

Managerial Challenges Faced by Goldman Sachs: From a Perspective of Human Resource Management

Xuan Feng

Coventry University

Email address: fengx17 @ uni.coventry.ac.uk

Abstract— *Very few scholars focus on the current human resource management (HRM) challenges faced by investment banks. This paper, for the first time, analyzed the four main challenges faced by one of the top investment banks, Goldman Sachs. The four challenges are work-life imbalance, culture crash, high turnover rate, and gender inequality, separately. This paper also provides managerial suggestions on how to tackle these challenges efficiently.*

Keywords— *HRM, Goldman Sachs, Investment bank, work-life balance, gender inequality, culture crash.*

I. INTRODUCTION

Goldman Sachs is a US-based leading global investment banking, securities, and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes individuals, corporations, and governments (Goldman Sachs 2020). The story of Goldman Sachs is a tale of international growth, entering new markets, and advancing economic opportunities for clients and communities around the world (Cohan 2011). Established in 1869, Goldman Sachs took its first step to becoming a global firm with London office opened in 1970. The firm began to open offices in several emerging markets in the 1990s, mirroring the expansion and integration of global financial markets. Officially opened in February of 1994, the firm's Beijing office marks the beginning of a permanent presence in mainland China (Goldman Sachs 2020). After having experienced various rises and falls and survived through many bad times over one and a half centuries, Goldman Sachs has nowadays become a financial giant on Wall Street and one of the most profitable organizations on this planet, managing 36,600 employees across 84 offices distributed in all major financial centers worldwide (Doyran 2017).

Goldman Sachs' human resource (HR) system can be described as polycentric, as it usually selects graduates from the best local universities for junior and medium positions from analysts to vice-presidents (VPs) and expatriates the best-experienced bankers and economists who have professional experience on Wall Street to their home countries for local senior positions such as managing directors (MDs) and executive directors (EDs). These directors regularly report to regional chairmen who are usually senior American partners (Yao et al. 2003). All Goldman Sachs' employees are extremely well paid and admired; for example, a Chinese VP's salary is nearly 100 times the average salary of Chinese white collars (Endlich 2000).

Although most of its employees are proud to say that 'I used to work at Goldman Sachs!' (Bidwell et al. 2015),

Goldman Sachs is facing various challenges when managing its human resources. Following chapters 2 to 5 separately elucidate four main issues with relevant recommendations/optimizing plans presented as the last section in each chapter. Finally, a general conclusion of this essay is drawn.

II. ISSUE-1: WORK-LIFE IMBALANCE DUE TO LONG WORKING HOURS

2.1 Long Working Hours in Goldman Sachs

Goldman Sachs' employees, especially junior bankers, have long worked nearly 75 hours per week under extreme stress these years – a phenomenon that is ubiquitous in the investment banking industry (EFC 2020).

The situation was worse seven years ago – a '100 hours per week' working culture is prevalent in Goldman Sachs (Daily Beast 2015). After a 21-year-old Merrill-Lynch intern in London died of an epileptic seizure after working 72 hours straight in 2013, Goldman Sachs began to pay attention to employees' work-life balance – require all analysts and associates 'go home before midnight, don't come back before 7am, and to be out of the office on Saturdays (The Guardian 2015). Despite these efforts, Goldman Sachs' current working pace – 75 hours per week – is significantly higher than the average working hours in any country, even tougher than the Chinese '996' model.

The terrible work-life imbalance is causing exhaustion, sleeplessness, irregular diets, drug-addiction, mental problems, and even several deaths of these young employees barely in their twenties or thirties (Independent 2015). Although time is money in the investment banks, the unbearable 100-hours-a-week long working schedules, round-the-clock exhaustion, as well as mental and emotional diseases have started taking a veritable toll on this so-called tireless heart of this industry (DailyO 2015).

2.2 The Importance of Work-Life Balance

Ensuring employees' work-life balance is critical for Goldman Sachs to remain competitive and attract more talents because the high pressure and subsequent mental or physical illnesses are causing absenteeism, high turnover, reduced motivation, and lower productivity (Wilkinson et al. 2017). In recent years, more and more talents leave Wall Street and choose to work at companies such as Google and Apple, where fertility treatments, on-site medical clinics, and health-tracking bracelets are offered as standard benefits (GOR 2018). Besides, work-life balance is becoming increasingly

important as changes in the demographic structure have been significant, especially the greater participation of women in the labor market and the ageing of the population (Kodz et al. 2002). Furthermore, many governments have introduced a set of initiatives, policies, and laws to promote work-life balance (Kodz et al. 2002).

Despite the importance of work-life balance, Goldman Sachs is reluctant to go further to deal with this issue. The firm only made a weak attempt in 2013 to institute a new policy encouraging junior employees to leave the office by midnight and not to return until 7 am while also taking Saturdays off (The Guardian 2015). Employees at Goldman Sachs usually see themselves as 'salves' of money, and the firm prefers to motivate and attract talents mainly by extremely higher pay, while this method is not always as efficient as it is thought to be (Gordon 2015).

2.3 Recommendations

To improve the level of work-life balance at Goldman Sachs, a work-life balance model can be introduced (IIP 2003). This model is based on the real-life good practices of successful organizations; these practices are grouped in the same tried and tested four principles framework of the Investors in People Standard, which has been used by thousands of organizations to improve their performance (IIP 2003).

