

Zalman Bernstein

Zalman Chaim Bernstein

1926–1999



Zalman C. Bernstein, 72, Iconoclastic Broker

By **ROBERT McG. THOMAS Jr.**

When he started a securities firm under his own name in 1967, Sanford Charles Bernstein made sure that hurried investors would not fail to notice. To announce the firm, the 41-year-old upstart ran a series of full-page newspaper ads emphasizing in bold, black type a single word: "Bernstein."

The display of hubris drew a wave of titters. The titters turned to gasps when the Brooklyn-born Mr. Bernstein topped himself with a demonstration of chutzpah that is still reverberating on Wall Street.

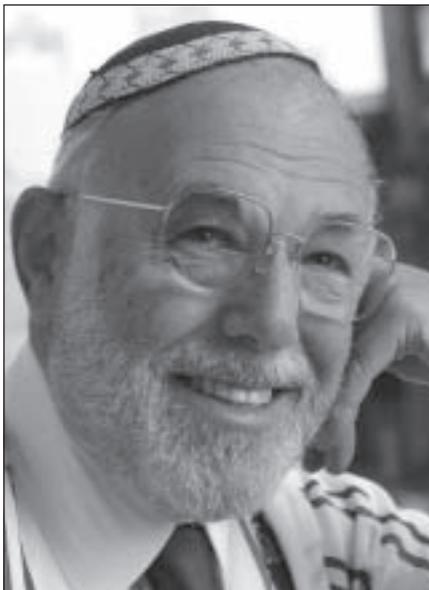
At the time, so-called discretionary accounts, in which a broker makes all the investment decisions without consulting the client, were such an industry scandal that the New York Stock Exchange imposed strict controls and many old-line brokers banned them altogether. But Mr. Bernstein announced that he would seek nothing but discretionary accounts.

Given the potential for abuse by unscrupulous brokers tempted to churn accounts by buying and selling, collecting fees with each transaction, Wall Street laughed off Mr. Bernstein's chances for attracting serious investors.

By the time he died on Wednesday at 72 at Memorial Sloan-Kettering Cancer Center, Mr. Bernstein had long since had the last laugh.

His brokerage had grown into one of the world's largest independent investment companies, managing more than \$80 billion in securities for 25,000 private and institutional clients, and Sanford C. Bernstein & Company had become one of the most respected names on Wall Street—even as Mr. Bernstein, true to his contrarian ways, had changed his own name.

To honor a late-life surge of interest in his Jewish heritage and his conversion to Orthodox Judaism, he had moved to Jerusalem, established dual American-Israeli citizenship and replaced his "Sanford" and "Charles" with rough Hebrew equivalents, becoming Zalman Chaim Bernstein.



Zalman Chaim Bernstein

It took more than hubris and chutzpah to make Sanford C. Bernstein & Company a runaway success.

By the time he started the company, Mr. Bernstein had already made something of a name for himself. After enlisting in the Navy at 18 and becoming a Supply Corps officer in World War II, he studied economics and accounting at New York University, picked up a master's degree in business administration at Harvard, and spent three years with the Marshall Plan in Europe. He returned to the United States with a French wife and such driving ambition that when the Value Line Investment Survey turned him down for a job, he won one anyway by offering to work without pay.

He later worked as a research analyst, money manager and institutional salesman at Oppenheimer & Company and then spent two years as a partner in a small securities firm, Ralph E. Samuel & Company, before striking off on his own. At first his younger brother, Paul, was his sole partner and he had a total of just seven employees, including his father, Jack, a retired jeweler.

His vision of a firm that would give comparatively small investors the benefits of professional money management was so novel, his brother recalled yesterday, that the Harvard Business School sent a team of student researchers to study the operation. They concluded that the approach was sound but wouldn't work for a Jewish firm.

They were half right. Within a decade, the firm was attracting huge investments from major insurance companies, banks and pension funds and had become known for the exhaustive research reports it sold as a sideline.

Ever the iconoclast, Mr. Bernstein shunned the prevailing system of star portfolio managers and adopted the so-called dividend discount investment model, which bases investment decisions on a formula for determining the value of a company's future earnings.

Since the formula depends on the accuracy of earnings projections, Mr. Bernstein concentrated on the quality of the company's research.

A big, gruff and sometimes unpolished man who wielded a mean cigar, Mr. Bernstein became famous for the pains he took in hiring, putting applicants through a battery of psychological and other tests and sometimes playing backgammon or chess with them to gauge their stomach for competition and cigar smoke.

The rewards of his efforts were considerable for Mr. Bernstein, who continued to be his company's largest shareholder after his retirement in 1993. But he lived modestly after he accepted the warm embrace of the close-knit Orthodox community, and he gave hundreds of millions of dollars to Israeli causes and other charities.

His family said that he died from complications of lymphoma. In addition to his brother, who lives in Manhattan, Mr. Bernstein, who was married three times, is survived by his mother, Martha, of Manhattan; his wife, Mem; a son, Claude, of New Canaan, Conn.; two daughters, Leslie Armstrong and Rochel Leah Bernstein, both of Manhattan; and three grandchildren.



IN MEMORY OF ZALMAN CHAIM BERNSTEIN
FROM THE MEMORIAL SERVICE HELD AT CARNEGIE HALL
February 19, 1999



By Lewis A. Sanders

Chairman & Chief Executive Officer, Alliance Capital Management

Sandy made it clear that he wanted no eulogies. He simply wanted to be remembered for the things that he did, by the people he touched, and for the ideas and the principles that he stood for.

He said all of this would speak for itself. And it does.

