

## Finnish lesson on principles for Goldman

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Lloyd Blankfein is in need of advice on the principles of business. Fortunately, I have just the man to give it to him: Hannu Penttilä, a Finnish shopkeeper who runs a chain of department stores.

His company, Stockmann, and the mighty [Goldman Sachs](#) are rather similar. Both have both been around for 150 years. Both are good at what they do. Yet when it comes to explaining how they conduct themselves, the US bank makes the most horrible hash of it, while the Finnish retailer gets it just right.

Last week [Goldman produced a 63-page document](#) on how it proposes to clean up its act, which began with The Goldman Sachs Business Principles. These are 14 in number, which is far too many for anyone to remember, even for Goldman people who, as the bank says, are the very best. Each principle is rather long, and after having read and reread them I am left feeling exasperated, confused and as if I've been lightly clubbed around the head.

Still, at least the first principle is pithy and memorable. "Our clients always come first," it says. There is only one problem with this: it isn't true. Not only is it not true in specific cases (like when Goldman sold "shitty deals" to clients and bragged about them), it isn't true generally. Any bank really interested in its clients would shut down most of its M&A department on the grounds that buying other companies almost always works out badly.

The second principle is a long screed about Goldman's "unswerving adherence" to being legal and ethical, with the result that the bank's speciality – generating profit – gets shunted into third place. "Our goal is to provide superior returns to our shareholders," the principle starts, making it sound almost altruistic. There is no mention of anything as vulgar as money; the word "superior" is pleasingly ungreedy. "Profitability is critical to achieving superior returns," it explains, passing off a tautology as if it were an insight.

Now let's see how the retailer does it. The first of its [six short principles](#) goes like this: "We are in business to make money; all our operations should support this goal."

After this, its customers get a look in: "We earn money only by offering benefits which the customer perceives as real and better than those of our competitors."

This is the right way round, and I particularly like the honesty of the word "perceives". Value, like beauty, is in the eye of the beholder.

Stockmann has four more principles: efficiency, commitment, respect for its staff and social responsibility. On the last it simply says: "Our way of operating is ethical and just."

By contrast, Goldman makes of a meal of being ethical. Having already declared its devotion to ethics in Principle 2, Principle 14 says: "Integrity and honesty are at the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives."

Saying it twice doesn't strengthen the message, it weakens it. And the bit about ethics in personal lives is alarmingly vague. Does it mean any banker who cheats on his wife can expect a visit from Mr Blankfein?

Even more worrying is Principle 5: "We stress creativity and imagination in everything we do." One sincerely hopes that people in the compliance department don't take this edict too seriously.

The remaining principles are predominantly boasts. "We have an uncompromising determination to achieve excellence in everything we undertake," Principle 4 says, a claim that is belied by the document itself.

The principles aren't even internally consistent. Quite apart from the central conflict between making money and serving clients, Goldman blithely ignores the clash between its boast about how quickly it promotes good people and Principle 8: "We stress teamwork in everything we do."

Having pored over these two documents I'm left wondering what is the point of drawing up a list of principles. Stockmann answers this clearly: it is to provide a framework within which decisions can be made.

The purpose of Goldman's document is rather different. Its principles would be no help in decision making: they are a mixture of untruths, platitudes and boasts which make the right noises but leave little impression. But then maybe that was the point of the exercise. To bore detractors into submission, leaving the bank free to conduct its business according to the time-honoured principles it has always followed.