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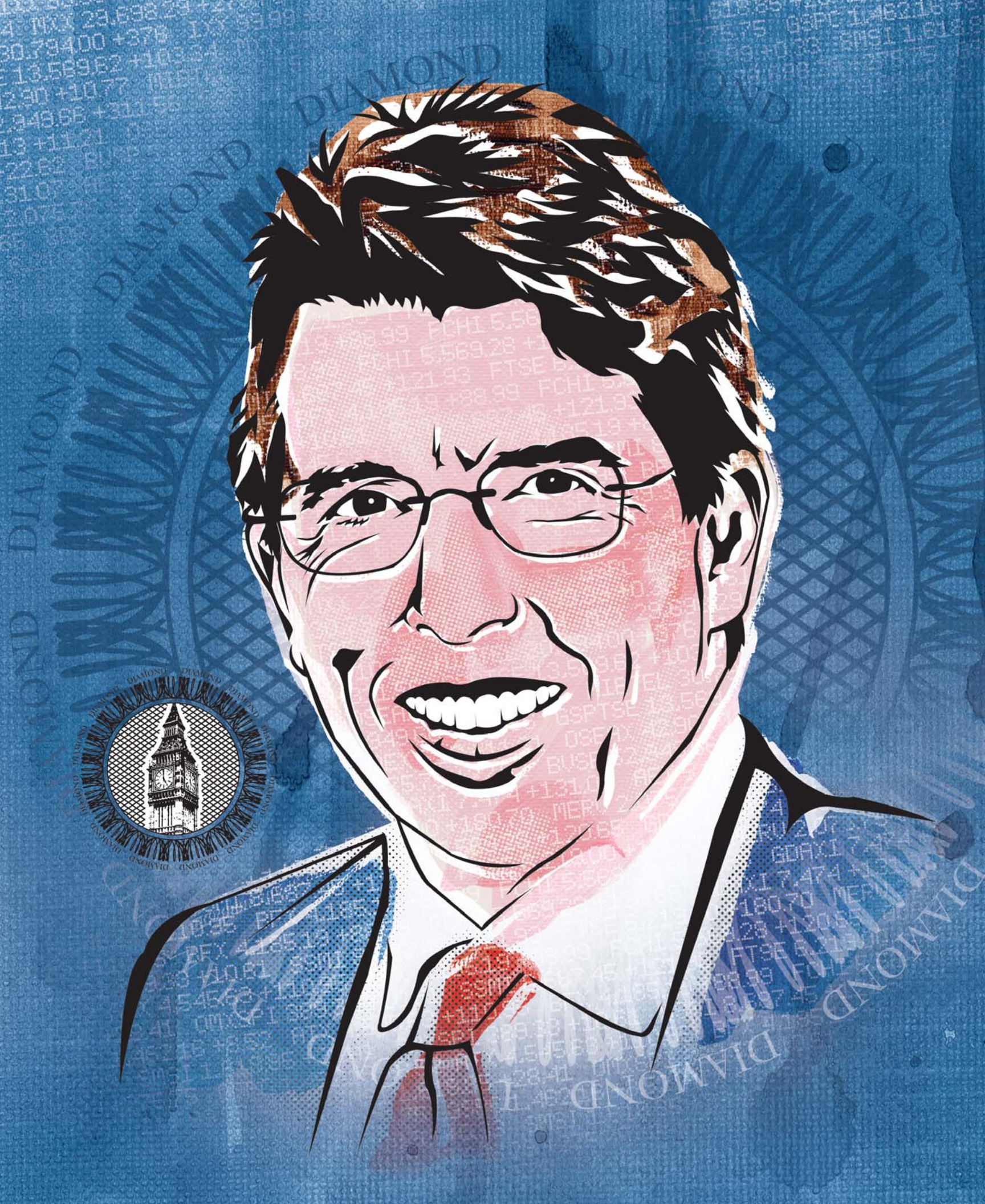
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The Natural

How one high school football star, economics major, ex-IT manager, Red Sox fan, proponent of a “no-jerks” policy, and kids’ baseball coach has risen to the top of international banking

Story by Gerry Boyle '78

Illustrations by Robert P. Hernandez

In the world of banking, Bob Diamond '73 is a big deal.

