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School of Management & Business
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Module Title:	Human Resource Management
Module Code:	6SSMN339

Assignment	Group Coursework
Essay Title (where applicable):	Should Goldman Sachs implement the Leadership Development Programme?
Module Leader:	Ricardo Rodrigues
Deadline:	4th April 2017
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*Should Goldman Sachs
implement the Leadership
Development Programme?*

6SSMN339

Human Resources Management

3rd April 2017

Introduction

Goldman Sachs (“GS”) has become a national and international prominence in investment banking, and its success eventuated from its leadership, people and culture (Endlich, 2000). Having created a new title of managing director (“MD”) to increment these competitive strengths, GS formed the Leadership Development Advisory Committee (“LDAC”) to analyse future training and development needs, placing core values on the advancement of approach in managing and developing MDs (Groysberg and Snook, 2007). As GS emphasises on responsibilities of Human Capital Management (“HCM”) to attract, develop and reward their biggest asset (Groysberg, Nanda and Nohria, 2004), people, the primary purpose of leadership development programme aimed at professional development is to generate more opportunities for developing their leaders (Kerr and Landauer, 2004). However, as GS expanded more rapidly, its existing apprenticeship approach has become less effective. The LDAC proposes an advised leadership development plan based on cultivating the culture and maintaining best practices given the GS culture.

In this essay, the links between training and development, employee outcomes and organisational performance will be discussed based on empirical research of multiple behemoths and their employees. With an emphasis on the importance of leadership, the reasons as to why GS should implement the leadership development programme on vice presidents (“VP”) will be examined and a structure of the programme will be suggested that would have best fit GS at that time by thoroughly assessing all key issues. Additionally, further investigation will be carried out on how its programme fits with other HR practices and policies of GS.

Relationship between training and development, employee outcomes, and organisational performance

Training and development refers to the process of obtaining or transferring necessary knowledge, skills and abilities (“KSA”) to carry out a specific activity or task (Abdus, 2011). Implementation of a comprehensive training and development programme can help the process become more effective in achieving organisational goals and creating a competitive advantage (Peteraf, 1993). Researchers have found empirical evidence that supports the relationship between training development activities, the employee performance and organisational effectiveness has a positive correlation (Asfaw et al., 2015). The organisational performance is highly dependent on the overall performance of employees in promoting growth of a company. Thus, training and development of employees is essential for success in organisational performance.

Should Goldman Sachs implement the Leadership Development Programme?

The context of the labour market in 1990s needs to be examined closely in order to adjudge whether GS needed more formalised leadership development programme or not. Many IPOs of tech companies with dot com boom led to sustained bull market. This resulted in healthy profits for investment banks, but created the shortage of top talents in the market as they moved their interests away from IB to booming industries. In the late 1990's, extremely tight labour markets and shortage of skilled workers made American companies change their behaviours (Bluestone & Harrison, 2001). GS started to search and recruit talents from the new pool in non-business area. Therefore, strong cultural ties and leadership were required in managing diversified employees, considering GS's culture of teamwork rather than individualism. The purpose of the LDP is to maximise the capabilities of individual employees in order to achieve the optimal levels of operation.

A leadership development programme has many advantages, especially for GS which has a unique corporate culture and presence in the market. Firstly, the organisation can become less volatile to the external labour market in terms of recruiting managers as they develop their own. The second advantage is high retention rates of key employees. According to Haider et al. (2015), training and development is one of the crucial factors in retaining key employees.

On the other hand, this introduces many challenges. Based on fact that most investment bankers are given a high volume of work on a daily basis, they are less likely to leave their desks and instead spend time on other things. Therefore, a suitable and formalised plan is necessary to encourage employees to be fully motivated to participate in the development programme.

Introduction of the Leadership Development Programme

Over the past century, human behaviour research has provided ample support for the assertion that strong guidance is paramount in the training of the worker. Particularly, Kerr(1964) attempts to address this issue in his work, which could be linked to the LDP.

In order to establish the LDP most suitable to the unique culture of GS, multiple factors should be considered:

- Structure and Governance: GS has adopted the apprenticeship model before global expansion. Whereas learning through shadowing MDs is limited to only theoretical knowledge, the practical experience (gained through task-solving) could further improve individual abilities (Smith, 1980). Thus, together with former model, on-the-job training ("OJT") is an optimal way of exercising the leadership.
- Target audience: Financial industries attempt to minimise the number of partners, in consideration of the shares given. Consequently, GS aims to maximise the number of MDs, highest rank without benefiting from shares. Furthermore, since there are less MDs than VPs, GS can successfully assign MDs to VPs without considering human resources allocation. Yet, around 1% of a financial institution consists of VPs, which is abundant. In order to guarantee the quality of the mentoring and maximise the cognitive reception of knowledge for the VPs, a

rude selection will be performed (Royuela & Suriñach, 2013). The LDP will be assisted with Pernick (2001) framework, which selects candidates upon three criteria:

