

# Have vampire squids been unfairly maligned?

Goldman Sachs is the investment bank that everybody loves to hate. Does it care about its reputation? And if it does, with who?

**G**oldman Sachs has a great reputation among chief financial officers. Goldman Sachs keeps on being hired to do its investment-banking thing and keeps on making lots of money. Yet for all its business excellence, Goldman Sachs has a poor reputation with the public and gives the appearance of not giving a damn. Should they?

In the 2015 Harris Reputation poll of 27,000 members of the American public, Goldman Sachs' Reputation was bottom of the list of 100 companies surveyed. Typically, a Goldman Sachs spokesman had no immediate comment. As memorably described by *Rolling Stone* magazine, the public warms to the likening of Goldman Sachs to a 'Vampire Squid... wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money'.

This is a little unfair on vampire squids which neither have a blood funnel nor

as a key concern: "Our assets are our people, capital and reputation. If any of these is ever diminished, the last is the most difficult to restore." It's just that organisations have multiple reputations with multiple audiences. And as a B2B company, Goldman cares most about what sophisticated audiences – like clients – think.

Many of Goldman Sachs' clients – hedge funds, large institutional investors, corporations and the like – don't have great public reputations themselves. And they want to work with a firm who will best serve their needs. Goldman Sachs' business reputation for focused and ruthless money-making may be exactly the kind of banker many clients want to have. So how about reputation affecting its success in the war for talent? No problem there – Goldman received 267,000 job applications in 2014. So far, so good.

And yet when in 2012 Greg Smith, a Goldman middle-manager, penned his resignation letter on the op-ed pages of the *New York Times*, it lit a fuse and Goldmans reeled. Smith accused the bank of having a "toxic and destructive culture" and ripping off clients who he claimed were referred

to internally as "muppets". In the old days Goldman Sachs could have smoothed things over with a few client phone calls and moved on. But today social media aggregates and amplifies stories and public opinion. And thus the 'vampire squid bank' was further demonised.

And CFOs are human too; business was



lost. There were those who decided that Goldman Sachs was just a bit too 'hot' to hire for a while. Why put yourself through a torrid time answering hostile questions at the AGM about your association with the bank from a private investor?

Scrolling forward a few months and we discover how the bank's public reputation forced its hand. In early 2013, Goldman Sachs was revealed by the *Financial Times* to be planning to delay paying banker bonuses until after the top rate of income tax fell from 50 to 45p.

## You are not alone

The most interesting thing about the *FT* story was that it said that 10 investment banks were looking at this. Yet it named only Goldman Sachs. Why? Because Goldman Sachs was already the lightning rod for public anger and would generate an outcry in a way that naming other banks never would.

And there was an outcry. The Governor of the Bank of England weighed in calling it "clumsy and lacking in care and attention... knowing that this must have an impact on the rest of society... suffering the consequences of the financial crisis"; the Treasury put in a call to express its displeasure; even the CEO of the British Bankers Association said: "It clearly doesn't restore trust."

At which point Goldman Sachs performed a spectacular U-turn and its British investment bankers paid a higher rate of tax than they anticipated. Maybe Goldman Sachs should have cared about its reputation with the general public. Because these are the people whose 'uninformed' opinion shapes political and regulatory opinion. And Goldman Sachs does care about that.

**"Many of Goldman Sachs' clients don't have great public reputations themselves and want to work with a firm who best serves their needs"**

suck blood – but then their representative body has yet to ask Electric Airwaves for help on sharpening its messaging and media communication.

But you would be wrong to think that Goldman Sachs does not care about its reputation. If you look at the 'Business principles' section of their website, reputation is right up there