Yet we—the people who were a part of his life, the people who were so close to him—we have the need to share our thoughts about him. We need to say out loud what he meant to us, how he changed our lives. It's not a set of eulogies. It's a set of stories about him and us. Eight of us will speak tonight.

And to bring the fullness of his personality to you once again, which none of us could hope to re-create, we have a video of Sandy, which in many ways does just what he wanted. He tells his own story.

My story with Sandy began almost 31 years ago. But our relationship didn't take form until something important came between us.

Now when it came to serious stuff Sandy always thought talk was cheap. It was too easy to be inconsistent, imprecise, sloppy. So he would say, Put it on a hunk of paper and I'll look at it. Now I was never sure what a hunk of paper was but he did accept sheets. So I went about drafting my first major memo to him about 1971, in which I told him that the firm was basically an embarrassment, that it was largely populated by people who were either intellectually impaired, highly neurotic, or both (with the possible exception of Hertog, of course). Moreover, the environment was hostile, volatile, and not conducive to personal growth, except as training in psychiatric medicine. And since that was not my interest, I was leaving. You see, clarity helped when dealing with Sandy.

His reply was that I was an arrogant, supercilious intellectual, with no sense of people and a limited understanding of business—but if I really thought I could fix things, instead of quitting, why not become research director and do something about it.

*He liked to stir up the pot. He liked to be provocative.
He would tell me it was all calculated, that it led to better decisions.*



This wasn't the response I expected. And so I took the job.

From that first memo, you can see that our relationship was one of openness of the frankest kind. There were never any hidden agendas. With Sandy you always knew where you stood. Indeed, where he stood was utterly unmistakable.

And we had our stormy moments. Sandy seemed to thrive on turbulence. Tranquillity, consensus, made him anxious.

He liked to stir up the pot. He liked to be provocative. He would tell me it was all calculated, that it led to better decisions. I think he just enjoyed it. It was his style. In fact, he adopted a lexicon consistent with this feature of who he was. It was one of hyperbole, extremes, sexual analogues wherever they seemed germane—no, let me revise that—sexual analogues whether they were germane or not. And, of course, expletives to punctuate his point, to be sure that it was not somehow missed.

Thus, working with Sandy required an ability to decipher this code, which before too long became one of my personal strengths. Some examples:

First, his way of letting you know his point of view: "I'm just livid—this will happen over my dead body!"

What he really meant was: I'm not sure I agree with you, I need to think about it, give me some time before you proceed.

His evaluation of a new idea you've just come up with: "That's just stupid." And for emphasis he liked to exaggerate the "t" and the "u." "That's just *stoo*pid!"

What this meant was: He really didn't agree, would never agree—you could do it anyway, but you'd better be right.

Then there was his sweeter side: "I am guaranteeing if you do this for this person, he will thank you for the rest of your life."

*Strength, integrity, unswerving ethics, hard work,
the confidence to pursue what you believe in despite setbacks.
Some people say you can't learn these things, that they have to be part of your nature.
I learned them from him.*



What this meant was: I want to cut his ownership and compensation.

And finally, the sexual analogue, of which there were hundreds. This one involves the art of negotiating: “When she’s said yes, stop talking.”

The meaning of this is self-explanatory.

But with all the volume, the bluster, the noise, Sandy was a listener and, at the end of the day, was willing to lose the debate. Sandy really knew what he didn’t know. Once you earned his trust, he gave you all the authority and responsibility you wanted.

Sandy was a doer, a fighter, a ferocious competitor. He was best when under pressure. He was best when courage and conviction were the required ingredients to succeed.

And in a business like ours they often are. Because this is a business of extremes—of highs that make you feel as if you can walk on water, and of lows that threaten not only your financial well-being but, more important, your self-esteem. Standing up against the crowd is hard. Persevering through adversity is hard. Sandy’s strength was a crucial stabilizer against these forces.

Now we will have to bear them alone. But we can because of what we learned from him. Strength, integrity, unswerving ethics, hard work, the confidence to pursue what you believe in despite setbacks. Some people say you can’t learn these things, that they have to be part of your nature. I learned them from him.

I will miss him. Not all of him, mind you, but those things of which I speak and so much more. My life has been changed forever. May his stand the test of time that he so fervently hoped for. ■



IN MEMORY OF ZALMAN CHAIM BERNSTEIN
FROM THE MEMORIAL SERVICE HELD AT CARNEGIE HALL
February 19, 1999



By Roger Hertog
Vice Chairman, Alliance Capital Management

When someone close to us dies, we often say we are blessed with their memory. We try to keep them alive with photographs and stories, but it isn't enough. They are more than moments frozen in time. They have become a part of us.

Theodore Reich described this thought well when he compared closeness between people to pressing a block of pure gold against a block of steel. One against another.

Then you separate them, and they seem unchanged. But the flecks of gold have wandered across the molecular structure, burrowing themselves inside the steel. When people are pressed close, they act the same way. Those whom we love enter us and we enter them.

I don't know anyone who met Zalman who was left untouched by his presence. Everyone has a Zalman story. Some are humorous, some inspiring, and some are even terribly embarrassing.

It has been said that men like Zalman are bulls that carry around their own china closets.

After 38 years, I have my stories. And I think they will help shape a portrait of an extraordinary figure in my life.

I met Sandy—that's what he was called—in 1962. I was 21, he was 36. I was a night student at City College and he was the largest producer at Oppenheimer & Company.

I was 5'8" and weighed 130 pounds. He was about 6' tall and weighed 210 pounds. And he smoked big, ugly—stinky—cigars, maybe a dozen a day.