The president of London-based Barclays Group, Diamond, 56, is the architect of an investment and management strategy and philosophy that has produced record profits (more than \$4 billion last year) for Barclays’ investment banking arm, which, as its chief executive, he has turned into one of the industry’s hottest.

In past months, Diamond has been a point man in Barclays’ takeover bid for ABN Amro, the Dutch bank. The bid on the table was worth more than \$90 billion, and would create the world’s fifth-largest bank, combining two already vast global financial networks.

Beyond the world of finance, Bob Diamond may not be a household name in the United States. But he’s a go-to guy for the UK media. Most recently his comments on the downturn in the markets stemming from sub-prime mortgage failures went worldwide on the news wires.

Yes, Bob Diamond is a very big deal. So, why start this profile of him with a garden shed?



It was the mid-1970s and Diamond was in graduate school at the University of Connecticut getting his MBA. One of his professors there, Jack Viega, mentioned that he was looking for someone to build a garden shed. Diamond, with some carpentry experience, gave his professor an estimate that landed the job.

And then Diamond was back, saying the estimate he’d given was too low. But rather than make excuses or try to blame it on the client, Diamond took responsibility and addressed the situation head-on. Viega remembers him saying, “Look. I screwed up. I didn’t estimate it right.’ ... He’s an honest guy. That was what impressed me most. Something he did in that situation and how he behaved.”



It's an obscure footnote in the story of Diamond's ascent in the world of international finance. But besides documenting one of Diamond's few flawed business decisions, it reveals a significant character trait.

The intent here is to consider who Bob Diamond is and just what has enabled him to rise to the top of an industry in which everyone is ambitious. Most are very smart. The vast majority are hard working to a fault. So, why Diamond?

Clue number one: "There was an immediate chemistry," Viega said. "I trusted him."

He isn't alone, as conversations with Diamond's colleagues, family, and friends revealed the same sort of bonding. Many people consider Diamond their friend.

In Viega's case, that trust led him to invite Diamond to teach in the UConn business school the year after he received his MBA. If the saying "the apple doesn't fall far from the tree" applied here, Diamond would have remained an academic, an educator like his dad, Robert Diamond Sr.

The elder Diamond was a teacher and administrator in Massachusetts public schools, serving as superintendent in Concord, where his son and namesake went to school, and, at the end of his career, as principal of the junior-senior high school on Nantucket. Bob Jr. was the second of seven children, raised in a household overseen by his mother, Anne Diamond. Of the Diamond siblings, four have been or are teachers. A sister, Marita, works with autistic preschoolers. A brother, David, teaches in a small town in upstate New York. A brother, Richard, owns restaurants on Nantucket. A younger sister, Rue, went to school for nursing.

Rue Diamond describes her parents as "you-can-do-anything-you-set-your-mind-to kind of people" and "very positive people." Her parents didn't push any of their children into education or into anything else for that matter. They did, she said, make sure to teach certain values.

Rue Diamond said her mother, Anne, now 80, often talked about not understanding how anyone would discriminate against another person because of their sexual orientation. Concord, then as now, was an affluent Boston suburb, and not very diverse economically or racially. In the 1970s, court-ordered school desegregation saw students



PHOTO COURTESY OF BARCLAYS

Barclays President Robert Diamond '73, center, meets with colleagues in his office in Barclays Capital headquarters in the Canary Wharf section of London. In the background are family photos-and framed newspaper clippings proclaiming victories for teams in Diamond's hometown of Boston.

bused from Boston to outlying communities, and the Diamonds volunteered to be a host family for a bused student.

For Robert Diamond Sr., Martin Luther King was "a real hero," Rue Diamond said.

When Bob Diamond Jr. talks about heroes, he points to his dad.

Diamond has said this in print and he said it again in an interview with *Colby* in his Canary Wharf office in London earlier this year. "My father always said, 'Every day, you have to learn some and teach some.' I'm a firm believer in that to this day. I learn every day, and I teach every day."

