



**PRESENTATION BY ROBERT E. “BOB” DIAMOND, JR.,  
CEO, BARCLAYS CAPITAL**

**David and Lyn Silfen Leadership Series**  
Columbia Business School  
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*Robert E. “Bob” Diamond, Jr., CEO of Barclays Capital, visited Columbia Business School on November 2. He spoke to the Columbia community about European-U.S. investment banking strategy as part of the David and Lyn Silfen Leadership Series, which attracts some of the most influential professionals in the business world to share their leadership styles and philosophies.*

Bob Diamond, who is based in London and joined Barclays Capital in 1996, talked at length about the firm’s success in building a global capital markets franchise and the strategy behind this growth. He noted that while the Barclays name had strong foundations in traditional banking areas like consumer and commercial lending (having accepted its first deposits in the City of London in 1689), its investment banking business was largely an also-ran when he joined the firm 10 years ago. The bank has come a remarkably long way since then, and last year it finished among the top five in the rankings for loans and investment-grade corporate issuances in the United States—ahead of firms that included Goldman Sachs, Morgan Stanley and Lehman Brothers.

Things were quite different 10 years ago, though. At the time, Barclays’s securities arm was known as BZW, and the bank was strongly considering whether to sell the underperforming unit. But, he told students, Mr. Diamond believed the bank could turn its fortunes around by positioning itself to take advantage of a few fundamental changes that were about to change the capital markets. According to him,

*This was 1997, and the euro was just around the corner. The coming of the single currency was transformational. For the first time European banks would have a big, deep capital market. And for the first time European banks could break down the oligopoly of the U.S.-dollar-denominated markets. A second major opportunity was the coming of the breakdown of the Glass-Steagall Act, which was repealed in 1999. We believed strongly that the integrated universal banking model was a much more natural way to serve clients, and with the demise of Glass-Steagall, we saw an opportunity.*

*Third, we believed we could transform the culture of British banking from complacent and hierarchical to a more performance-based culture. As a result, we made the decision not to sell BZW.*

Mr. Diamond described how the changing landscape of the capital markets played to Barclays's traditional strengths, including lending. Other businesses in which it did not have a strong toehold, however, such as mergers and acquisitions, were downsized or exited completely. He said the bank's strategy was to build areas in which it had a competitive edge—such as lending, where it could use its balance sheet—as part of its larger ambition to become the premier European investment bank in risk management and financing. “I don't think anyone even noticed when we launched Barclays Capital in November of 1997. It was a bull market, and to say there was widespread disbelief would extremely overstate it. The changes we went through at the time were largely unnoticed.”

But building a franchise was not without its challenges and the bank was exposed to the same systematic risks that roiled the markets in 1998. The collapse of Long-Term Capital Management and the Russian debt default caused the bank to write off millions (in pounds sterling), leading to a loss of investor confidence at the time and renewed internal consideration of selling off the investment-banking arm.

*The CEO of Barclays at the time advocated selling Barclays Capital. It would have been a high-risk strategy, and the firm would have been left with only a UK banking business and would be exposed to the UK economy. That was what Lloyd's TSB was doing, and at the time it was looking like a good strategy. But now Lloyd's will be a pawn in someone else's strategy. Eventually the board fired the Barclays CEO. And we learned that we can be good at proprietary trading but can't dampen the volatility that comes with it. And you can only take so much risk. So we made a decision as a result of 1998 to exit prop trading and put the risk back in our client business. And that is one of our greatest strengths today and is one of the biggest factors that has allowed us to outperform the other investment banks in the toughest of market conditions.*

The next year, 1999, would also be challenging for the bank. That was when the United Kingdom decided not to enter the European Monetary Union and adopt the euro, which was a major blow to Barclays's ambition to be a European banking force.

*Our whole business plan was based on strength across Europe, and if we couldn't do that, we had no chance in the U.S. It was a great lesson to us all. We set up meetings with every CFO of all of our UK clients. And the presentation was crucial. We said, "We need you." We said, "If you, our closest clients, don't give us a shot now in euros, we won't get a shot with our German clients." Anglian Water, British Telecom, the small engineering firm FKI and Vodafone all came through with flying colors when we needed it. I look back often at the tombstones of those four deals. If we didn't do those deals, we would be a sterling-only boutique today. But by issuing in euros, we built a foundation for building up a business.*

Mr. Diamond went on to underline that the bank's global expansion strategy was predicated on first building a strong business in Europe before building up momentum and trying to crack the U.S. market, which has a history of battering overconfident European banks.

*I've seen a lot of European banks come in with a lot of confidence and head out with their tails between their legs. But with success in the euro, we had an opportunity to go to that step. We did no dollar deals in 2000, and 35 in 2001. We started talking to a team from Credit Suisse First Boston about joining Barclays. We realized this was a great opportunity for a breakout strategy, but the only risk was that it became public. So you can imagine how I felt when the team from CSFB decided to stay there after it became public. The toughest time I had was hopping on a British Airways flight at John F. Kennedy Airport and going back to London after that happened. I felt I had put the entire firm at risk [by not being able to lure the CSFB and at the same time letting the market know of our ambitions]. But over the next few weeks the press coverage showed that we were serious and had enough discipline to walk away if we needed to.*

Mr. Diamond also mentioned certain companies' confidence in the firm's ability to execute dollar-denominated transactions played a major role in convincing other companies to take the firm seriously. He noted that of its first 35 deals in the United States in 2001, each one of the issuers, including Walt Disney, Fannie Mae and Sara Lee, had done business with the firm in pounds sterling or euros and gave the bank an opportunity to prove it could execute in the dollar market, too.

After this early success in the United States, Mr. Diamond said, Barclays Capital still needed an extra push to get to the top echelon:

*It began in summer of 2003, and we called it the Alpha Plan. We identified areas: credit, structured credit, structured equity and commodities. And three years later, we have significantly increased the breadth and depth of our franchise in these markets in Europe, the U.S. and Asia. Currently 70 percent of our client businesses have some connection to derivatives. Overall, the growth rates in these markets have been roughly 100 percent annually!*

Mr. Diamond went on to tell Columbia students that the firm's commitment to its guiding principles of building up in certain markets where it felt it could compete and downsizing in others helped it overcome the numerous challenges it faced along the way. Critical to the firm's success has also been its people and Mr. Diamond said that while every bank talks about culture, he believes Barclays's culture truly is unique. Along those lines, Mr. Diamond also talked about the firm's strong relationship with Columbia Business School, which he called "a great source of talent for Barclays."

*Everyone wants the best people. But we know what we mean. We want team players in every position—call centers in Manchester, bankers in London, etc. We want people who can operate in the top 10 percent for their job. And there's a process to finding these people. But the point is, there's a lot more than words and saying you want the best people. We want to create a culture where people can truly flourish. Culture means how people behave when they are not being told what to do. Underpinning that is a meritocracy. There are no sacred cows at Barclays. And we implement the No Jerk policy. It means no matter how good you are, if you can't behave, you can't stay.*

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