Referring to the four aspects in this model, the following recommendations can be adopted to address the work-life balance issue at Goldman Sachs.

(1) Culture

Goldman Sachs' corporate value needs to incorporate work-life balance, which should be emphasized in global career fairs during recruitment and selection and be included in induction training.

(2) Strategy

The work-life balance should be integrated into the firm's HR strategy and corporate strategy. It is essential to take account of all relevant parties when making these strategies and to ensure that the strategies reflect the different needs of employees across the company (IIP 2003). Only with the work flexibly available to everyone could the work-life balance become more than just rhetoric. In a survey conducted by IES, most interviewees believe that work flexibility should be available to all employees rather than only to those with caring responsibilities such as working mothers and that work flexibility is conducive to improving the work productivity and the loyalty to employers (Kodz et al. 2002).

(3) Action

Goldman Sachs' HR department should provide sufficient training and guidance to line managers who are responsible for allocating workload to junior analysts and associates. A team's work-life balance level can be included in the performance-assessment system when appraising the line managers' performance (Kodz et al. 2002).

(4) Effectiveness

For maximizing the effectiveness of the work-life balance strategy, it is necessary to regularly monitor, evaluate, and adjust the selection, training, performance assessment, and

compensation processes due to the possibility of unintended consequences when adding the complexity of the firm's HR system by including the work-life balance dimension (Werner et al. 2016).

III. ISSUE-2: THE IMMINENT CULTURE CLASH IN CHINA

3.1 The Culture Clash Faced by Goldman Sachs in China

Goldman Sachs is a multinational corporation with employees increasingly comprised of various cultures and subcultures including diverse populations by nationality, religion, gender, age, etc. (Goldman Sachs 2019)). Goldman Sachs usually sends very senior American partners to be Chairmen in different continents as expatriates. But for senior positions under Chairman, Goldman Sachs usually recruits the third-country nationals (TCNs) or host country nationals (HCNs) who have work experience at Wall Street or London City (Endlich 2000). Although the HCNs are usually less expensive and more familiar with the social-economic, political and legal environment as well as business practices in the host country, they usually have communication difficulties in dealing with home-office personnel and lack opportunities to gain promotion to headquarters. The TCNs are the best compromise between securing needed technical and managerial expertise and adapting to a foreign socio-economic and cultural environment as they are usually professional international business managers, but using TCNs is subject to the host country's sensitivity with respect to nationals of specific countries (Pinnington and Harzing 2015).

For the Chinese market, Goldman Sachs often recruits expatriates from the best Chinese investment bankers available in America; these expatriates usually graduated from a prestigious American university and have many-years of professional experience in global capital markets. However, most these expatriates are born in China and influenced profoundly by the Chinese working culture which is different from that in western countries. The culture clash is mainly caused by following three reasons (Yao et al. 2003):

- (1) The degree of shared beliefs, values, and norms are low.
- (2) The shared beliefs, values, and norms are highly localized within Goldman Sachs.
- (3) The shared beliefs, values, and norms lack a clear ordering.

These cultural differences are causing tensions, misunderstandings, and misinterpretations, which are harmful to Goldman Sachs and its relationship with China (Hodgetts and Luthans 2000). Therefore, one of the main challenges Goldman Sachs faces is how to keep its business going fluently in this non-English speaking and socialist country.

3.2 An Overview of the Corporate Culture in Goldman Sachs

The corporate culture is a set of shared values and beliefs that organization members have regarding the functioning and existence of their organization (Tushman and O'Reilly 1996). It is Goldman Sachs's superb corporate culture that sets the company apart from other rivals, attracts the best employees and clients, and creates a legend on Wall Street (Endlich 2000). Goldman Sachs's commitment to its clients, teamwork, professional excellence, integrity, and entrepreneurial spirits

has its beginning in 1869 with the founder Marcus Goldman (Cohan 2011). Over 150 years, employees at Goldman Sachs have long take honesty and their responsibilities to the communities where they live and work very seriously (Mandis 2013). Additionally, Goldman Sachs's culture continues to

evolve, and the '14 business principles' were introduced in the 1980s. As shown in figure 1 below, the fourteen principles comprehensively elucidate Goldman Sachs's corporate culture and work as a consistent measure for evaluating recruitment employees' performance (Goldman Sachs 2020).

1. **Our clients' interests always come first.** Our experience shows that if we serve our clients well, our own success will follow.
2. **Our assets are our people, capital and reputation.** If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.
3. **Our goal is to provide superior returns to our shareholders.** Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people. Significant employee stock ownership aligns the interests of our employees and our shareholders.
4. **We take great pride in the professional quality of our work.** We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest.
5. **We stress creativity and imagination in everything we do.** While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.
6. **We make an unusual effort to identify and recruit the very best person for every job.** Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm.
7. **We offer our people the opportunity to move ahead more rapidly than is possible at most other places.** Advancement depends on merit and we have yet to find the limits to the responsibility our best people are able to assume. For us to be successful, our men and women must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional; it is what we must be.
8. **We stress teamwork in everything we do.** While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients.
9. **The dedication of our people to the firm and the intense effort they give their jobs** are greater than one finds in most other organizations. We think that this is an important part of our success.
10. **We consider our size an asset that we try hard to preserve.** We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success.
11. **We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs.** We know that the world of finance will not stand still and that complacency can lead to extinction.
12. **We regularly receive confidential information as part of our normal client relationships.** To breach a confidence or to use confidential information improperly or carelessly would be unthinkable.
13. **Our business is highly competitive, and we aggressively seek to expand our client relationships.** However, we must always be fair competitors and must never denigrate other firms.
14. **Integrity and honesty are at the heart of our business.** We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

