

Goldman Sachs

1. How does the organization maintain a competitive advantage in the market? How does it distinguish itself from other similar businesses?

Their strategy is to hire the best students. They decide to only focus on big clients like Ford. Their clients are in their custody and cultivating very long-term relationships with their clients. GS has always been a follower and not a market leader. They offer a very high top-service. They pass the clients on to new generations. They must be liked by the clients.

GS is expanding quickly, meaning you will have increasing diversity. They were hiring people with different degrees like medical doctors. They were hiring lateral, which is hiring from other big firms in the same market. This creates a problem with different cultural backgrounds. This is why strategic development is important right now. To retain talent is that GS create a unique thing of doing things.

GS was expanding both vertical and horizontal. They expanded into different countries but also expanded their portfolio.

GS competitive advantage is the people. Asset specificity; it is worth to increase the asset (people) and increase its talent and develop the people.

2. Why should Goldman Sachs bother with leadership development altogether? What is the strategic importance of leadership development for the company?

This is how they motivate the employees and create a cooperative culture.

3. What behaviors does the company expect and encourage in its leaders and why is that so? The leaders are expected to be mentors for the new employees. The organization backs each other up.

There is now an encouragement of risk taking. There is a contradiction to this is that GS has a low tolerance to mistakes and they will be remembered for a long time.

They have a pronounced education where there is a reinforcement of the "we" mentality.

They are seeking advice from others and there is a culture of self-criticism. GS do not want any preadonnas. They have a 360-degree mechanism. Where you receive feedback from all people around the organization. All the people should be able to lead.

GS has co CEO's. Two people who have equal power which is very unique. Also, they have a team to run a whole unit. Ability to lead is embedded to interaction with others. Also, this strategy allows failures to decrease because decision making is distributed among more people.

4. How has it engaged in leadership development of its employees so far? Are there reasons for a change in its approach towards leadership development now? If so, what are these?

On the job train. It is more an informal and loosely structured process of the way the develop leadership.

Because of the rapid growth they will need a faster way of developing leaders.

The leaders was a mentor for the employees. They developed leadership internally where the leader worked closely with the senior leaders.

There are some resistance from senior executives that do not want a general leadership training program. The resistance might be a problem for the firm. As the firm become more international it might be appropriate to develop new leadership program for different countries, because national culture can have a huge impact in the way an organization is run. Therefore, they should implement specific programs for their leaders operating in different countries.

Notes while reading

They want to be a magnet for the best people. They are placing young leaders in demanding positions. They focus on training and develop leaders.

In 1999 GS had a official chart to “assess the future training and development needs of GS, and a need for a more systematic and effective approach to developing managing directors MSs”.

Investment Banking in the 1990s

IPO markets were generating fees for banks and costumers were increasingly price-sensitive and competitiveness correlated directly with scope and scale. GS embarked on small acquisitions during the 1990s. The bull market boosted competition. The dot-com boom and the new technology fueled investment bank growth. However, the boom also created a hard time to find talented people.

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The company’s objective was growth on all fronts, take advantage of new opportunities and maintain and extend its competitive position among leading full-service investment banks. GS business activities in 1999 were divided into three segments: investment banking, trading and principal investments, and asset management and securities services. GS provided a broad array of investment advisory services to a diverse client base.

History

GS made an IPO with Ford which sustained GS’ reputation as the leading U.S. investment bank with high performance. They used a safe growth strategy over risk-taking. Whitehead discussed the leading strategi issues and issued a list of fourteen business principles emphasizing teamwork, integrity, reputation, talent and quality. Winberg stressed client service as the firm’s overarching purpose. GS instituted a 360-degree performance reviews in the early 1990s.

In the early 1990s GS starting to venture and opening new offices in Europe. In 1995 they slashed bonussed and pay to stabilize the firm. The rule of thumb among professional-service firms was that it cost about one year’s salary to replace a professional. During the mid-1980s and into the 1990s they started building presence in Europe and Asia.

There was some growing pains. You can’t run Japan form NY.

In 1996 they created a new title of managing director (MD) to convey the responsibility and leadership.

In 1994 they discussed whether or not to go public. The public offering was one way of helping to manage growth by giving them permanent capital and letting everyone be an owner of the firm. Going public also strengthened their culture. The reason for not to go public was that the partners would not have incentive to work.

Structure

The 18-person committees were formed to broaden partner representation and create coordination among the firm's divisions. This changed to a 15-member management committee.

GS relied on teams of two- or three-line managers to jointly lead departments and divisions. This allowed the firm the maximum benefit of complementary skill sets.

Culture, the special ingredient.

It is a combination of execution and culture that makes the difference between GS and their competitors. The culture was described as a blend of confidence and commitment to excellence. People do things in the most high-end way and do not tolerate weak quality. GS employees were known for their collaborative practices.

They support partners who make losses

Human capital

GS was able to recruit high talented people. They have a culture to support prima donnas. They use the "we" pronoun when something good happens and otherwise "I" pronoun.

As GS grew in size it became hard to cultivate enough leaders to meet the demand.

Leadership Development and the Apprenticeship Model

The way leaders learned how to lead was to work closely with other senior leaders within the firm (mentorship). Employees liked to work for GS. They got motivated the right way.

The firm seldom undertook formal leadership training.

Limits of the historic approach

As GS grew some executives believed that a more systematic approach to leader development was required. Still, they needed to keep the culture intact. They had a challenge with recruiting competent people who could lead certain business, example in Korea. Not all agreed on this.

A small group of senior leaders began to build a case internally for a new initiative to build leadership like GE. But it was challenging to incorporate this initiative to GS' culture.

The Leadership Development Advisory committee

Professional development should be guided by four key objectives:

Developing the firm's key asset

Winning the war of talent.

Building a cadre of outstanding leaders.

Maintaining quality and cultural strength amidst rapid growth.

The new approaches for the firm was to study other companies and see how they trained their leaders and also hired consultants to learn their opinions about current best practices.

They found that most successful firms, senior management devoted significant energy to people issues and held senior managers accountable for talent development.

Key design issues

Formal leadership training had never been part of GS' culture.

The divisions and business heads are given a great deal of autonomy regarding how they run their business.

There was discussion of where the program should take place. Who should teach? What should the content be? It was important to have common language for leadership.

The obvious traditional answer to who should own the leadership development within GS, was to let the existing Human Capital Management (HCM) to do it.

Management committee Briefing

It was challenging to create a program that would compel GS MDs. It was challenging to measure the return on investment of such a program.