- 1) Candidate must fulfil at least ten years of service within the company.
 - 2) Candidate must have excelled over the past two years in their performance.
 - 3) Candidate must complete a standardised assessment describing eight leadership traits (Desire, Purpose, Confidence, Assertiveness, Psychological fitness, Centeredness, Energy, General intelligence) of the framework by Robert Pernick.
- Faculty mix & Content delivery and Methods: MDs are expected to be representatives of GS who have successfully achieved credibilities through four claims made by Habermas (1981): truth, sincerity, appropriateness and understandability. VPs will be provided an environment where they can closely observe these MDs and analyse their leadership skills. Followed by OJT, VPs are given opportunities to practice their leadership knowledge gained from the apprenticeship. They will be randomly allocated branches in different countries within the same functions of their areas.
 - Form and Location: The LDP will only be performed within GS offices worldwide. Therefore, creating a new space for its development programme is unnecessary. This would benefit GS in terms of time management due to a shorter implementation process and thus will result in lower costs, without the needs for significant organisational changes (Adam & O'Doherty, 2000; Bernroider & Koch, 2001; Mabert et al., 2003).
 - Programme content: The LDP focuses on developing soft skills such as interpersonal skills to successfully yield future leaders. Technical skills would not be emphasised in the LDP as these would have been obtained from the previous roles. It is believed that the three factors listed below are the most important factors to be focused on during the LDP:
Communication skills can be achieved through various ways:
 - 1) Verbal; which involve listening and delivering the most relevant information to the client whilst staying concise and efficient,
 - 2) Written; presenting in a consistent manner according to the instructions and the needs,
 - 3) Nonverbal; body language.

Moreover, settling the teamwork culture is an integral part of a business's success with effective leadership (Hutchins, 2012). VPs are required to establish incentives (financial or psychological) for team members where they can fulfill their potential and strive for a common goal.

VPs can be inspired from senior managers regarding strategic planning, thus increasing creativity. Creativity is an essential change management tool, considering today's accelerating rate of change in business according to Marci Segal(2010) in this latest "Creativity in Business" interview. Hence, it is vital for VPs to develop their creativity side and implement this dimension within their soft skills.

- Length: VPs will take the LDP once a year starting from when they become VPs until they get promoted to MDs.

HR policies and practices with the leadership programme

HR practices provide guidelines on how the organisation should approach in managing their people (Armstrong, 2001). Hence, it is essential to critically evaluate the influences that the programme may have on other existing HR practices, as it may be contradictory. HR practices in GS are focused on three major parts: recruitment, training and development, and retention.

It is clear that training and development will increase retention rate according to the study which reached a conclusion that on-the-job training is positively related to retention rate (Benson, 2006). In addition, a well-designed training and development programme which fulfills the needs of their employees can increase retention (Montgomery, 2006). However, training and development programmes with poor compensation structure may lead to undesired result; a high turnover rate (Haider et al , 2015). Since GS has been paying competitive salary to employees based on their performance, it is highly likely that, together with the LDP, GS compensation practice will lead to high employee retention rate. On top of the possible synergetic effect, it is sufficient enough to assume that the LDP and GS compensation practice are well aligned. This is because a high salary based on performance is more likely to increase retention rate as well as employees' motivation level like training and development does (Collins and Clark, 2003). Regardless of positive effects of the LDP on retention and turnover rate, it is very important to keep in mind the side effects that could arise from cultural difference. The GLOBE research programme suggested that leadership styles are under the influence of culture (House *et al*, 2002). Since leadership skills that trainees would acquire in overseas offices will be different from their current office due to cultural differences, it could influence the traditional apprenticeship model which only provides each individual an opportunity to learn through their boss on the job.

In terms of recruitment, GS has been exclusively looking for people from elite undergraduate or MBAs as they always strive to achieve excellence in every aspect in their job. This high selecting bar is also shown in the LDP selection process where only selected VP fulfilling criteria would be eligible to participate in the LDP. Since the LDP are aligned well with recruitment practices and retention policies, as shown above, the LDP and HR policies would create a synergistic effect. As long as keeping in mind on LDP to be more consistent in overseas offices, the LDP could support HRM to achieve high organisational performance.

Conclusion

The success factors of Goldman Sachs are people, leadership, and culture. Training and development programmes have been implemented to enhance this competitiveness. However, as they have grown globally in a short time period, there were limitations to their leadership programme and it was necessary to overcome these problems. A new leadership development programme was proposed focusing on leadership while cultivating culture and maintaining the best existing practices.

Before global expansion, GS adopted an apprenticeship model, but this model is too theoretical. According to the research, practical experience is better than theoretical education, so the new programme proposed VP on-the-job training to add practice to existing theoretical training. This would bring better educational results, which in turn would bring the benefit of increasing GS employee's performance and therefore, GS can achieve better organisational performance. Besides, while being well-aligned with Goldman Sachs' existing policies, it will bring synergy.

To conclude, a newly proposed LDP would well align with the overall perspectives of GS's human capital management and would be expected to bring the best possible outcomes. These benefits will

ultimately help the company achieve the optimal operation, which is the goal of HRM, and maximise the capabilities of individual employees to achieve the optimal level of the benefits of Goldman Sachs.

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