His father, Diamond said, equipped him with a strong ethical code and the moral foundation that underlies it. That code applies to his professional life as well, he said. "No gray area. No fudging. We have to live by the rules."

Though Robert Diamond Sr. passed away 25 years ago, his son continues to use his father as a sounding board. "I still can have a conversation with him when I'm facing a tough decision," Diamond said.

And does he have those conversations?

"Every day," he said.

The tough decisions Diamond considers these days have high stakes. As this story was being written, he and other Barclays executives, including Chief Executive Officer John Varley, were going all out to win the takeover battle for ABN Amro. A Royal Bank of Scotland offer was also on the table, but Diamond and his colleagues were arguing that Barclays recent strong earnings

(most from Diamond's record-breaking investment, Barclays Capital, Barclays Global Investors, and Barclays Wealth) made the Barclays' offer more valuable over time.

"We went into this transaction expecting to be able to execute, and we are still quite confident that we can," Diamond told an interviewer from CNBC in June.

This statement alone, picked up by the news wires and relayed around the world, was enough to trigger a bump in Barclays stock. When Diamond talks, to borrow a phrase, the world financial markets listen. Not bad for a self-described Boston boy (his office is filled with Red Sox and Celtics memorabilia) who began his post-MBA career working a third-shift tech job and who claims to have gone into the business world to give himself street cred with his MBA students.

The night-shift tech job was Diamond's choice, as was a decision to jump from an administrative track at Morgan Stanley to the high-pressure trading floor. Now Diamond oversees, among other operations, a rapidly expanding investment banking operation, with more than 13,000 employees at Barclays Capital alone, more than double the number in 2003. Barclays, with more than 130,000 employees, draws talent from around the world, and its scope is increasingly global as world markets, once insular, meld into a complex, organic structure that is at once financial, economic, and political.

Succeeding in this intensely competitive

world of international finance is a fervent believer in liberal arts education, who, with his wife, Jennifer, moved daughter Nell to an American-style high school in London when the English school she was attending, in keeping with the British education system, tried to narrow her options.

"Some people know right away what they want to do," Diamond said. "Others take longer."

When did he decide?

"I still haven't decided," he said, grinning. Then he added, "Actually, I fell into it accidentally."

The same could be said of Diamond's decision to attend Colby.

He was "the younger brother in the back seat" when his parents took his sister Christine to see colleges. Christine Diamond didn't end up at Colby, but her younger brother made his decision then and there—when he saw the athletic facilities, he said.

A star linebacker on the Concord-Carlisle High School football team, Diamond was also a top student academically, intensely competitive on the field and in the classroom. Said his sister, Rue, a freshman at Concord-Carlisle High when her older brother was a senior, "Although I sort of sit and shake my head and say, 'How can this be my brother?', I'm not surprised that Bob has achieved what he has achieved. He has been an extremely intense person his whole life."

Diamond went off to Colby and as a first-year was assigned to a vacant room in the Phi Delta Theta fraternity house. He ultimately pledged the fraternity, played varsity football and freshman baseball (an injury ended his sports career sophomore year), and established friendships that have continued ever since. Phi Delt, as it was known, had a jock faction and a hippie faction, said Jeff Lawrence '72, and Diamond leaned toward the jocks—and the books, though unobtrusively. "I know the first time I paid attention to him academically was when I went down to see him and he was hitting it out of the park at UConn," said Lawrence, now a lobbyist for the aerospace industry. "I was kind of struck by it because I never thought of him as a bad student or a good student. I just thought of him as my pal."

That pal may not have talked economic



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—Bob Diamond '73



models in the frat house, but Diamond was absorbing them in the classroom.

"You have people who do have the immediate grasp of economic analysis," said Hank Gemery, Pugh Family Professor of Economics, emeritus. "They just fall right into it."

And Diamond?

"A very quick grasp," Gemery said. "That was apparent right at the start."

