

Goldman's is an unwitting exemplar

I am teaching the brand management elective at London Business School this week. A healthy proportion of my class is made up of MBA students who have opted almost exclusively for finance modules as preparation for careers in investment banking. Many choose brand management as their only non-finance course because branding is an area of almost total ignorance for them.

This may sound odd to marketers, many of whom may not understand exactly what investment banks do. Meanwhile, bankers peer into the world of brand equity with the same glazed look of bewilderment with which we peer back at them.

There is, however, common ground. In fact, one investment bank provides us with a remarkable example of differentiation and corporate branding – Goldman Sachs. It may not be a brand that marketers discuss often, but, for my students, it is the ultimate corporate brand, and the one that most aspire to work for.

To understand the attraction and status of Goldman Sachs, we must travel back to a rain-splashed Manhattan office last Wednesday afternoon, when 400 executives from Bear Stearns listened intently to James Dimon, chairman of JP Morgan, outlining his terms for the 'merger' of the two banks. Bear Stearns, one of the most prestigious Wall Street institutions, was to be taken over for less than the value of its buildings.

Desperate to ease the tension in the room, Dimon stated that every major bank, including his own, had lost billions in the sub-prime mortgage crisis. 'No one on Wall Street could have anticipated this,' he said.

But at Goldman Sachs, they could and did. Like its rivals, the bank had become dependent on sub-prime mortgages through investing in consolidated loans and offering them to clients. However, it was not about to lose money.

Since the 70s, Goldman Sachs has been built on 14 business principles that guide every aspect of its operations. These stress the



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'unusual effort' Goldman Sachs puts into recruiting the very best people in the business, the 'pioneering' nature of the firm, and a recognition 'that the world of finance will not stand still, and that complacency can lead to extinction'.

It was this aversion to complacency, and the foresight of two exceptional bankers, that enabled Goldman's to dodge a bullet that would decimate many of its competitors.



In 2006, while other investment banks were blinded by greed and ignorance of the changing status of the sub-prime mortgage market, Michael Swenson and Josh Birnbaum saw trouble ahead and recommended that Goldman Sachs 'short' the marketplace. With fierce argument, they eventually convinced Goldman's leadership to bet heavily against the sub-prime market.

The result was spectacular. While most of its competitors lost between \$3bn (£1.5m) and \$11bn (£5.5bn) in 2007, Goldman's reported annual profits of \$11.6bn (£5.8bn). Its third-quarter profit in 2007 – the period in which other banks were worst-hit – was the third best in its 138-year history.

No one at Goldman Sachs would consider these recent triumphs anything to do with branding. It is a word that means as much to bankers as 'collateralised mortgage obligations' does to marketers. But despite being shrouded in financial jargon and macroeconomics, this is a branding tale as impressive as that of Apple or Toyota.

Strong brands share similar traits. They consider themselves fundamentally different from their competition. They articulate that difference in an explicit, meaningful manner that feeds their culture and their people. As a consequence, they walk a strategic path that others simply cannot match. Goldman Sachs might not agree or even understand the compliment, but it is a supremely strong brand.

30 seconds on... Goldman Sachs

Goldman Sachs was founded in New York in **1869** by German Jewish immigrant Marcus Goldman. It opened its first international office in London in **1970**.

Apart from scouring the leading business schools, the bank actively recruits individuals with impressive records in **sports and the military**.

Each year it traditionally **fires** the worst-performing **5%** of its workforce.

In December, Goldman's announced that staff would share an annual bonus pool of **\$18.8bn** (£9.4bn), equating to an average **bonus** of **\$600,000** (£302,000). Swenson and Birnbaum

were reported to have been paid a bonus of about **\$10m** (£5m).

Goldman alumni hold top posts in the US Treasury, the World Bank and the central banks of Italy and Canada. **Sacha Baron Cohen** left Goldman's in the 90s to become a comedian, and now makes even more money than his ex-colleagues.