Figure 1: 14 Business principles of Goldman Sachs (Goldman Sachs 2020)

3.3 Comparison of Goldman Sachs' Corporate Culture with the Chinese Culture

Two frameworks – Hofstede's and Trompenaars' culture dimensions – are conducive to analyzing the corporate culture of Goldman Sachs. The corporate culture of Goldman Sachs is different from the Chinese culture according to following dimensions:

A. Hofstede framework

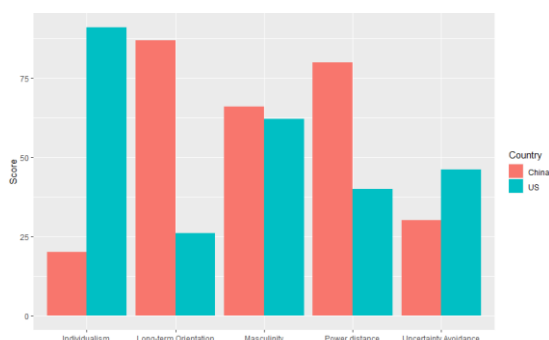


Figure 2: Culture comparison by countries (Hofstede 2020)

(1) Power Distance

Power distance in Goldman Sachs is low because it is a typical company based in America where the power distance is low as shown in above figure 2. Goldman Sachs is devoted to create a family-feeling and collegial atmosphere for employees (Mandis 2013). The low power distance is also reflected in Goldman Sachs' 8th principle presented in figure 1 – extremely emphasize on the group work in every task.

However, the power distance is large in China. The Chinese accept inequalities but feel that power should be moderated by obligations (Hofstede Insight 2020). Besides, the titles and the seniority are important in China. The Chinese employees will hesitate follow an expatriate expert's order if the expatriate is younger and has lower status than the Chinese staffs (Tong 2016).

(2) Uncertainty Avoidance

According to the 5th and 8th principles of Goldman Sachs, the company is highly risk-averse, because its employees are expected to use traditional and standard techniques and practices to handle clients' problems and it is unacceptable to put personal interest ahead of the interest of group or firm. Goldman Sachs' negative attitude towards risk and uncertainty

can also attributes to the huge risk inherent in the investment-banking business per se.

However, the Chinese are comfortable with ambiguity; the Chinese language is full of ambiguous meanings that can be difficult for Western people to follow. Furthermore, the Chinese are adaptable and entrepreneurial; since the reform and opening-up in 1978, there are more and more small-medium enterprises (SMEs) making their business successful, to a large extent, thanks to the less regulation from government and the social-development uncertainty (Hofstede Insight 2020).

(3) Collectivism-Individualism

Although America is an individualism-oriented country, Goldman Sachs is opposite. Referring to the 8th and 9th principles in figure 1, Goldman Sachs is a collectivist organization that encourages teamwork in all business activities. In Goldman Sachs, there is no place show personal glory and employees are encouraged to say 'we' instead of 'I' (Endlich 2000).

The Chinese culture is also collectivistic, but it is total different from the Goldman Sachs' culture. The westerners use conflict as a way of solving conflicts, but the Chinese usually do not openly criticize a colleague or manager in order to protect his or her 'face' (Bond 1986). In China, Employee commitment to the organization is low, while they are cooperative in a small group and are cold even hostile to those out of the group (Hofstede Insight 2020). Therefore, the collectivism of Goldman Sachs embodies that employees work together towards the company's benefit, but most Chinese prioritize interests of their small group, not the whole company.

(4) Masculinity-Femininity

In line with the America culture, Goldman Sachs' culture is very masculine. Most of its 14 principles in figure 1 emphasize achievement, success, profitability, and leadership in business. In Goldman Sachs, employees are encouraged to put intense effort for becoming the best (Goldman 2019). Just as a former HR vice-president said, 'Goldman Sachs demands that you be a contributor. No one can survive as just an employee' (Endlich 2000).

China is also a masculine society – success oriented and driven (Hofstede Insight 2020). Many Chinese sacrifice family and leisure priorities to work in pursuit of business success (Li 2019). Therefore, the culture of Goldman Sachs and the Chinese culture is somehow similar in this dimension; the similarity is conducive to Goldman Sachs' business development in China.

(5) Long-term/Short-term thinking

Although America ranks low in the long-term oriented dimension, Goldman Sachs is an exception. The success of Goldman Sachs can be ascribed to the firm's dual strategy – focusing on both clients' short term demands and the future (Endlich 2000). A former senior partner Gus Levy created a legendary term to describe the Goldman Sachs' culture – 'Greedy but long-term greedy' (Levitt 2005).

China has a 'Confucian' culture and is a long-term oriented society where people believe that truth depends very much on situation, context and time (Lee et al. 2018). But the Chinese

long-term thinking is more intuitive and synthetic – put things together to form a whole picture – than western thinking that is usually based on analysis (Biao 2002). Goldman Sachs may face conflicts when the firm wants to make a long-term plan to develop a valuable business in china at any cost, because most Chinese executives only focus on short-term profits and interests within their tenures (Yao et al. 2003).