Several of Gemery's students have gone on to great success in finance—the late Edson Mitchell '75, who transformed Deutsch Bank before his death in a plane crash in 2000, comes immediately to mind. But, while he expects his strongest students to perform very well professionally, Gemery said it is difficult to know who will rise to the top of financial institutions, where grasp of economic concepts and markets gets you in the door but not to the corner office. As Gemery points out, running an investment bank also requires the ability to build a team. "It's not a solo performance," he said.

Another clue, this one from fraternity brother Lawrence. He and Diamond shared a passion for the Red Sox, he said, and enjoyed a social life that revolved around weekend frat parties, as was generally the case in that era at Colby. But Lawrence also recalls that Diamond had a gift for drawing people to him. "I always thought it was the Irish gift—these guys who are glib and have a very embracing personality like Bob always did. You always wanted to hang around with him."

It's a quality that followed Diamond to

UConn, said Viega, who taught business courses in organizational behavior. Not only did Diamond master the material (exploring notions of meritocracy in business organizations, a principle that remains one of the tenets of his management philosophy today), but he also excelled in classroom exercises that focused on students' leadership skills. "That's when you see how the other peers interact with them," Viega said. "And the thing that I remember vividly about Bob was that people really looked up to him. He was just a natural leader to the group."

The natural leader didn't move into management from UConn, however. Instead he was hired by Bill Cooke, then head of IT at U.S. Surgical. While his classmates were opting for jobs with more prestige and bigger paychecks, Diamond chose a training program geared more for entry-level employees with bachelor's degrees than for newly minted MBAs.

"I believe Bob got one of the lowest paying jobs out of all the graduates of the UConn MBA program," Cooke said. "He liked the conceptual design of the program, which was you start really low and you're constantly pushed to learn more and more and more and to be able to take on additional responsibility. I think his first job was third-shift computer operator."

But Diamond didn't stay on the third shift for long.

He learned how to program and within three months was running all three shifts in the computer room. That was followed by a year running customer service. Then Cooke left U.S. Surgical for Wall Street, where firms were moving into new technology. Diamond went with him. "He was the first guy I took to Morgan Stanley," Cooke said.

Diamond ran the administrative end of IT at Morgan Stanley for a year. Then the chief financial officer needed an administrator and Cooke recommended Diamond. After two years with the CFO, Diamond moved to the trading floor, working in government bonds. It was a big jump, one that put him at the bottom of the ladder in a job with a very different skill set.

Diamond said the trading floor taught him the necessity of taking risks to succeed. "It's easier there because you don't always succeed, you're not always right," Diamond said. "But you don't make the same mistake

twice.”

He didn’t, and for a decade, he continued moving upward professionally, running Morgan Stanley’s bond trading in Europe, managing all of First Boston’s operations in Asia. It was about this time that Cooke, Diamond’s mentor, first saw him in action, not as a protégé but as a full-fledged senior manager. “I was very impressed,” Cooke said. He remembers thinking, “Holy shit. He’s really matured. He’s good at this.”

Cooke was so impressed that, instead of retiring in 1997, he went to London to join Diamond at Barclays. So, what makes Diamond such a good manager?

Cooke broke it down into five points.

“One, you have to listen,” he said. “You can’t have the type of ego a number of people have where, because they’re in a particular position, they believe they know it all. Bob’s a very good listener.

“Two, he’s very honest. And it’s always good to work with somebody who is honest. Being honest is always very difficult. Bob’s good at delivering difficult messages as well as constructive messages.

“Three, he’s smart. So he’ll get people’s respect because he’s smart.

“Four, he has a lot of energy. He works hard. He sets the pace.

“Five, he believes, as I do, that culture and a meritocracy are very important. By culture, that means you may produce a lot of revenue but you’re [a jerk]. We should fire you.”

This isn’t as easy as it sounds, Cooke pointed out.

“You’re under constant pressure for numbers on Wall Street, because we get paid so well. When you’re willing to cut ties with someone simply because they’re a jerk, and you’re willing to take a revenue hit, that takes a lot of courage,” he said.

