

Ellis, Charles D. – What It Takes

John Wiley & Sons, 2013, [Business] Grade ★★★★★

What It Takes offers a roadmap of how the premiere professional services firms in the World has distanced themselves from their competitors.

Charley Ellis is a legend. He is the founder of Greenwich Associates - a strategy consultancy focused on financial clients where he served for several decades. Ellis has authored 16 books plus countless papers and articles on investing and strategy. The 1975 article "*The Loser's Game*" has made a lasting impression on many in the investment profession, me included. Among the very many assignments Ellis has had, the decade of chairing Yale University's investment committee alongside its CIO David Swensen deserves mentioning as it makes Ellis a part of one of the most successful investment track records ever.

This book started with a number of questions: "*Which are the best firms? And what makes them the best? What principles and what concrete actions bring them to the top?*" The firms in question are those in professional services. A number of enquiries later a clear consensus had formed around five outstanding leaders in five segments: McKinsey in consulting, Cravath, Swaine & Moore in law, Capital Group in investment management, the Mayo Clinic in health care and Goldman Sachs in investment banking. A further 300 interviews with leaders of these firms later a few very consistent keys to success emerge:

1. Mission – a sense of purpose that motivates exceptional people,
2. Culture – values that translate the mission to practices and make colleagues a tribe,
3. Recruiting – recruiting only the most capable, motivated people,
4. Developing people – maximizing people's development during their careers,
5. Client focus – exceeding what the most demanding clients expect,
6. Innovation – finding new ways to serve clients and reinventing the organization in times of fundamental change and

7. Leadership – bringing the above together.

The absolute bulk of the book are chapters on each of the above keys to success that start with one page of general reflections then continues with 20 – 30 pages discussing the 5 leaders from the specific aspect in question and then a half page of reflections to end the chapter. There is further a chapter on handling problems – mostly devoted to Goldman – and one on lost excellence, fully dedicated to Arthur Andersen.

Both the stories of successes and of failures show the tension between professionalism and long-term profit build-up on the one hand and short-term profit maximization as a business on the other. The firms that stay true to the professional values slowly, over time gain so much strength that they as a consequence also earn more money than others short-term. Those who look to maximizing short-term profits like Arthur Andersen are on a slippery slope where profits and employee benefits are gained at the expense of clients, eventually leading to destruction. The hard part is that at any point in time people's incentive is to think short-term. This is why iconic - often-early - leaders and culture are so important as counterweights.

What Ellis describes is often obvious but at the same time inspiring as you realize that so few of us live up to best practice. The author's long experience makes him appreciate the many small, subtle and hugely important nuances of asset management, investment banking and consulting. The reader get to know the five professional services firms fairly well as Ellis is analyzing them by choosing what to share with the reader. In my view Ellis could have increased the amount of general analysis and reflections somewhat. It would have been especially interesting to read some thoughts on which choices Arthur Andersen could have made to stem their demise but Ellis instead clearly prefers the reader to think for himself.

This book is an important gem. Read it.

Mats Larsson, December 30, 2015