But besides his physical girth, he was the largest figure I had ever met—outrageously confident, bold, imposing. He was hungry for life and had a voracious appetite—for food, for sex, and for achievement.

But at the heart of his personality was the boldness of his ideas. Zalman didn't do little things. Zalman was here to change the world.



He could discuss anything; he was totally uninhibited talking about his life and yours. From the most personal details between a husband and wife, to politics, to religion, to the way his filet mignon had to be prepared.

These conversations, more like monologues, would be filled with a constant stream of sexual allusions and profanities. Need I say, I was shocked—so shocked, I was magnetized.

I remember the first time he took me on a presentation. We were going out to see a large institutional customer in Greenwich. When we got there, I was taken aback by the elegance of their offices—burled wood tables, crystal chandeliers, big leather sofas.

Before computers, institutional research analysts had to carry around reams of paper. We had maybe 15, 20—even 30—worksheets spread on the table before us.

Sandy strutted around the room, spewing statistics and smoke from his omnipresent

cigar as he circled the table, hoping to impress the 10 portfolio managers and get the order.

After seven or eight times around the table and at least a dozen questions, he was getting nowhere and losing his patience. In a flash of impulse, he literally jumped on the table—all 200 pounds of him—and was suddenly peering down from above.

It was outrageous—this giant of a man was walking up and down this table pointing out numbers with the toe of his shoe. I couldn't believe it. But by the time we got back to the office, he had gotten the order. He had dared to be outrageous, and they loved every minute of it.

But at the heart of his personality was the boldness of his ideas. Zalman didn't do little things. Zalman was here to change the world. Just think of it: At age 41, he opened his own brokerage house with a full-page *New York Times* advertisement, heralding in black type one word—Bernstein—with a square period after it.

You can see this ad in all the reception areas of our offices. On the bottom of this full page, he announced that the firm would specialize in discretionary accounts, which at that time was a dirty word. He didn't care.

He knew research and money management were the future. But his bold visions didn't end with the company. They moved into the political sphere. One day he announced to us he wanted to be president. We thought he was. No, we didn't understand. He wanted to be president of the United States.

He talked about it so much, he began to believe it, and so did the press. He was actually quoted by a reporter saying he would run for office in 1980. And the route to winning the presidency would be his campaign manifesto, a book on conservative economic policy based upon the writings of the Hebrew Bible.

He would prove these ancient Hebrew texts were the precursor to Adam Smith's philosophy. God's work through Zalman Bernstein's words. Fortunately for us all, Ronald Reagan wanted the job.

Zalman was not only big and bold, he was a paradox. One can't help but see the inconsistencies in his life. When he was alive, his actions seemed disparate—now that he is gone, they form a pattern and a whole.

When it came to the literature about the firm, his name was all important—size, placement, font. Yet his philanthropy, which was equally crucial to his legacy, was all done anonymously.

You can't find a building, a professorship, a program, a lecture series, a foundation with the name Zalman C. Bernstein.

He could be steel and he could be velvet. He could be soft and loving and he could be angrier than any person I knew. He was always, however, a bundle of energy, relentless and unstoppable.

In his 72 years, he lived two or three lifetimes.

That energy made him restless, but most of all it compelled him to search for meaning. He was spiritual even before he was Orthodox, and he was always looking for something bigger and more important than himself to believe in.

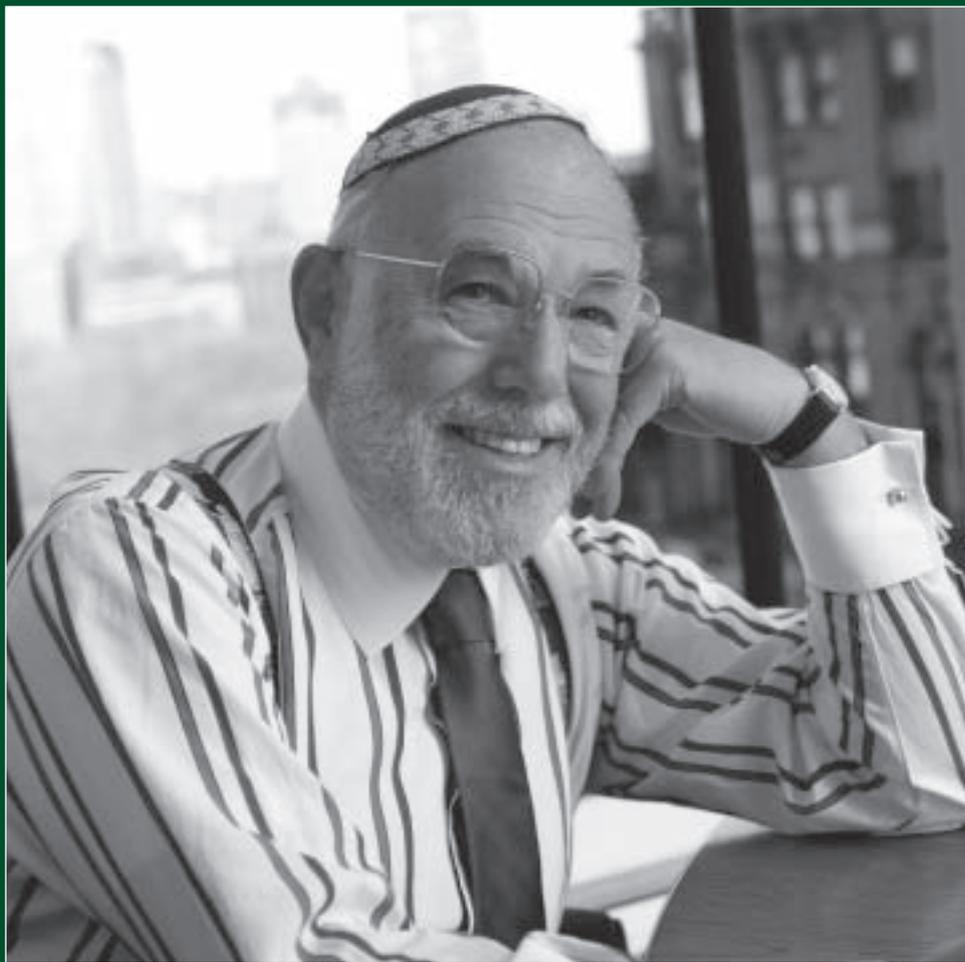
He had three great blessings:

