

Goldman Sachs, Once Closed to Outsiders, Is on a Hiring Spree; Goldman Sachs has brought in 15 outsiders at the elite rank of partner over the past year, the biggest influx of senior executives in two decades

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FULL TEXT

For years, Goldman Sachs Group Inc. rarely hired from the outside, guarding its culture with an insularity that, to rivals, bordered on arrogance.

Not anymore: Goldman has brought in 15 outsiders at the elite rank of partner over the past year, the biggest influx of senior executives in two decades. More are expected as the firm plugs weak spots in its network of investment bankers, builds out new businesses in consumer and commercial banking and replenishes trading ranks depleted by the postcrisis lull.

The hiring push is an acknowledgment that Goldman, which is trying to add \$5 billion in annual revenue by 2020, must look beyond homegrown talent to grow. And it comes as a former outsider is set to become Goldman's next CEO: David Solomon, who will take over for Lloyd Blankfein in October, joined the firm as a lateral partner in 1999. Chris Gallea, joined earlier this year from JPMorgan Chase & Co., where he was a top industrials banker. David Hammond, who had covered big mining companies for Credit Suisse Group AG, will start at the end of the summer. Other recent hires include Nitin Jindal, formerly a Morgan Stanley energy trader; Ashish Shah, a credit-portfolio manager from AllianceBernstein; and Hari Moorthy, who came from JPMorgan to help Goldman build a commercial-banking business.

They join a partnership of 450, about two-thirds of whom started at Goldman in their 20s as analysts or associates, according to the firm. Goldman has historically preferred to promote from within and has stocked its upper ranks with what senior leaders refer to as "culture carriers."

It is Goldman's biggest hiring binge since the late 1990s, when it loaded up on stars ahead of its initial public offering, a wave that included Mr. Solomon and Michael Carr, who is currently Goldman's co-head of mergers and acquisitions.

As was the case then, the current hiring is concentrated among deal-makers, whose rosters of corporate relationships can command huge fees. Goldman's investment-banking division, which is on the hook for \$500 million of the firm's \$5 billion revenue-growth target, has hired seven partners in recent months and about 30 managing directors, one rung down.

John Waldron, who co-heads the division, said the strategy is "tremendous homegrown talent supplemented with a little free agency." Mr. Waldron was once a free agent himself, joining Goldman as a managing director from Bear Stearns in 2000.

A little paranoia is at work, too: Goldman is the top-ranked M&A adviser overall, "but if you drill down, there are places we're No. 4, 5, 6 and where there is room for us to move up," Mr. Waldron said.

An internal analysis a few years ago identified industries and companies that Goldman executives believed were ripe for deals but where the firm's relationships were thin. That led to recruits like Mr. Gallea, whose clients include

United Technologies Corp. and Emerson Electric Co.; Ben Frost, an M&A banker focused on retail companies who joined from Morgan Stanley; and Adam Nordin, a Barclays PLC banker focused on companies in the education and technology space. Dealmaker Wei Cai was added in China, and Dina Powell rejoined from the Trump administration.

Stars don't come cheaply, though, and Goldman, like other banks, is under pressure to manage costs. The firm has spent more than \$600 million on its new consumer-banking business and trimmed its stock buyback this year to conserve capital.

Most newcomers won't land deals immediately—but they have to be paid in the meantime. Goldman's chief financial officer, Martin Chavez, said in January that a hiring spree would put some "upward pressure" on the firm's compensation ratio, a metric that shareholders watch closely.

Goldman also risks sending a signal to its existing employees that there is less room to rise. The firm will name a new class of partners this fall, as it does every two years, and the 2018 crop is likely to be smaller than in years past—well under 100, according to people familiar with the matter.

Elsewhere in the firm, hiring is mostly around new businesses and technologies. Adam Dell joined as a partner after Goldman bought his personal-finance app, Clarity Money, to serve as a mobile storefront for its new consumer-banking effort. Mr. Moorthy was hired this spring to design products that help companies move cash, pay vendors, and manage their supply chains—an area where Goldman hopes to challenge big commercial banks like JPMorgan.

Hiring on Wall Street is never a sure thing. Goldman had a handshake deal this spring to hire Bill Graham, a utilities banker at Morgan Stanley, only to have him change his mind at the last minute, according to people familiar with the matter. Other hiring plans have been scuttled by client conflicts.

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DETAILS

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