



Corporate Values at Goldman Sachs

Case

Author: Roger Gill

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Goldman Sachs in the UK took the number one slot in *The Sunday Times* '100 Best Companies To Work For' survey in 2007 in the Big Companies category (5,000-plus employees) (Thomas, 2007). A global leader in banking, investment management and the securities industry, the company headed the 'Leadership' ranking by a large margin. Its striking leadership characteristics were perceived to be the company's vision of the future, strong ethical principles, its senior managers living the values, the leadership skills of the senior management team, and the huge level of employee engagement with the company. Employee engagement was so strong that it was producing an adverse impact on the ratings for personal well-being (e.g. excessively long working hours), though 'not enough to dim [employees'] esprit de corps' (Thomas, 2007).

Several events in the three years after 2007, however, revealed that, while Goldman Sachs in the UK may have been a great place to work, in the United States employees and customers were less impressed, claiming that it had misled investors and 'overlooked' its obligations to its customers, calling into question its ethical behavior (The Times, 2010). *The Times* pointed out 'a severe cultural problem for the bank in appearing to safeguard its own interests to the detriment of those of its customers' (The Times, 2010).

In July 2010 Goldman Sachs agreed to pay a fine of US\$550 million to settle accusations that it had misled investors over a mortgage-backed security. Moreover, the company had allegedly been a major player in the American banking crash of 2008 and had helped Greece to mask the true amount of its indebtedness. In the words of *Rolling Stone* magazine, the company had behaved like 'a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money' (Sanghera, 2010). On 20 July 2010 the company reported a slide in earnings of 82 per cent in the second quarter.

Goldman Sachs is a prime example of how leadership at the top is critical to the sustained well-being of a company and its reputation. Sathnam Sanghera suggests that the problem was the company's internal culture: what made the company peerless in the world of finance had also made it 'the most dysfunctional institution this side of the Simpson family' (Sanghera, 2010). He says serious issues were an excessive insistence on conformity, chronic 'workaholism', sanctimoniousness and extreme arrogance, with the 'central belief that working at Goldman is the best thing that can happen to you ... The basic problem with Goldman Sachs is that it has succumbed to evil'. *The Times* commented:

There will be questions whether Lloyd Blankfein, the bank's chief executive and a gifted trader, is the right leader for such an institution. The bank sorely needs statesmanship. Goldman once quietly prided itself on being a relationship bank that, first and foremost, cared for its clients. In the years since its flotation and under Mr Blankfein's leadership, the biggest charge

against it is that it has made a fortune and lost its culture (The Times (2010)).

In the UK, however, the company has continued to do well. In *The Sunday Times* '25 Best Big Companies to Work For' survey in the UK in 2011, Goldman Sachs International ranked second for the second successive year. The survey reported high levels of satisfaction among staff with respect to leadership, personal growth, how they felt about the company, giving something back, and getting a fair deal. Pay and benefits were seen to be second to none, as might be expected. And, as in 2007, staff still saw their bosses as 'truly [living] the values of the firm', as good listeners, and as having two co-chief executives who 'run the organisation on sound moral principles ... and are a source of inspiration'. Goldman Sachs in the UK won the 2011 'Best Leader' special award.

Discussion Questions

1. What differences with respect to leadership, values and culture do you see in Goldman Sachs in the UK and the United States? What do you attribute them to?
2. Is Lloyd Blankfein 'the right leader' for Goldman Sachs? Why or why not?
3. Can a high level of employee engagement ever be bad?

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