- that which his ancestry gave him: his God-given raw intellect and creativity;
- that which opportunity provided: the capacity to see it and to capitalize on it;
- that which he cultivated himself: his courage, his ethics, his will to work and to achieve.

He had a touch of genius. Now, if he were editing my talk today, he would say, Well, there was more than just "a touch."

These blessings had taken him very far, and until the end he was optimistic that he would survive. We all were. He was indefatigable. He thought he could beat death like everything else—by the force of his will. He had more work to do. There are more "greenies" to write.

One of the last times I saw him was on Thanksgiving Day. My father had actually passed away the night before. I had gotten up early—I hadn't slept, as you can imagine. I got myself a Starbucks and went to see him at the hospital.



*He was spiritual even before he was Orthodox,
and he was always looking for something bigger and
more important than himself to believe in.*



He wasn't in his room; he was in intensive care. I went over to his bed and he smiled and held my hand. I said, "The football game is on today, why don't I stay and we'll watch it together?" Again he smiled and held my hand, and we talked a little bit about my father.

I did most of the talking, and he nodded off now and then. Our board meetings were over, and we had intentionally transcribed sessions that would interest him.

So I asked what he thought about our decisions. He paused for a moment, took off his oxygen mask, and said, "You and Lew sure ____ up the company."

We both laughed that sweet-talking Zalman's generous and loving self was still vital and he was on the road to recovery.

But we were wrong. In little more than a month, he was dead.

The famous opera composer Giacomo Puccini was stricken with cancer when he was working on his opera *Turandot*, which some say was his best. He made his students promise that if he couldn't finish the opera, they would finish it for him.

Shortly thereafter he died. His protégés studied the opera carefully and the piece was completed, the promise fulfilled.

The world premiere was conducted by Puccini's favorite student, Arturo Toscanini. When the opera reached the point where Puccini had put down his pen, Toscanini stopped the music and put down his baton. With tears streaming down his face, he turned to the audience and said, "Thus far, the master has written."

Then Toscanini picked up the baton again and smiled through his tears and exclaimed, "But his students finished his work." And I, too, smiling through my tears, say, So must we. ■



IN MEMORY OF ZALMAN CHAIM BERNSTEIN
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February 19, 1999



By Kevin R. Brine

Executive Vice President, Sanford C. Bernstein & Co., Inc.

Zalman C. Bernstein founded a firm in 1967 which is today one of the most preeminent research and investment management companies in the world.

For many of us who were fortunate to work closely with him, his larger-than-life personality, emotional strength, physical vitality, and energy level were an unforgettable life experience.

No one who had any interaction with him failed to come away with some humorous, provocative, and memorable story that made meeting him meaningful.

But today I want to focus less on Zalman Bernstein's personality and more on his passion for business, for building a great business—in short, some of his legacy that is encoded, like a gene, in the organization that he founded and that all of us in Carnegie Hall today and in our offices around the country listening in are part of.

Zalman Bernstein, the strategic thinker.

Zalman Bernstein, the entrepreneur who built a unique corporate culture.

And Zalman Bernstein's approach to recruiting and inspiring talented people. Let me start with people.

What was the special gift that Zalman had for spotting talent? As anyone who interviewed with him can attest, his charisma was so strong that he had a unique ability to open people up and let them reveal themselves.

But more than that, he was looking for a very particular kind of person to work at his company.

Let me let him tell you in his own words. I quote him as he describes his approach to screening candidates, his care in interviewing them, what he looked for.

“One of the things we look for in hiring people—intelligence at a high level is assumed—is motivation. A drive to excel. A drive to shine. A drive to achieve more than the job calls for. The obsessive desire to win.”



He said: “I remember when I applied to the Harvard Business School in 1947. There were 11,000 applicants. I was lucky to be one of the 400 chosen. On the first day we were told, ‘You have made it—only one or two out of this class will fail, because you have been preselected very carefully.’ We also [at Bernstein] like to preselect carefully.

“One of the things we look for in hiring people—intelligence at a high level is assumed—is motivation. A drive to excel. A drive to shine. A drive to achieve more than the job calls for. The obsessive desire to win.”

Zalman knew how to pierce the résumé and use his own radar to discover, as he said, the motivation of people. This care for the deeper aspects of what drives someone to succeed was one of his most inspiring gifts.

Zalman, who started this company from scratch, knew that a corporate culture is like an organism, that the sum of a group of people working together is greater than the

skill or talent of each individually, and that the organization itself breathes a kind of energy and spirit after a time.

Now, in one sense, Zalman’s passion for building a culture was simply an expression, an extension of his own larger-than-life ego—his enormous self-confidence and belief in himself.