B. Trompenaars framework

➤ Universalism-Particularism

As embodied in the 4th, 5th, 12th, and 14th principles in figure 1, Goldman Sachs is universalism-oriented, i.e., focusing on formal rules, contracts, and their enforcement rather than individual circumstances (Trompenaars 2004). Inversely, the Chinese culture is particularism-oriented and high-context, i.e., emphasizing on the relationships and trust to the individual (Kim 1998). In china, benefits are mainly distributed base on employees' social ranking and seniority in a group, but in Goldman Sachs benefits are distributed according to the performance of the team without considering social status (Yao et al. 2003). Thus the Goldman Sachs' style may cause distributing a benefit to a wrong person and damaging the Chinese employees' motivation as well as the firm's relation with local officers. However, Goldman Sachs has boomed its business in China and generated stable profits since 2000 (Goldman Sachs 2019). These achievements shows that Goldman Sachs is managing the culture differences successfully and has created its own esoteric way to build good relationships with Chinese officers without devastating its corporate culture – high-standard professional integrity and requirements on ethics with zero-tolerance on corruption and bribery.

➤ Communitarism-Individualism

As analyzed before in Hofstede's framework, the Chinese culture is communitarism, and Goldman Sachs is opposite to the American individualism-oriented culture because the firm highly emphasize on team work. But culture clash still exists because Chinese employees focus more on the interest of small groups instead of the whole company.

➤ Natural-Emotional

This dimension refers to how the emotions are expressed. In Goldman Sachs, employees are free to express their opinions and ideas to stimulate innovation. But in china, employees are reluctant to express their opinions and criticize their superiors due to the respect and loyalty to their leaders (Tong 2016).

➤ Specific-Diffuse

China is a country with diffuse culture – there is no specific distinction between work and life (Pun 2000). Many Chinese has a '996' work schedule, i.e., 9am to 9pm, six days a week, and cannot clearly distinguish their work and life. Similarly, the corporate culture of Goldman Sachs is also diffuse – high workload, average 14 hours' working hours per day, and embedding social activities for its employees, and is different from the traditional work culture of America where most people distinguish their work and life specifically (Endlich 2000).

➤ Achievement-Ascription

As mentioned before, Goldman Sachs is an achievement-

based company where individuals are measured and ranked by their performance, but the Chinese culture is ascription-oriented – status and benefit is given based on employees' durable characteristics such as age, gender, and kinship (Yao et al. 2003).

3.4 Recommendations

Goldman Sachs can try to mitigate the negative influence caused by culture shock through careful selecting expatriates and provide targeted training. For selection, the firm should focus on those who have a good understanding of China and are good at developing close personal relationships with various partners. These characteristics should also be included in the performance assessment of these expatriates. Besides, Goldman Sachs is responsible for providing expatriates to China with training including knowledge of the norms and values in China, the necessary Chinese language in business, the concept of 'face' culture, etc. (Yao et al. 2003).

IV. ISSUE-3: LOW RETENTION AND HIGH TURNOVER RATE OF THE CHINESE EMPLOYEES

4.1 Who Left and Where They Went

Compared with their local peers, the Chinese employees at Goldman Sachs are extremely highly paid. In essence, the annual salary is over 1 million USD for EDs, 200,000 USD for VPs and associates, and around 60,000 USD for junior analysts (Yao et al. 2003). So the hygiene factors (Herzberg et al. 1959) and the physical, safety, and social needs of them have already been satisfied, and their demands are now at the fourth stage, i.e., the need of esteem, according to Maslow's hierarchy of needs as shown in figure 3.

Hierarchy	Description
Self-actualization (Highest)	Achieving one's full potential
Esteem	Feeling of accomplishment
Love/Belonging	Intimate relationship/friends
Safety	Security
Physiological (Lowest)	Food,water,rest

Figure 3: Maslow's hierarchy of needs (Maslow 1943)

However, many Chinese at senior positions such as executive director (ED) in Goldman Sachs left the company and got promoted as partner-level executives in large state-owned banks. Their demission usually makes Goldman Sachs take at least half a year to find other suitable candidates and to rebuild its client-network in China (Yao et al. 2003). For medium level managers such as VPs who are usually Chinese MBA educated in top American business schools and recruited on Wall Street, most of them leave Goldman Sachs after working four to five years with few promotion opportunities and launch private investment companies or work as managing directors in second-tier local players (Mandis 2013). For low-tier analysts in China who are graduated from the top 4 Chinese universities, they usually leave the company after three years to pursue an MBA degree

as a professional break and promotion springboard (Financial Times 2015).

4.2 The Reason Analysis Based on Motivation Theories

The low retention rate of Chinese employees in Goldman Sachs can be attributed to seeking for higher-level esteem and lacking motivation towards current positions. These are caused by the following four reasons:

(1) Glass ceiling

In Goldman Sachs, only senior partners above EDs have the right to develop new business directly with clients. The China EDs/MDs, through sounds prestigious, virtually is merely a task carrier or a relationship keeper, and their work experience in the China capital market is not sufficient to help them be promoted to be board members (Mandis 2013). Therefore, after decades of work at Goldman Sachs, the Chinese executives have already accumulated enough wealth and are no longer satisfied with the relatively low-esteem status. Most of them choose to be entrepreneurs or be promoted and assigned more responsibilities in local highly-recognized institutions where they can fulfill the authority needs - to be influential, useful, and make a difference (McClelland 1958).

