to go on a broker's training course. He was turned down by Bache & Company, J.P. Morgan, Goldman Sachs and Lehman Brothers. He simply didn't have the right family connections to get employed by any of these firms. It also did not help that his financial acumen was virtually zero. He later noted, *"I didn't know that savings banks didn't allow you to write checks. That's how much I knew."*

Sandy Weill was hired by Bear Stearns as a runner for $150 a month. His job entailed hand carrying buy or sell orders from brokers to traders on the floor of the stock exchange. Within a few years, he was promoted to broker and in 1958, Weill was hired by Tubby Burnham, the founder of Burnham & Company. (This company later acquired Drexel Firestone to become Drexel, Burnham and Lambert – the investment bank which launched Michael Milken and the junk bond kings).

Weill spent most of his time in the back office at Burnham & Company learning how to track and clear orders. He also worked as a "board marker" – writing out the latest stock prices on a big bulletin board the brokers would look at.

"Weill may not have realized it at the time, but these low-level jobs gave him a better fundamental education of how the business of issuing and trading securities really worked than he would have gotten as a broker-trainee at a bigger firm. It was this decidedly nonglamorous administrative experience that taught Weill to take behind-the-scenes operations seriously. Back-office efficiency was the key to much of his firm's early success, including the Hayden Stone acquisition in 1970. It's clear that Weill developed his core philosophy partly from Tubby Burnham – keep costs low, avoid unnecessary risks, and keep an eye on the details".

– Amey Stone and Mike Brewster

By 1960, Sandy Weill had decided to go into business on his own. This was done with the encouragement of his wife and was spurred on by the birth of his son Marc in 1957 and daughter Jessica in 1959. He formed a partnership with three other young brokers: Arthur Carter, Roger Berlind and Peter Potoma. On May 3, 1960, they registered their new business as Carter, Berlind, Potoma & Weill. They scraped together $215,000 in start-up capital (Weill contributed $30,000 borrowed from his mother), brought a seat on the New York Stock Exchange for $160,000 and used the rest of their money to hire a secretary and rent an office. Each partner agreed to receive a base salary of $12,000 per year. Weill was aged 27, Carter 28, Berlind 29 and Potoma was the old man of the new firm at 32.

"The founders of Carter, Berlind, Potoma and Weill could not have picked a better time to start their firm. The stock market boom of the 1960s was just about to begin. With the power of the old-line firms dissipating, there was plenty of room for a group of ambitious, aggressive brokers to make inroads on Wall Street. And ambitious they were."

– Amey Stone and Mike Brewster

Most of the traditional Wall Street firms considered retail brokerage – catering to the mom and pop investors – to be far less profitable than catering to the giant corporate pension funds or masterminding deals between companies. Weill, by contrast, realized there was just as much money to be made doing a large number of little trades for individual investors if the back-office could function efficiently. This approach also had the advantage of being less risky and producing more consistent earnings than the big deals which may or may not come together for all sorts of reasons. So Weill and his partners focused on retail clients.

Summaries.Com

The Ultimate Business Library

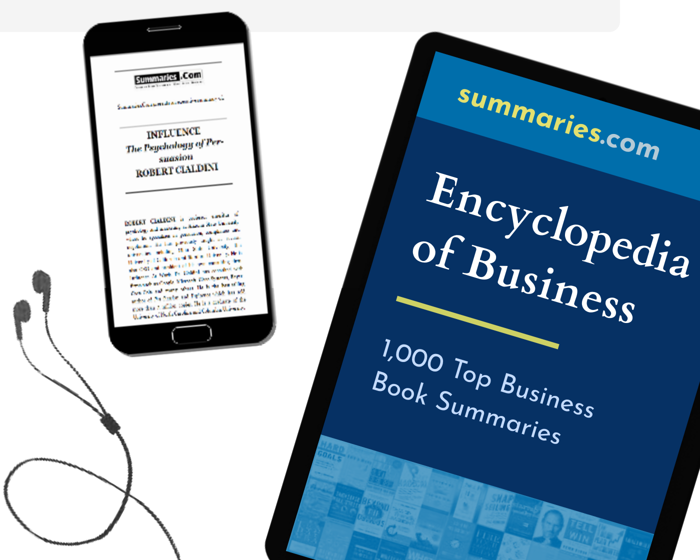
We condense **300+ page** business books into **8-page** summaries.

By reading summaries, you'll get the **key ideas** in **30 mins**, so you can spend more time turning your ideas into **dollars**.

Knowledge is Power — Invest in Your Future

For just **$2 per week**, you will...

> Learn from the mistakes and success of the smartest people in business;
> Get fresh ideas, strategies & motivation that could be worth millions to you;
> Follow emerging trends, so you can catch the wave before your competitors do;
> Catch up on the classics you always wanted to read.



1,000 Top Business Book Summaries

Our catalog includes summaries on a range of topics for aspiring entrepreneurs, managers, and consultants.

BUSINESS PLANS | MANAGEMENT | PRESENTATIONS | SALES | LEADERSHIP | MOTIVATION | STRATEGY

AND MORE