Hi, my name is David Landman and I lead Talent Assessment at Goldman Sachs. I recently sat down with Julie Zide, the head of Organizational Research, to discuss science based performance management strategies. This is a really important topic because based on our research, we know that coaching oriented performance management drives engagement, performance and retention, which therefore drives business results. I hope that whatever your industry or size of your business you find this conversation useful as you think about your own approach to performance management.

So David, speaking about assessing talent at Goldman Sachs, especially in the current environment that we're in, can you tell us a little bit about performance management at the firm and how it has been evolving?
Yeah, I'd love to.

Introducing something that we're calling the "Three Conversations at Goldman Sachs." This is something that we spent a lot of time tailor building for our culture, but I think most of the principles apply across industries. And I hope -- I'll talk through some of the details and our thinking around it. I hope this is helpful context as you think about your own approach.

So the first thing that we did, as we typically do before we think about anything that changes, is we did a lot of extensive research. We did academic research. We did a lot of rigorous benchmarking, both in and outside of financial services.

And we also listened a lot to our employees. Employee feedback is a really important part of our strategy. And through pulse surveys, through
our engagement survey, through focus groups, really wanted to understand what our employees wanted.

Just a few facts from the research that I think are interesting and pretty compelling. So from one of the research studies, we learned that employees who work with their managers on setting specific goals are four times more likely to be engaged and 56% more productive. Engagement is good because when you have engaged employees, you have nearly 60% lower attrition.

So we did a lot of research. I thought those couple of facts were interesting and I think gave a good business case for why this is important to focus on. So then we thought about the fact that we, just like you all, are talent-centric businesses.

And we only operate at our best when our people can, too. So again we developed a very tailored
approach with a focus on empowering managers to lead as coaches through a cadence of regular feedback conversations.

And we really, really think this is important because ultimately we think this is going to better support the growth and performance of our people, further unlock our people's potential, and therefore increase the capability of the firm.

I'd say one of the biggest ones is a shift in mindset to have our managers be much more active as coaches. So really embedding in our managerial expectations, skill sets, and the framework that we set through performance management a real focus on active coaching.

So our expectation is that our managers will have three conversations throughout the year to help create that framework for those moments when
they have opportunities to coach, to set goals, to talk about performance.

So the way it'll work is in the beginning of the year our managers will meet with each -- each of their employees and have a conversation about goals. That conversation will encompass business goals that will be aligned to firm and divisional priorities but also personal growth goals. Really clearly set the tone and the expectations of the year.

The second conversation is a midyear check-in. It's supposed to be a light touch coaching conversation. How's it going? How can I help? Here's some feedback.

And then ultimately at the end of the year, we'll close out the year through a more formal annual feedback conversation that will be forwards looking but also backwards looking on how did you perform against goals, how did you perform
against the expected behaviors?

So we rolled out a[n adjusted] performance distribution that is intended to reflect the high
caliber of our -- of our talent. It also
acknowledged the fact the vast majority of the
firm each year is meeting or exceeding our very
high expectations.

Speaking of our managers, Julie, we've together
done a lot of research over the years looking at
managerial effectiveness of the firm. Can you
describe some of the research that we've been
recently undertaking and some of the findings?

JULIE ZIDE:

Yeah, so we -- we put, as you said, a tremendous
amount of effort into our managers identifying
what makes an effective manager at Goldman Sachs.
So the research we've done, both -- both in
external, looking at the benchmarking, looking at
the academic research, as well as internal
research that we've done with employees at the
firm, managers at the firm.

And so in terms of the internal research what we've done, we've really looked to identify our most effective managers at the firm by doing global focus groups with managers as well as direct reports of managers to really identify those effective manager traits. We surveyed employees firmwide to understand how often their managers exhibit these behaviors and how important they are to the employees.

And so through that, we went through a comprehensive process to really distill down some of these behaviors that were found to be most effective. So some examples we found are managers that empower their employees. Managers that respect their employees. Managers that champion the firm's value.

And then lastly, as we've discussed, managers that really put the effort into coaching their
employees. And what we found is these behaviors really resonated regardless of all the cuts that we looked at.

So if you think about title, tenure, division, region, we found that these behaviors persisted regardless of where the manager is in -- in those various cuts.

We found that managers who exhibit these behaviors are statistically more likely to be high performers. We also found that managers who frequently practice the coaching behaviors are more likely to have reports that are top performers.

So this really speaks to the ROI of -- of why we should be investing in our managers as coaches. So this looks like managers who provide timely and constructive feedback, managers who support their reports' career aspirations. They look for developmental opportunities for them.
And most importantly, they're willing to have difficult conversations because that's really how employees learn and grow.

Unsurprisingly, we find the same results in the academic research. So there was actually a research paper that combined the results from a number of scientific studies on this topic. So basically what they were looking at was what type of feedback discussions really drive performance ultimately?

And so this type of study base -- it's called a meta analysis. It just takes the results from many different studies on this one top -- topic and combines it into one result.

And they found that managers who provide coaching-oriented feedback saw a 25% increase in performance as a result. So this looks like managers who use that time to reflect on the work
that reports did. They have an involved dialogue on how to best action on the feedback going forward.

7:50

So really it speaks to what David mentioned before. Reflecting on the past as well as thinking towards the future versus feedback that's more administrative or more informational. So really speaks to the power of those coaching-oriented feedback discussions.

