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Goldman Sachs: A Cautionary Tale in Branding
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In March, a retiring executive director at Goldman Sachs gave the ultimate kiss-off to his former employer: a blistering op-ed in the *New York Times*, decrying a corporate culture within Goldman Sachs that, according to the author, demeans its clients and places its own financial interests above those it purports to serve. The op-ed hit like a bomb in the financial world, and within days had wiped out $2.2 billion of Goldman's market cap.

Many have found the significance of the op-ed to lie in the author's articulation of a popular rage (to borrow a phrase) against corporate greed. But at its core, the op-ed heard 'round the world is really a cautionary tale about branding—and the fallout that can occur when it goes wrong. What went wrong in the case of Goldman Sachs, at least in the eyes of its former executive director, was an intolerably wide gap between the image that Goldman Sachs marketed to its clients and the reality of its operations.

This is a branding problem as much as it may indeed be a cultural problem. To clarify a point that is easily misunderstood, a company's brand is not defined by the image it projects in marketing materials. A company's brand is defined, rather, by its customers and market. For instance, McDonalds could spend billions of dollars promoting itself as a fine dining experience, but if it didn't actually become one complete with silverware and linen napkins, its true brand—a place to get quick, cheap hamburgers—would remain unchanged in the mind of the market. Smart managers understand how their brands are a function of external perceptions and they promote and celebrate the most positive aspects of those perceptions or, alternatively, they adjust their business operations to earn the reputation to which they aspire.

A severe mismatch between the image and the market-defined brand cannot be sustained for long. It foments frustration within customer bases and labor forces, for which the disconnect feels like hypocrisy. The palpable fury in the Goldman Sachs op-ed, after all, came not from the firm's merciless pursuit of profit (an expected if not admirable attribute of an investment house), but rather that it was being obtained in ways directly opposed to the company's public commitment to putting clients first.

The publication of the Goldman Sachs op-ed should signal to management that the threat of a disconnect between one's image and brand reality are now greater than ever. The disgruntled no longer release steam in private conversations or niche blogs that, until recently, were the most public forum for isolated insider accounts of corporate cultures gone wrong. In today's media environment, such confessional, behind-the-scenes narratives will be broadcast by no less a publication that the *New York Times*. For financial services provider Goldman Sachs, it was devastating; for a consumer products company, the threat of public exposure is even greater. Pity the retailer whose failure to live up to its image gets shouted back at it in 1,000 angry Facebook comments.

In this changed landscape, how does a company prevent the fate of Goldman Sachs? The first step, as they say, is admitting there's a problem if there is one. Companies should be either enthusiastically embracing their brands as perceived by the market, or, if unsatisfied with their brands, working aggressively to earn a different perception through changed behavior.

In order to diagnose problems, large companies would be wise to internally audit the fit between their professed and real values. Goldman Sachs, which thus far has responded as well as it could to the furor over the op-ed, was able to point to survey data reflecting that in large part, its employees feel it excels at client service.

For high-level employees, a communication strategy should now accompany every termination. That success of those strategies can be aided through employment contract clauses, developed by human resources departments and their legal counsel, that to every extent possible limit a company's exposure to tell-all accounts of the type that have rattled Goldman Sachs.

In the end, only those closest to the situation know what motivated Goldman Sachs's departing executive to write his op-ed, and how close it came to the truth. For C-level executives, however, the most important truth of the episode is clear: as the distance between your image and your brand grows, so too does the peril to your business.