So part of this culture was the green ink that came from his pen; the bee symbol [part of the Bernstein logo] that he delighted in philosophizing about and that was of course the first letter of his own name; and his delight in details such as the honey pot that the new employee received; and the partners’ and employees’ parties (where in the old days he would stand on the receiving line and greet every employee and his or her spouse personally).

As he put it, when the firm was smaller before he retired: “You will often find me wandering around the 22nd floor of the GM Building. I need to feel how things are happening at the firm. I know each person’s

name and what each does. I have to feel that it is a familial setting in contrast to our impersonal society. And I believe that our staff recognizes this interest and concern for each and every one of them.”

A strong corporate culture is based on a common goal and a shared sense of value, but most of all, on a common personal passion for being part of something great. And Zalman knew that with his attention to detail—colors, logos, Beegrams—and, most important, his own personal commitment, the corporate culture could grow and thrive.

Of course, sometimes his passion to control the firm’s environment went to humorous excesses—such as the time that he became convinced that the best place to staple paper documents was on the top right corner, instead of the customary top left corner, and issued a royal edict that all documents should be stapled on the top right and, of course, copied on two sides.

However, in many cases his passion for detail—and the symbolism of things—was part of his style of creating our corporate culture.

Finally, and perhaps most important, Zalman Bernstein was a brilliant corporate strategist, and he founded the firm based on core beliefs about this business. In all his strategy and planning sessions, he would come back to a few big but important ideas about the firm he founded.

The first was that ours is a product-driven firm. The clients come first, and the quality of our products—whether it is our distinctive approach to fundamental

research, to our design of portfolios or product innovations to create the right balance of reward and risk for the client, or to using the state of the art of investment technology—is at the heart of our business strategy.

You cannot create a belief system about greatness without great products. This business is about sparing no expense and going to the furthest extreme to build true value-added products.

As extravagant, provocative, and even over the top as Zalman could seem with his throaty, booming voice and salty bluntness, his corporate vision was conservative at heart. He always looked at a new opportunity from the vantage point of:

- Does it improve what we do in our core competency?
- Does it make us better, he would often ask, to test a proposition?

Just think of the fact that after 32 years, we are still in the same core business that we began—research and money management.

Zalman’s approach was to strategically pick a few spots and then excel at them.

And finally, a characteristic of Zalman’s approach to strategy was that he believed in the courageous decision that often went against the common grain of thinking. As he put it: “We have often shown that there can be opportunities in a hostile setting.”

Although he was conservative and deliberate, he had the courage to make the big transforming investment even if the odds seemed against it.



Finally, and perhaps most important, Zalman Bernstein was a brilliant corporate strategist, and he founded the firm based on core beliefs about this business.



And he made three rather significant contributions to our business today:

- the expansion of the research department in the aftermath of the 1987 crash, when Wall Street was contracting;
- the national expansion of our private client business in the hostile investment environment of 1990;
- and his passionate advocacy for building our global expertise in the same time period, starting with a clean piece of paper to build a whole new global investment capability as an extension of our domestic research and money management skill set, even when this

considerable investment and utilization of the firm's talent had no short-term payoff.

Zalman had an uncanny way of positioning the firm for the future.

It's hard to do justice in a memorial such as this to such a remarkable businessman, business partner, and friend. But I hope that we in this room can build on his legacy and the skills that he brought to the company he founded—in business strategy, corporate culture, and hiring and recruiting—to bring our extraordinary firm to its next chapter ■



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By Rabbi Shlomo Riskin

Chief Rabbi of Efrat, Chancellor & Dean, Ohr Torah Stone Colleges & Graduate Programs

Zalman Bernstein, *z"l* [of blessed memory], was a remarkable Jew and human being whose multifaceted and ebullient personality expressed many paradoxes: He was an incredible character with incredible character; he was an aggressive and outspoken man of humility and anonymity; he could hurl blunt and outrageous *ad hominem* critiques one moment and could show profound sensitivity and concern to society's "forgotten" people the next; he was an international businessman and societal *enfant terrible* as well as a loving and caring friend who expended much time and energy in fostering personal relationships; he was passionately opinionated, but was constantly evolving and open to change; he was enamored of the color green (his office and home furnishings, even the ink of his pens, were all green) because it is the color of American dollar bills; but at the same time he was a committed *halachic* [law-abiding] Jew whose life decisions and fundamental values were determined solely by the necessity he felt to serve the Almighty, His nation, and His Torah.

In our very close relationship, Zalman taught me many things. The first lesson I learned from him, because of what he was and what he became, is that we dare never give up on any Jew, that "an Israelite, no matter how far astray he may wander, remains an Israelite" and always has the potential to return.

We first met some 25 years ago at the Lincoln Square Synagogue. I had just given a "Wednesday evening" lecture, at the end of which—in the presence of more than 500 people—an individual I had never seen before shouted out: "I like your style, Rabbi. It's too bad I can't become a member of your synagogue." When I asked him why he felt he couldn't join, he responded with candor and self-confidence—seemingly oblivious to the knot of people surrounding us—"I've been married to a Gentile woman for more than 20 years." When I asked him why a person in his situation would attend a lecture and even entertain the notion of membership in an Orthodox congregation, he opened his shirt and revealed *arba kanfot*, the ritual fringes. "My father died

a few months ago; he used to wear these tzitzit, so I decided to inherit them. I try to say Kaddish [prayer for the dead] every day.”