(2) Seeking social status and political interests

It is natural for any person to assume senior social responsibilities when rich enough. In recent years, the Chinese government welcomes senior bankers from American big-names and recruits them as prestigious officials for the Chinese emerging capital market (Yao et al. 2003). These methods stimulate the Chinese EDs/MDs of Goldman Sachs to resign in pursue of higher social status to realize self-actualization, i.e., achieving their full potential.

(3) Health and family issues

Firstly, the Chinese traditionally cherish family relations. The Chinese managers usually need to focus more on their families after entering into their 30s when their children are born, and their parents are retired and need more care (Zhang et al. 2018). Besides, managers over 35 become relatively economic independence and pay more attention to hygiene factors such as health and work-life balance, rather than continue working in the Goldman Sachs' way – 14 hours a day, one-third of a year in the air (Mandis 2013).

(4) Weak professional perspective as a repatriate back to America

Jewish white males dominate the upper-echelon on Wall Street, and few Chinese can be renowned. Besides, because China is an emerging and immature capital market, the professional experience in China is not as recognized as those work in America, Japan, and Japan (Doyran 2017). This phenomenon makes it hard for Chinese expatriates to be recognized by colleagues or headhunters in America after their repatriation (Yao et al. 2003). Therefore, they leave Goldman Sachs and switch to organizations where they can fulfill their esteem and self-actualization needs.

4.3 Recommendations

To motivate more Chinese employees to stay at and contribute more to the company, Goldman Sachs need to provide them and their families with more support beyond the

high salary – for example, maternity and paternity leave, access to international schools for their children, high-quality nursing home care for the old, etc. (Hollinshead 2010). Besides, a diverse and inclusive appraisal system should be established to create opportunities for senior executives from emerging markets to be promoted to Goldman Sachs' headquarter in America.

V. ISSUE-4: THE UNDERREPRESENTATION OF FEMALE EMPLOYEES

5.1 Male-Dominated Situation and the Consequences

One main challenge that Goldman Sachs faces is the gender gap, i.e., the proportion of female employees is lower in senior and management roles but higher in junior positions than male employees (Powell and Graves 2003). In figure 4, the employees of two main entities of Goldman Sachs – Goldman Sachs International (GSI) and Goldman Sachs (UK) SVC. Limited (GSUL) – are divided into four equally sized quartiles according to the position level from 1 (highest position) to 4 (lowest position) (Goldman Sachs 2019).

Quartiles	Women% (GSI)	Men% (GSI)	Women% (GSUL)	Men% (GSUL)
Quartiles 4 (lowest)	57.1	42.9	52.1	47.9
Quartiles 3	40.5	59.5	37.7	62.3
Quartiles 2	30.0	70.0	34.7	65.3
Quartiles 1 (highest)	18.1	81.9	22.4	77.6

Figure 4: Percentage of women and men in different position levels at GSI and GSUL (Goldman Sachs 2019)

	Mean% (GSI)	Median% (GSI)	Mean% (GSUL)	Median% (GSUL)
Hourly Pay	50.6	35.5	17.9	19.5
Bonus Pay	66.7	68.9	40.7	35.8

Figure 5: The mean and median gender pay gap and bonus gap at GSI and GSUL (Goldman Sachs 2019)

The figure was snapshot on 5th April 2018 and shows that women are disproportionately underrepresented in senior positions than men. Although female employees occupy half of the medium-level positions, they have fewer development opportunities at work than do male colleagues (Northouse 2015). Moreover, the pay gap between women and men also exists in Goldman Sachs, as shown in figure 5, which demonstrates the mean and median gender pay gap, at the snapshot date of 5th April 2018, and bonus gap, in the 12 month reference period to 5th April 2018, for employees in GSI and GSUL (Goldman Sachs 2019).

The gender gap is detrimental to Goldman Sachs. Firstly, due to the gender gap, Goldman Sachs has a lower proportion of women than men in senior and management positions but a higher number of women than men in more junior roles (Goldman Sachs 2019). This issue leads to larger pay and bonus gap, strengthens the stereotype that women take care and men take charge (Hoyt and Chemers 2008), and causes the prejudice that women are less fit for the leadership positions.

These gender biases are detrimental in the decision-making processes for selecting elite leaders. Because not only are the decision-makers influenced by the stereotypes that disadvantage women in the leading roles but also they may succumb to homosocial reproduction – a tendency for the whole company to repeat and enhance the prejudice (Kanter 1977). Besides, the gender gap can also directly affect women themselves – making women under significant pressure and be more aware of their gender and the accompanying stereotypes (Sekaquaptewa and Thompson 2003).

5.2 How Goldman Sachs Promotes Female Status Through HRM

Goldman Sachs is devoted to mitigating the gender gap, eliminate gender discrimination, and improve the status of female employees. Firstly and most importantly, Goldman Sachs is trying to increase the representation of women at senior levels where the real imbalance lies, with particular focus on attracting more women to the finance industry at the earliest recruitment and selection process and ensuring the female employees receive fair development opportunities as they progress through their career (Goldman Sachs 2019). For example, Goldman Sachs launches the annual Women's Leadership Camp – a multi-day camp targeting penultimate-year female students who are interested in financial services, introducing them to the vast opportunities at Goldman Sachs, and navigating them to finish the summer-intern recruiting process, to participate in career workshops, and to meet with members of Goldman Sachs's women network (Goldman Sachs 2020).

