



Getting Sach'd

by Bob Whipple, MBA, CPLP

Greg Smith wrote his scathing letter of resignation from Goldman Sachs, and it appeared as an op-ed in the New York Times on March 14th. He is out of Goldman Sachs for good, but I believe it was the firm that really got "Sach'd."

Here we have an insider who was unable to play the game of duplicity and go against his own values. He revealed so much evidence of a corrupt culture that the entire organization is likely to continue its fall from grace. The ouster of CEO Lloyd Blankfein and President Gary Cohn is not assured, but I am willing to bet that they will not be there one year from now. Even before Smith's diatribe, speculation about Blankfein leaving soon was becoming more prevalent.

The Goldman Sachs PR machine has tried to blunt some of the damage by stating Smith was just one of over 30,000 employees, and it is expected there are going to be some disgruntled employees in an organization that large. If Smith's accusations are accurate, the Goldman Sachs defense, thus far, has been tepid at best.

Smith's courage to leave and expose the corruption will cost him in the short term. As William Cohan, author of *Money and Power: How Goldman Sachs Came to Rule the World*, pointed out: "Smith is toast on Wall Street." On the other hand, if Smith does not meet some mysterious demise or get run over by a taxi, he is likely to do well as an author himself and flourish on the speaking circuit as a competitor to Cohan. There is undoubtedly enough interest out there to support at least two authors and speakers for several years.

I am neither supporting or denigrating Smith's claims. I am not close enough to the facts. Rather, I am marveling at the level of candor involved in his letter. Accurate or not, his resignation letter lit up the twitter boards for the last half of the week. It will be an interesting story to follow.

One basic truth stated by Smith in his letter will go down in history as a warning to all top executives who have let hubris or greed push fundamental values to the side. "It

astounds me how little senior management gets a basic truth: If clients don't trust you they will eventually stop doing business with you. It doesn't matter how smart you are."

Another favorite quote from his letter is, "Leadership used to be about ideas, setting an example and doing the right thing. Today, if you make enough money for the firm (and you are not currently an ax murderer) you will be promoted into a position of influence." I am wondering how many of the managers who may be following the "Money over customer well being" philosophy are starting to shake in their boots. How can they change their methods in midstream and be able to look at themselves in the mirror?

I suppose enough money and power can help executives deceive themselves into believing wrong things are OK. After all, Smith himself was participating in the same kind of deception until his conscience could no longer bear it, or perhaps he was put under a kind of pressure he could no longer endure. Regardless, he was not blameless for tolerating the same kind of corruption for at least a few years. Perhaps this affair is a kind of wakeup call that a corporate culture can be a seductive force that enables people to accept and follow what they would otherwise know is wrong.

I am an idealistic soul who still believes in Superman and the premise that good eventually wins out over evil. It did take a lot of courage to do what Greg Smith did. MBA classes will be discussing his letter and its effect for many years to come. It is rare that a resignation can have such a high profile impact. If history shows his points were accurate, then Smith was really one of the good guys. So here's to all the good people out there who are unwilling to do things they do not believe in just to make the most money possible. Greg Smith made sure they have a greater chance for their reward while still on this earth. For those who still believe in a duplicitous existence, you can look forward to a significant decline in your business, or even extinction.



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