I immediately thought of the Talmudic passage “the thrice daily prayers were instituted by our Fathers” (Berachor 26b). The usual interpretation is that our Sages are referring to the patriarchs, Abraham, Isaac, and Jacob. However, the Hassidic interpretation is that parents, when they pass on to the other world, institute for their sons the traditional prayers in a synagogue setting because of the obligation of the sons to recite the Kaddish. I therefore took a deep breath, whispered a silent prayer for Divine aid and forgiveness (for what I was about to suggest was against my own shul policy), and held out the possibility to this fascinatingly forthright visitor that he become a single member. With tears in his eyes he waved a checkbook in front of my face, asking what amount he should fill in. I made up an amount (I think I said \$75) but added the stipulation—which I thought of on the spot—that he had to learn Torah with me for at least one hour a week. We decided to meet the next day in his office at 1:00 p.m. As he handed me his card, he said, “Ask for the president of the company, Sanford Bernstein. That’s me!”

I arrived at his plush, green ensconced Fifth Avenue offices the next day at 1:20 p.m.; his secretary, obviously expecting me, handed me a telephone, into which my newly acquired student bellowed from behind the closed door: “Rabbi, time is money; you kept me waiting 20 minutes, you’ll now wait for me 20 minutes.” Slightly taken aback, although not unmindful of the truth behind his chastisement (I certainly learned from him to be more prompt, although

I still fall short of his standards in this regard), I responded: “No, Mr. Bernstein, time is life, and life is far more precious than money. If you are otherwise occupied because of my lateness, I’ll wait even two hours for you, but if you’re punishing me, we can’t waste the next 20 minutes without studying Torah.” He came out smiling, and as he ushered me into his even greener office, he said, “I still like your style. I’ll forgive you this time, but don’t let it happen again.”

I had brought two Bibles, and we sat opposite each other at his exquisitely designed green marble desk. He had ordered us lunch—a cheeseburger sandwich for him and a glatt kosher hamburger on a roll for me. A big sign above his chair ordered “No Smoking,” but he was smoking the largest cigar I had ever seen. (In reply to my query about the contradiction, he said that “No Smoking” meant cigarettes. “I make and interpret the rules around here,” he explained.) He had apparently informed his secretary that there were not to be telephone interruptions, and he actively participated in our Bible study with rapt attention and intense concentration. He would often inject incisive questions, and when he especially appreciated my reply, his response would be a rather colorful expletive.

After a while, he looked at me with concern. “What’s the matter, Rabbi? You look greener than my wall!” Indeed, the room was beginning to spin and my temples felt as if they were about to burst. I weakly explained that the combination of the cheeseburger, cigar smoke, and raw vocabulary together with the Bible learning was a contrast that was more than I could manage. Zalman opened a window, put out

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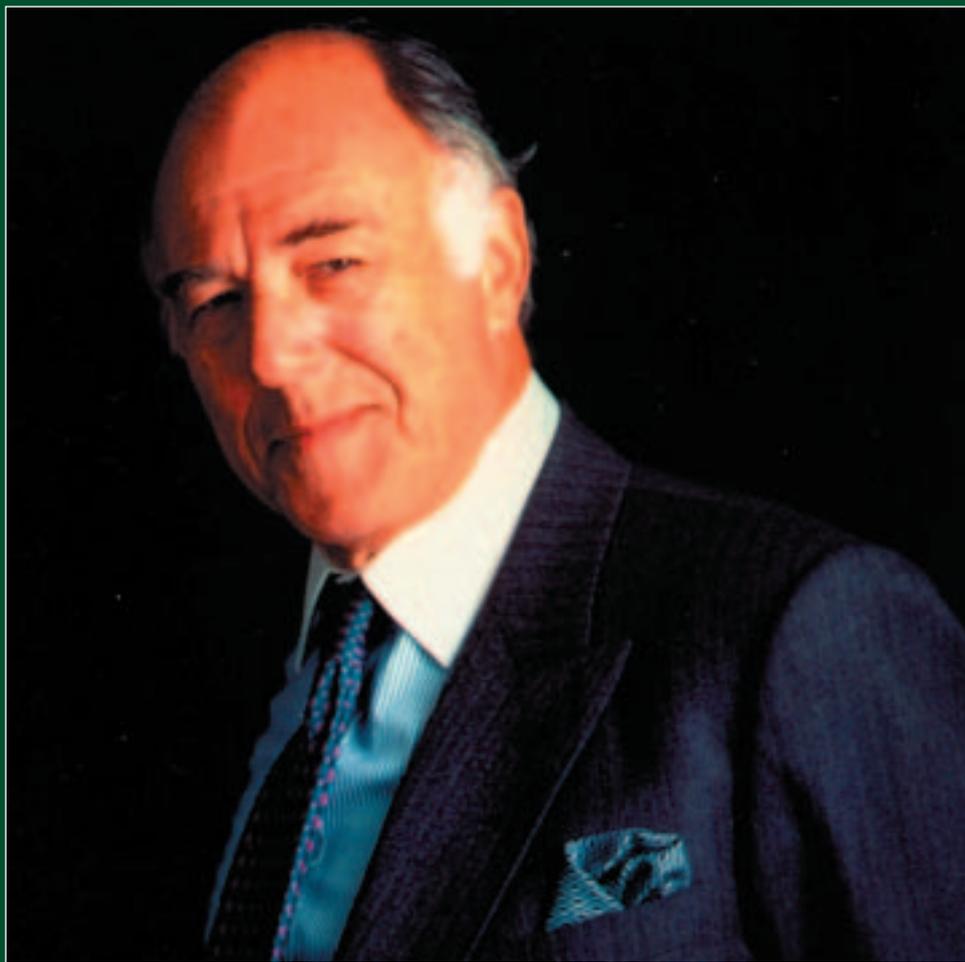


his cigar, threw away the mostly uneaten cheeseburger, and offered to give \$180 to Hebrew University for every expletive he uttered. Since I was beginning to come back to myself, I substituted Chabad for the university. (Rabbi J. J. Hecht received a check for \$1,800 at the conclusion of that session, and he asked that I study with the “green *nadvan* [donor]” three times a day.) So began a most auspicious relationship in Torah for both Zalman and me. . . .