Secondly, to mitigate the gender pay gap, Goldman Sachs insists on paying female and male employees in similar roles with similar performance equally, i.e., the compensation and benefits are set by performance and merit, not by gender (Financial Times 2019). Figure 6 and 11 below present the proportion of employees at GSI and GSUL that received a bonus in 2017 and 2018 by gender (Goldman Sachs 2019). The outcome shows that, compared with men, women have equal opportunity to gain the bonus at Goldman Sachs.

	Women% (GSI)	Men% (GSI)	Women% (GSUL)	Men% (GSUL)
2018	94.6	93.9	90.1	85.9
2017	95.8	95.1	94.7	95.1

Figure 6: The percentage of employees at GSI and GSUL that received a bonus in 2018 and 2017 separately (Goldman Sachs 2019)

Moreover, Goldman Sachs is always committed to creating a comfortable and decent working environment to ensure that female employees can achieve their full potential and advance to the most senior positions in the firm (Goldman Sachs 2019). Finally, Goldman Sachs highlights the work-life balance and well-being of female employees, for example, providing training on managing parental leave and the availability of breast milk shipping for working mothers (Goldman Sachs 2019).

5.3 Recommendations

Although Goldman Sachs has made considerable achievements in mitigating the gender gap and inequality, more methods can be introduced to deal with the issue.

Firstly, the firm should systematically detect the root reasons for the existing gender gap. As shown in figure 7 below, the Oaxaca Decomposition (Oaxaca 1973) can be used for detecting whether discrimination or skills gap exists.

Based on the decomposition function, the average wage of different positions at Goldman Sachs can be calculated. If $w_w^* \neq \bar{w}_w$, i.e., women gain less than men for similar jobs, the discrimination exists, and this can be solved by insisting the performance-based compensation system, setting clear policies, practices, and procedures to inform all employees about gender equity, handling complaints from female employees, and punishing violation behaviors when necessary (Werner et al. 2016). The difference $(\bar{w}_M - w_w^*)$ is attributable to the skill differences between men and women, and this can be addressed by providing additional training for female employees, especially on leadership and management.

Besides, a mentorship program can be introduced to reduce the gender gap by assigning more women to senior positions and developing supportive mentor relationships with those in junior positions (Ensher and Murphy 2005). Recent studies have found that firms developing mentorship programs led by women can attract more female graduates (Gulf Intelligence 2014), and that most female employees believe that having a senior female mentor is conducive to career success.

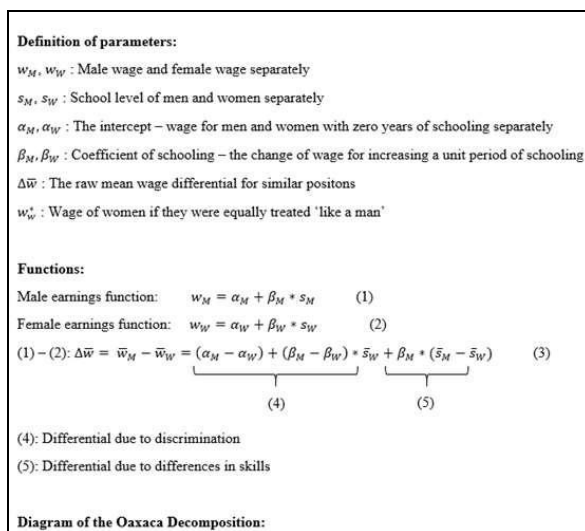


Figure 7: Oaxaca decomposition (Oaxaca 1973)

Furthermore, the company needs to provide professional training on enhancing women's negotiation power and restructuring negotiations to female advantage. At work, women should be trained to proactively negotiate for valued positions, bonus/benefits, resources, experiences, and job-protected maternity leaves. Additionally, training on how to negotiate for at-home issues is also necessary. Female employees need these skills to negotiate workload with husbands, team up with family members and friends, and even hire help when necessary (Bowles and McGinn 2005). To

further balance the female gender role and the leadership role of women employees, training on building 'transformational leadership style' can be introduced for female employees. Because this style is not a markedly masculine style and links the leadership effectiveness with traditional feminine characteristics such as being supportive and considerable (Northouse 2015).

Finally, to help more female entrepreneurs, especially those who do not satisfy the investment requirements of Goldman Sachs, Goldman Sachs can help them to contact suitable external investment actively. When these businesses get external financing and grow large enough, Goldman Sachs can reinvest them to benefit both itself and the entrepreneurs (WEOF 2019).

VI. CONCLUSION

Overall, Goldman Sachs is facing several HR challenges, which include but are not limited to the work-life imbalance, the underrepresentation of female employees, the culture conflicted when sending expatriates to China, and the high turnover rate of Chinese employees. All the four issues discussed above are presented as discrete areas with defined focuses, while, in practice, they overlap and interact in ways that cannot be detailed. For example, the underrepresentation of women reflects the company's corporate culture, and the low retention rate is partly caused by the work-life imbalance. To optimize the firm's HR management and to attract more global talents, Goldman Sachs needs to focus more on employees' work-life balance, to provide sufficient training on host countries' culture, and to create relatively fair opportunities for promotion towards employees from emerging markets and women. Besides, it is indispensable to integrate the HR strategy into the firm's corporate strategy to maximize the effectiveness of main HR activities such as staffing, training, performance management, as well as compensation and benefits management. Furthermore, continually monitoring and evaluating these activities and the outcomes, for example, the percentage of women in the recruitment, will go a long way in improving the HRM system so that it is as effective as it is designed, as long as reasonable adjustments are made based on the evaluations.

