



**case 1-429-375**  
**February 1, 2014**

## **Goldman Sachs (A): Determining the Potential of Social Impact Bonds**

Alicia Glen reviewed the numbers once more and gazed out the window. Her 64th-floor view of the New York City skyline still caused her pause, and often helped clear her head. As the head of Goldman Sachs' Urban Investment Group, Glen was used to the last-minute crunch time before another board of directors presentation. However, this presentation was different. Just a few months prior, Glen had received a call from Mayor Michael Bloomberg's office. Bloomberg proposed that Goldman Sachs partner with the City of New York to create the first United States social impact bond (SIB). The new financial product was being piloted in the United Kingdom, but was only in year one of an eight-year project.

The mayor's office wanted to experiment with an SIB to reduce adolescent incarceration rates in New York City, and asked Goldman Sachs to take the role of investor. Glen liked the idea of Goldman taking the lead on domestic SIBs and realized the significant research and development value it would have—Goldman would have a first-mover competitive advantage on a new financial product. However, Glen knew significant risk was involved. Goldman would be involving itself in a multi-stakeholder experiment with a new product carrying unmeasurable risk, and many questioned if the bank should be involved with an initiative that was traditionally the domain of government and non-profit sectors. Glen knew these were questions the board would ask at her presentation the next day when assessing whether Goldman Sachs should make the investment. As she opened the binder of information that her analysts had prepared for her, she buckled in for a long night of reading.

### **History of Goldman Sachs Group, Goldman Sachs Bank, & Urban Investment Group**

Since its founding in 1869, Goldman Sachs Group had become one of the most prestigious and powerful banks in the financial world.<sup>1</sup> With headquarters in New York City, Goldman Sachs provided financial services to a wide array of clients, including corporations, financial institutions, governments, and individuals. With 32,600 employees, Goldman had offices all around the world,<sup>2</sup> providing investment banking, investment management, client services, and lending.<sup>3</sup> Former Goldman employees often took powerful positions in government and business. Some notable alumni included Robert Rubin and Henry Paulson, who served as United States Secretary of Treasury under Presidents Bill Clinton and George W. Bush, respectively, and Mario Draghi, President of the European Central Bank.<sup>4</sup>

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