In 1996 Diamond brought his no-jerks policy and meritocratic philosophy to Barclays de Zoete Wedd (BZW), the moribund Barclays investment operation. Diamond ran counter to the prevailing wisdom, moving away from the then-booming equities market into fixed income. There were doubters, but the gamble paid off and the foundation was laid for what would become Barclays Capital.

Shaping the organization has, in Diamond’s case, involved removing several direct reports, including members of executive committees. In organizations that

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—Barclays Chief Executive Officer John Varley

reward performance, meritocracy starts at the top. “And clearly, all of the executives who have succeeded are ones who believe in it also,” Cooke said, “who believe in real competence, who are willing to get rid of people who don’t perform. No, ‘don’t perform’ is wrong. Who perform average. We really don’t want average guys. We want exceptional guys.”

Those exceptional people—including the one at the top—have helped to produce exceptional results.

For 2006, pre-tax profits for Barclays Capital, which Diamond heads, were up 55 percent, while Barclays’ overall profit was up 35 percent. And, according to John Varley, Barclays group chief executive and Diamond’s boss, 2007 was off to a strong start, with first-quarter profits up 15 percent over last year. Barclays Capital had its strongest quarter ever.

Merger or no merger, Barclays is poised to take advantage of an expected surge in corporate financing through capital markets in Europe and Asia.

Varley gives much of the credit to Diamond.

“I think he’s been the progenitor of [Barclays Capital’s record performance],” Varley said. “When he joined Barclays, which was about ten years ago, I think that

what we had then was an underperforming, subscale investment banking capability. And what we have today is an outperforming world leader. That’s quite a transformation in ten years. And Bob has personally led that.”

How?

“A compendious knowledge of the industry,” Varley said, without hesitation. And then he went on, crediting Diamond’s sound strategic outlook, demanding performance ethic, flair for talent development. And a fervent belief in a performance-driven meritocratic culture, one that has been inculcated not only at Barclays Capital but across the entire Barclays organization. A clear-sighted sense of business purpose, and a pioneering sense of business focus.

“It’s that combination of attributes,” Varley said. “They make him a good businessman. You have to be a very good businessman to pull off what he’s pulled off at Barclays Capital.”

Diamond’s success has spread his reputation beyond the world of international banking—especially in London, where the press tracks top executives in The City, London’s financial district. Much of the attention directed at Diamond has focused on his compensation package, which, with Barclays Capital’s phenomenal run, has topped \$20 million annually. That has led to criticism from some in the press that Diamond has opened the door for American-style executive compensation in Britain.

Varley steadfastly defends the bank’s compensation packages as both deserved and essential to attracting and keeping the best talent in what is an increasingly competitive and global industry. “I think there are times when opinion formers in Britain ... are equivocal about wealth and wealth creation,” he said. “Not only are we in a goldfish bowl here because of the fact that we are a leading player in the British financial services industry, but we’re also in a goldfish bowl because there is an obsession about compensation in the United Kingdom.”

Some may doubt the value of bringing the best and brightest to London, Varley said, but he is not among them.

“I want to ensure that London in general and Barclays in particular can attract the best people in the world to work with us on our strategy and vision over the course



PHOTO COURTESY OF BARCLAYS

Bob Diamond '73 gestures during a presentation to Barclays employees on a trading floor of Barclays Capital in London.

of the coming years. And in many senses, that's epitomized by Bob."

When he is not traveling, the epitome of the new iteration of the British investment banker works out of a glass-walled office on the second floor of the 10-story Barclays Capital building on Canary Wharf in London's booming financial district. Through the windows, Diamond can see the trading floor, with its rows of cubicles, each staffed by a trader staring intently at a bank of computer screens. It is an increasingly global workforce, and Barclays recruiters now make stops in India, eastern Europe, Korea, and Singapore, among other places.

Inside the office, the décor is startlingly American.

While there is English soccer memorabilia (Barclays sponsors the Premiere League, the top echelon of English football), there also is a framed page of the *Boston Globe*, published the day after the Red Sox won the 2004 World Series. A photo of Red Sox catcher Jason Varitek hugging pitcher Keith Foulke moments after the series was clinched. A cap signed by Patriots quarterback Tom Brady.