REFERENCES

- [1] Biao, Z. (2002) 'Lines and Circles: West and East'. *Quest Magazine* 90(4), 140-145
- [2] Bidwell, M., Won, S., Barbulescu, R., and Mollick, E. (2015) 'I used to work at Goldman Sachs! How firms benefit from organizational status in the market for human capital'. *Strategic Management Journal* 36, 1164-1173
- [3] Bond, M.H. (1986) *The Psychology of the Chinese People*. New York: Oxford University Press
- [4] Bowles, H.R., and McGinn, K.L. (2005) 'Claiming Authority: Negotiating Challenges for Women Leaders'. *The Psychology of Leadership: Some New Approaches*, 191-208
- [5] Cohan, W. (2011) *Money and Power: How Goldman Sachs Came to Rule the World*. London: Penguin Group
- [6] DailyO (2015) *Goldman Sachs analyst death: How the rush burns out our brightest* [online] available from <<https://www.dailyo.in/politics/goldman-sachs-analyst-wall-street-deaths-sarvshreshth-gupta-stress-overwork-exhaustion-fatalities-money/story/1/4148.html>> [24 March 2020]

- [7] Doyran, M. (2017) 'How Goldman Sachs Turned the Great Recession into Competitive Advantage Using Strategic Management'. *Rutgers Business Review* 2(3), 357-376
- [8] EFC (2020) *The banks with the best and worst working hours* [online] available from <<https://news.efinancialcareers.com/us-en/196881/working-hours-banks>> [23 March 2020]
- [9] Endlich, L. (2000) *Goldman Sachs: The Culture of Success*. New York: Simon & Schuster, Inc.
- [10] Ensher, E.A. and Murphy, S.E. (2005) *Power mentoring: How successful mentors and proteges get the most out of their relationships*. San Francisco: Jossey-Bass
- [11] Financial Times (2015) *Beyond Banking: filling the recruitment abyss* [online] available from <<https://www.ft.com/content/f5f79cfc-8228-11e5-a01c-8650859a4767>> [22 March 2020]
- [12] Financial Times (2019) *Goldman Sachs narrows gender pay gap slightly in UK business* [online] available from <<https://www.ft.com/content/a3b4ae10-4efa-11e9-b401-8d9ef1626294>> [15 March 2020]
- [13] Goldman Sachs (2019) *2018 Goldman Sachs UK Gender Pay Gap Report* [online] available from <<https://www.goldmansachs.com/our-firm/people-and-culture/gender-pay-gap/index.html>> [11 March 2020]
- [14] Goldman Sachs (2019) *Email to Goldman Sachs People from David Solomon, John Waldron and Stephen Scherr on Advancing Diversity and Inclusion at Goldman Sachs* [online] available from <<https://www.goldmansachs.com/media-relations/press-releases/archived/2019/announcement-18-march-2019.html>> [11 March 2020]
- [15] Goldman Sachs (2019) *When Women Lead* [online] available from <<https://www.goldmansachs.com/our-firm/people-and-culture/when-women-lead/index.html>> [12 March 2020]
- [16] Goldman Sachs (2020) *Goldman Sachs Introduces 14 Business Principles That Define the Firm* [online] available from <<https://www.goldmansachs.com/our-firm/history/moments/1979-business-principles.html>> [21 March 2020]
- [17] Goldman Sachs (2020) *Our History in Moments* [online] available from <<https://www.goldmansachs.com/our-firm/history/themes/index.html>> [28 March 2020]
- [18] Goldman Sachs (2020) *UK Women in Finance Charter* [online] available from <<https://www.goldmansachs.com/our-firm/people-and-culture/index.html>> [09 March 2020]
- [19] Goldman Sachs (2020) *Women's Leadership Camp* [online] available from <<https://www.goldmansachs.com/careers/students/programs/americas/women-leadership-camp.html>> [13 March 2020]
- [20] GOR (2018) *Silicon Valley Vs. Wall Street: What Tech Talent Should Know* [online] available from <<https://www.gqrgm.com/silicon-valley-vs-wall-street-what-tech-talent-should-know/>> [29 March 2020]
- [21] Gordon, J. (2015) *Goldman Sachs' Weak Attempt At Work-Life Balance* [online] available from <<https://www.linkedin.com/pulse/goldman-sachs-weak-attempt-work-life-balance-jullien-gordon/>> [29 March 2020]
- [22] Gulf Intelligence (2014) 'Women in energy – On the right track'. *White paper presented at the International Petroleum Technology Conference*
- [23] Herzberg, F., Mausner, B., and Snyderman B. (1959) *The motivation to work*. New York: Wiley
- [24] Hodgett, R.M. and Luthans, F. (2000) *International Management: Culture, Strategy and Behavior*. 4th edn. New York: McGraw-Hill Higher Education
- [25] Hofstede Insight (2020) Compare countries [online] available from <<https://www.hofstede-insights.com/product/compare-countries/>> [18 March 2020]
- [26] Hollinshead, G. (2010) *International and Comparative Human Resource Management*. New York: McGraw-Hill Higher Education
- [27] Hoyt, C.L. and Chemers, M.M. (2008) 'Social stigma and leadership: a long climb up a slippery ladder'. *Leadership at the crossroads: leadership and psychology* 1, 165-180