The second lesson I learned from Zalman is the importance of a burial place—and the possibility of drawing inspiration from the graves of the righteous. From a certain perspective, a connection between living individuals with grave sites of those who have passed away is an affirmation of Jewish eternity and the continuity of the generations. As long as one has descendants and disciples who live in accordance with one’s example and teaching, one lives eternally and continues to influence even beyond the grave. Thus our Sages teach us that Caleb ben Yefuneh had the strength

to withstand and defy the evil report of the 10 scouts because he first visited the grave of the Patriarchs and Matriarchs in Hebron and became duly inspired by the experience.

Shortly after Zalman and I began studying together—and he was soon attending Sabbath services regularly and putting on tefillin [small leather boxes containing scriptural passages] every morning—he asked me to acquire a single grave site for him in Israel. I was then spending the summers with my family on Kibbutz Ein Tzurim, and so I easily arranged with the *chevrah kadisha* [burial society] in Jerusalem for a grave on the Mount of Olives cemetery. True to form, I received a telegram with 12 hours’ notice that Zalman was coming to inspect his newly purchased acquisition. The following scorching summer’s day, Zalman, a member of the *chevrah kadisha*, and I met outside the gate of Mount of Olives; as a *Kobain* [priest], I remained behind as the other two entered for the inspection. I could hear Zalman shouting, but I couldn’t make out his words; I could



see him running between the graves, but I had no way of understanding his intentions. At length, an angry Zalman and a perplexed *chevrah kadisha* member met me with the report. “I can’t see the Temple Mount from the grave you acquired for me,” bellowed Zalman. “It is totally unacceptable.” He did find a suitable grave site—available for purchase—with an unobstructed view of the Temple Mount, but it was very close to the grave of Rav Avraham Yitzchak HaKohain Kook, one of the greatest Torah intellects and pious religious leaders of our generation. Both the member of the *chevrah kadisha* and I understood that given Zalman’s marital and religious status, such a grave site was totally inappropriate. I tried arguing that after 120 years, Zalman wouldn’t be seeing anything from down below in any case, so that his view from the grave was totally irrelevant—but to no avail. Eventually, a frustrated Zalman left the cemetery as well as Israel with hardly a good-bye.

The following week I received a letter from my friend, with an apology together with an explanation. “I’m not concerned about the view for myself,” he wrote, “but before I met you and studied Torah, I made a mess of my life and had no message of inspiration to impart to my children. However, I ordered the grave in the hope that all was not lost. I felt that perhaps if, after 120 years, my children will visit my grave and gaze upon the holiest site in the world, where Abraham was ready to sacrifice Isaac and where generations of Jews offered prayers and gifts to G-d in the Holy Temple, they may become imbued with the ideal of sanctity which I could not give them in my lifetime. . . .” I translated his letter into Hebrew, brought it to the *chevrah kadisha*,

and told them that I had every indication to believe that by the time the grave site was used, Zalman’s religious development would be such that Rav Kook would be proud to have him as a neighbor. They sold him the plot—and Zalman began to study and became deeply influenced by the teachings of Rav Kook for the rest of his life.

Zalman continued to evolve and grow in Torah and Commandments. He married a religious Jewish woman, attended to the Jewishness of his children, and became a fully observant Jew. Eventually, he moved his major residence to Jerusalem. There he made a new beginning, and the home he and his devoted and elegant wife, Mem, established became a model of hospitality, a meeting place for Torah scholars and classes, a magnet for yeshiva students and *baalei teshuvah* alike. Through the Avi Chai and Tikva foundations, which he founded and funded, his *tzedakah* [charity] enabled many struggling businesses to prosper and countless Torah and outreach institutions in the United States and Israel to develop and grow. He was the spirit behind the highly visible public relations effort to bring religious and secular Jews closer together, called “Tsav Pius” [Order for Conciliation], and he spared neither time nor expense in encouraging initiatives to make the sacred texts more accessible to every Jew. From Zalman’s perspective, Jewish tradition was too important and too universal for it to become the property of the Orthodox alone.

He never agreed, however, to accept an organizational dinner Guest of Honor tribute or to have any institution, school, or program bear his name. As much as he fostered a high profile and larger-than-life image in the business and social worlds,



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bellowed Zalman. “It is totally unacceptable.”*



so did he zealously guard anonymity and humility in the worlds of Torah and *tzedakah*; in effect he was teaching that the pursuit of true success in God’s eyes is the exact antithesis of what brings success in the world of finance and industry.

Just as Zalman was initially brought back to Judaism by the traditionalism of his father, his major goal in life was to bring all the Children of Israel back to their Father in Heaven. And despite his impatience with stupidity and politically liberal ideologies (the two were interchangeable in his eyes), he felt a deep connection to every Jew, no matter where he or she stood on the

religious or political spectrum. Although he waged a difficult and courageous battle against cancer during the last two years of his life, in many ways his final months were his most peaceful and fulfilled: He was grateful for and took pride in his wife, his children, and his accomplishments. It seems to me that the only reason he agreed to be taken by the Angel of Death was that he decided it was time for him to convince the Almighty to finally dispatch Elijah the Prophet, who would at last “restore the hearts of the parents to their children and the children to their parents.”