Diamond still has a house on Nantucket, where his father finished his career in education and the family spends time every summer. The benefit? "It gives [the children] an anchor," he said, adding

with a grin, "And it allows them to grow up as devout Red Sox fans."

It isn't all Boston sports in Diamond's office. There is a framed front page of the *Colby Echo*, the issue that bid farewell to former President William R. Cotter, Diamond's friend. There are photos of Diamond, his wife Jennifer, their three children: Rob, Nell, and Charlie.

Though he now has dual citizenship—U.S. and UK—Diamond is unabashedly American. In fact, when Lawrence visited him in London recently, he was pleased to learn that Diamond hadn't acquired an English accent, "like Madonna."

"He sounds just like my old boy," Lawrence said. "That shows a good bit of self-confidence."

Still boyish well into his 50s, Diamond does appear confident, with a cheery, upbeat manner—the demeanor of someone who enjoys his job and his life. But accompanying the disarming grin is an intensity, a feeling that his mind is running at hyper speed.

In a half-hour conversation, Diamond talked about the increasingly global banking world, with economies evolving and with capital, once directed to developing nations by institutions like the World Bank, now flowing naturally. A Colby trustee, he talked about Colby's strategic plan, which he admires for its clear priorities as articulated by President William D. "Bro" Adams. It is essential, he said, that the Diamond Building at Colby, for which his family's foundation gave the naming gift, have a clear and significant impact on teaching at the College.

Diamond talked about his educator father, who never stopped learning, and about the value of a liberal arts education. The stack of books awaiting him on a side table included *A Distant Mirror* by Barbara Tuchman, *Teacher Man* by Frank McCourt, *Leadership* by Rudy Giuliani, *My Life In and Out of the Rough*, by golfer John Daly, and *Heroes All*, by Ryder Cup golf legend Darren Clarke—among many others.

He stepped out to take a phone call, and when he returned he was asked about the rows of photos of baseball and soccer teams ("London Little League Champions, Undefeated 2002"), smiling kids in colorful uniforms, flanked by Coach Diamond.

"They're all winners," Diamond said. "Only a few won championships."

How does he find time?

"The week ends Friday night," Diamond said, gesturing toward the team pictures. "All of this takes place on Saturday and Sunday. You don't have to let your career take over your life if you don't want it to."

Diamond had arranged a meeting for the writer later that week with Bill Mules, the head of the American School in London in St. John's Wood, where daughter Nell was a senior and son Charlie was a sophomore. (Rob graduated from Princeton in the spring.) Mules gave a tour of the facilities, punctuating it with anecdotes about the Diamonds' involvement in school life.

There was the time Diamond made sure to fly right back from an economic summit at Davos because he and Jennifer had volunteered to cook hotdogs at a school event. The time the Diamonds gave a school security officer two tickets to a Chelsea soccer game. The officer was amazed to find himself in the Barclays box.

"Bob will attend every performance of his children's plays," Mules said. "Not just once. He'll be there every night."

Sure enough, that night Diamond arrived at the Cockpit Theatre, in northwest London. The play: *The Madwoman of Chaillot*. Nell and Charlie Diamond had prominent roles in a tale of German-occupied Paris. Jennifer Diamond was backstage doing costumes.

That day, February 27, a sell-off in the Chinese stock market had triggered a domino effect in the UK and U.S. markets, prompting a flutter of the-sky-is-falling news reports. Standing in the theater's lobby, Diamond seemed unconcerned, even exhilarated, saying he doesn't mind when there's a bit of a shakeup. "I like the competition."

Then the lights blinked and the audience filed in, taking seats on benches in the small theater. The houselights were dimmed and the audience was quiet. Markets were forgotten for the moment as the stage spots came on, illuminating a Paris café. The actors came onstage, and the drama began. Diamond was no longer the high-flying international banker, but the dad.

First came an elbow, as Diamond leaned over and said, "That's my girl."

Then another elbow. "That's my son," he said.

In the darkness, Bob Diamond was beaming.