- [28] IIP (2003) *The Investors in People guide to helping organizations manage work-life balance*. London: Investors in People UK
- [29] Independent (2015) *Goldman Sachs analyst found dead hours after complaining to father of '100 hour weeks'* [online] available from <<https://www.independent.co.uk/news/world/americas/goldman-sachs-analyst-found-dead-hours-after-complaining-to-father-of-100-hour-weeks-10292977.html>> [24 March 2020]
- [30] Kanter, R. (1977) *Men and Women of the corporation*. New York: Basic Books
- [31] Kim, D., Pan, Y., and Park, H.S. (1998) 'High-versus low-Context culture: A comparison of Chinese, Korean, and American cultures'. *Psychology & Marketing* 15(6), 507-521
- [32] Kodz, J., Harper, H., and Dench, S. (2002) *Work-life Balance: Beyond the Rhetoric*. Brighton: The Institute for Employment Studies
- [33] Kwon, I., Lee, J., Wang, R., and Kim, S.J. (2018) 'The role of Confucianism in the formation of psychological contracts: Evidence from China'. *Social Behavior and Personality* 46(9), 1499-1512
- [34] Levitt, J.A. (2005) 'Corporate culture and the problem of executive compensation'. *Journal of applied corporate finance* 17(4), 41-43
- [35] Li, X. (2019) 'The 996.ICU Movement in China: Changing Employment Relations and Labor Agency in the Tech Industry'. *Made in China Journal* 4(2)
- [36] Mandis, S. (2013) *What Happened to Goldman Sachs: An Insider's Story of Organizational Drift and Its Unintended Consequences*. Harvard Business Review Press
- [37] Maslow, A.H. (1943) 'A theory of human motivation'. *Psychological Review* 50(4), 370-396
- [38] McClelland, D.C. (1958) 'Methods of measuring human motivation'. In J. W. Atkinson, *Motives in fantasy, action, and society*. Princeton: D. Van Nostrand Company
- [39] Northouse, P.G. (2015) *Leadership: theory and practice*. 8th edn. California: SAGE Publications
- [40] Oaxaca, R.L. (1973) 'Male –Female Wage Differentials in Urban Labor Markets'. *International Economic Review* 14, 693-709
- [41] Oaxaca, R.L. and Ransom, M.R. (1994) 'On Discrimination and the Decomposition of Wage Differentials'. *Journal of Econometrics* 61, 5-21
- [42] OECD (2020) *Average usual weekly hours worked on the main job by countries* [online] available from <https://stats.oecd.org/Index.aspx?DataSetCode=AVE_HRS> [23 March 2020]
- [43] Pinnington, A.H. and Harzing, A.W. (2015) *International Human Resource Management*. California: SAGE Publications, Inc.
- [44] Powell, G.N., and Graves, L.M. (2003) *Women and men in management*. 3rd edn. California: SAGE Publications, Inc.
- [45] Pun, K.F., Chin, K.S., and Lau, H. (2000) 'A review of the Chinese cultural influences on Chinese enterprise management'. *International Journal of Management Reviews* 2(4), 325-338
- [46] Sekaquaptewa, D. and Thompson, M. (2003) 'Solo status, stereotype threat, and performance expectancies: Their effects on women's performance'. *Journal of Experimental Social Psychology* 39(1), 68-74
- [47] The Guardian (2015) *Goldman Sachs restricts intern workday to 17 hours in wake of burnout death* [online] available from <<https://www.theguardian.com/business/2015/jun/17/goldman-sachs-interns-work-hours>> [23 March 2020]
- [48] Tong, J.T. (2016) *Finance and Society in 21st Century China: Chinese Culture versus Western Markets*. New York: Resource Publications
- [49] Trompenaars, F. and Hampden-Turner, C. (2004) *Managing People across Cultures*. UK: Capstone Publishing
- [50] Tushman, M. and O'Reilly, C. (1996). 'Ambidextrous organizations: Managing evolutionary and revolutionary change'. *California Management Review*, 384, 8-30
- [51] Werner, S., Inkpen, A., and Moffett, M. (2016) *Managing Human Resources*. Tulsa: PennWell Corporation
- [52] WEOF (2019) *Progress Report: IFC, Goldman Sachs 10,000 Women Deploy \$1.45B to Women Entrepreneurs in Emerging Markets* [online] available from <<https://www.goldmansachs.com/citizenship/10000women/news-and-events/multimedia/weof-report-2019.pdf>> [11 March 2020]
- [53] Wilkinson, A., Redman, T., and Dundon, T. (2017) *Contemporary human resource management: text and cases*. London: Pearson
- [54] Yao, Y., Li, F., Tolan, E., Iskenderov, I., and Dhar, S. (2003) 'Goldman Sachs' China Challenges'. *Research Paper in Norwegian School of Economics (NHH)*
- [55] Zhang, M., Foley, S., Li, H., and Zhu, J. (2018) 'Social support, work-family balance and satisfaction among Chinese middle-and upper-level managers: testing cross-domain and within-domain effects'. *The International Journal of Human Resource Management*, 1-23