May his memory forever serve as a blessing. ■



The People Who . . .

By Zalman C. Bernstein

Chairman, Sanford C. Bernstein & Co., Inc.

My topic, “The People Who . . .,” aroused curiosity amongst my associates when they saw the program. They wondered what I was going to talk about. Well, let me unveil the mystery. I would like to talk about the people who—have The Royal Reach.

I thank Norman Lamm for the title, from a book he published in 1970. What is the royal reach? Maybe the best way to define it is to cite a few examples.

First, a biblical one from the Psalms: “One thing I asked from the Lord . . . to dwell in the House of the Lord all the days of my life . . .” David, the King, asking for the ultimate . . . a place in the House of the Lord, rather than solving his mundane problems of winning battles or creating prosperity. He had the royal reach.

Robert Browning, the famous poet, put it well when he said, “A man’s reach should exceed his grasp, or what’s a heaven for?” He had the royal reach.

From the movie *Flashdance*, to the aspiring dancer: “If you give up your dreams, you die.” If you saw the movie, you know she had the royal reach.

Socrates, Plato, and Aristotle identified virtue and knowledge and maintained that if people only knew what is right they would do it, their lives would change, and that in the pursuit of wisdom was the highest and happiest life. Those Greeks had the royal reach.

So, what is the common thread that ties all these examples together? The common thread is a majestic craving for nearly unattainable goals and sublime ends far beyond the petty daily ambitions that plague us all. Frankly, my job is to develop the royal reach at every level in our company.

One thing I learned in raising children is that telling them something doesn’t mean very much. The same applies in business. It is showing that counts. Being a model and an example is the way we at the head

of our company motivate others. Some of the things we do to create the Bernstein environment: Promoting a strong work ethic, a developed sense of humor, setting high standards for every little detail, letting all around us see that we struggle for excellence, and then training our own helps a great deal. From answering the telephone properly to having an exciting, valid investment-management process is the mosaic of the royal reach we try to instill.

We try to convince everyone in our organization to reach for the stars—no matter how menial or repetitive their tasks may be, we try to give meaning to their lives when they work at Bernstein. Be it a receptionist or our chief investment officer, working at Bernstein is an exciting experience. My job is to keep it that way. To keep an atmosphere where ideas are constantly flowing from one Bee to another.

Selecting and retaining personnel are functions that are the prime responsibility of a chief executive officer. I remember when I applied to the Harvard Business School in 1947. There were 11,000 applicants. I was lucky to be one of the 400 chosen. On the first day we were told, “You have made it—only one or two out of this class will fail, because you have been preselected very carefully.” We also try to preselect very carefully in the process of hiring, training, and indoctrination and then keeping our staff current as to our policies. There is a challenge to not only myself, but to all of the senior and operating management of Bernstein.

One of the things we look for in hiring people—intelligence at a high level is assumed—is motivation. A drive to excel.

A drive to shine. A drive to achieve more than the job appears to call for. The obsessive desire to win. And, in addition to being smart and driven, being pleasant to have around. I have said many times that the only asset we have is our people. From research, which is our calling card, to every interface you have with Bernstein personnel, we try to exemplify the royal reach. It’s presumptuous, I know, but after thinking about the various exchanges you or your associates have had with any of our professional and support staffs, I hope you feel they have the royal reach.

It’s easy for the front-liners, the research people, the money-management group, our pension asset advisors. These front-liners are constantly in your view, and you know whether or not they have the royal reach.

But what you don’t know about are all the people backstage. And these people, whom most, unfortunately, think of as backstage, are not only vital to the success of the services we offer you, but are critical for us in making sure the royal reach permeates Bernstein, and serves you, our clients.

If you have dealt with our lawyers, or our client services or operations staffs, or our computer scientists, or our secretaries (we think of them as assistants), you know that everyone at Bernstein feels stretched to have the royal reach. Our organization is geared to shining, to being totally distinctive.

I want to give an example that affects you greatly. The size of our equity product business, the product that most of you purchase from us—and make no mistake: that size at some point has a trade-off with performance goals.

The common thread is a majestic craving for nearly unattainable goals and sublime ends far beyond the petty daily ambitions that plague us all.



Conventional wisdom in our industry asserts that there is an inherent conflict between professional goals and standards—and the business objective of an investment-management organization. This conflict manifests itself by the fact that many investment managers grow the assets under management at a faster rate than their ability to provide quality service.

Let me state unequivocally that we never intend to grow beyond our ability to provide premium returns and service to our clients. If that ever occurs, it would inevitably undermine us.

So we end up with our decision to strive for premium performance—the royal reach—no matter the pressure entailed for us. We couldn't settle for anything less—and hold our staff together.

I have said on numerous occasions that we are a product-driven, rather than a sales-driven, company. Therefore, when important strategic issues arise and trade-offs must be made, professional standards, not our own interests, win out at Bernstein.

Our vice chairman, Lew Sanders, put it very well in a recent talk to our shareholders and management group when he said, amongst other things, “There are a few basic principles that we will continue to adhere to . . . we continue to aim very high in terms of the kind of products and services we offer. As you get more successful, more established, there is a temptation to become risk averse, to conserve, to protect. But this firm has always been driven by a need to build, to invent, to be clearly superior, and often that involves risk taking. That's a characteristic we must not lose.”

Are we presumptuous? Do we or don't we have the royal reach? ■

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