Jerome Kohlberg, senior founder of KKR, 1925-2015

Gordon Cramb

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"overpowering greed that pervades our business life" came at the expense "first K" in front of Henry Kravis and George Roberts at what would become the fearsome force known as KKR.

Sevenyearson,alifesavingoperation to remove a brain tumour put him out of action for a year. Returning to their Midtown offices, he sensed a change. With public equity markets on the rise, Kohlberg's younger partners hankered after ever bigger deals, no matter if hostile. They were out to play hardball. As recounted in the best-selling Barbarians at the Gate: "Jerry Kohlberg by 1983 was growing uncomfortable with changes in the industry he helped spawn. He still favoured small, friendly deals initiated by pull-up-a-chair talks with older gentlemen."

KKR went on to clinch the 1986 acquisition of Beatrice, the dairy company that had come to own non-food brands from Avis to Playtex. At $8.7bn it was the priciest leveraged deal of its time. He made clear his qualms, going on to warn investors that the "overpowering greed that pervades our business life" came at the expense of ethics and values.

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Unease was soon on display in the financial district too. By midyear Wall Street had a febrile feel. Stock prices had trebled in just five years and, among in--vestment gurus of the day, not only the ever bearish were increasingly calling the top of the market. August, the month Alan Greenspan became US Federal Reserve chairman, was to prove the peak. After drifting lower, on October 19 the Dow dived 22 per cent. Yet for the Kohlbergs' new family business and the remaining duo at the head of KKR alike, the collapse was no bad thing. Each could benefit not just from the slashed market valuations that prevailed but also the easing in monetary policy over which Mr Greenspan was obliged to preside. For Mr Kravis and Mr Roberts it took the form of KKR's famed raid the following year on RJR Nabisco, the Camels-to-Oreos conglomerate, as chronicled in Barbarians.

Kohlberg sued his ex-partners to secure a continuing income from past takeovers in which he had invested. All three had done much the same when their former employer sought to deny them a cut from their previous Bear Stearns deals. The two remaining KKR founders told staff this week: "Jerry was our mentor and friend, a true visionary ... We are proud that our firm is called Kohlberg Kravis Roberts & Co."

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