DAVID LANDMAN:

8:06

I think the -- the manager research is incredibly interesting and important. Again, and we keep on repeating this because it's true, but given the central role that managers play in the experience and performance of their people, in particular, this point that when you have strong managers, you have stronger teams.

8:24

This is -- this is I think a really important point for us to know, but also a really important
selling point for getting people's buy-in for investing in becoming better managers themselves.

8:35 And this is not -- like, this is not point-in-time research. The academic research supports it. And we've actually been studying this for years. And time and time again, this point continues to bubble up.

8:44 And it's -- and it's a meaningful difference. So I think -- I think it's -- it's just -- when you think about the case for why we or -- or anyone should invest in this, it really is backed by quite good data.

8:57 I'll just take it one step further just in terms of ROI. I recently read a Gallup study that focused on ideal team size. And the question was: How many direct reports is optimal for each manager?

9:10 And unsurprisingly, the results of the study
showed that for strong managers their level of engagement and performance remained high whether they had few or many direct reports. But for less strong managers, engagement or performance quickly declined as they had more direct reports.

9:28

And I think this is just interesting as we think further about the ROI and the business case. Not only does investing in managers increase their own and their team's performance, but we can get more ROI out of our managers and scale them to a -- a greater span of control if we invest in them and they invest in themselves.

JULIE ZIDE:

9:48

Yeah, really interesting. And I think it's just yet another example of the business case for why we should be upselling managers.

9:56

David, back to the perf or -- back to performance management. Outside of the new "Three Conversations" approach that you described, can you expand a bit on what we currently have in
place from a 360-degree feedback perspective at Goldman Sachs?

DAVID LANDMAN:

10:12
Our 360 feedback is a completely foundational element to how we think about developing our people. It's a longstanding part of our culture. And it's integral to the "Three Conversations" framework that I laid out before.

10:25
I personally think -- and the research well supports this -- I think many of you know and -- and do 360 as well. 360 is a great way to capture a broad perspective well beyond the manager's view.

10:39
And in an organization where we're asking people to collaborate across levels and functions and geographies, having an opportunity to solicit feedback from a broad group of individuals I think is critical to helping employees develop and helping to measure performance.
And they really do -- the 360 also, just as a concept, reinforces a culture of collaboration. It helps us convey to the firm important expectations that we have of our people.

Julie, coming back to the topic of managers playing a key role, I think the audience would be interested to learn about how we've been thinking innovatively about ensuring managers that they're equipped to manage their direct reports. Can you speak a bit about your work on nudges?

JULIE ZIDE:

Yeah, sure. So for a bit of context, nudge theory is somewhat of a new concept in the social sciences. If you're interested in learning more about it, there's a great book by Richard Thaler called *Nudge*. He won the Nobel Prize on this concept.

And we've been really focused on figuring out how to parlay the concept of nudge theory at
So really what a nudge is, very simply, is it's a suggestion. It goes to the right person at the right time. You have seen nudges in your everyday lives. So some examples are in places where they were looking to encourage healthy eating habits.

What they did was they put the healthy food at eye level and the unhealthy food at higher levels. And really what that did was just the ease of being able to pick up the healthy food dramatically upticked the healthy eating behaviors.

We also saw another example is in California. In order to reduce energy usage what they did was they highlighted an individual's use of electricity against that of their neighbor's on their quarterly bills. And what they found was
that dramatically reduced energy usage in
California.

12:44 So lots of examples of nudges in our everyday
lives. We at Goldman have been thinking about
how we can use them in this virtual environment
we're in. The nudges that we have been using at
Goldman are really -- we leverage the firm's
communication channels. So Outlook, email, any
kind of communication channel that employees
regularly use, we leverage that and automate
them.

13:14 So they work really well in a current
environment. You don't need a live person to
either send a nudge or get nudged. And so it's
been working really well in the current
environment that we're in.

13:26 The way we think about nudges, we call it our
Moments that Matter Nudge Initiative. And the
reason being is because we really think about it
from an employee experience perspective. And what that means is we think about the employee life cycle and those moments that happen across that employee life cycle where a nudge to the right person at the right time would significantly improve that experience.

So if you think about first being onboarded to your first year at the firm to when you first get promoted to when you first become a manager to when you first go on parenting leave, these are obviously very sensitive inflection points that happen along that journey where a simple nudge, a simple reminder to the right person at the right time would significantly improve that experience.

So for example, we're -- we have been piloting nudges related to onboarding and integration. The reason being is because we know based on the research that your first year at that firm really informs the future of your success at the company.
So we have seen that research basically tells us that if you don't have a good onboarding and integration experience, you can be as early as six months in employees looking for another job opportunity.

And so what we have found is really simple nudges to managers. So for instance, for onboarding, we have found that if you nudge the - - the manager a week before the new hire starts and say, "Hey, this is a great time to call your new hire. Get them excited about the role. Give them the lay of the land. Give them a taste of what they'll be working on."

That mere act of having the manager call before the employee starts has been found to predict a positive onboarding experience for the new hire. Similarly, we found that managers who assign a mentor to the new joiner early on in their first year are two times more likely to report having a
positive integration experience.

15:21 So again, a really simple reminder to the manager saying, "Hey, your new joiner has been here for three months. This is a great time to think about assigning a mentor to them," really improves that experience.

15:31 As part of nudges, we're really focused on measures of success. So we measure the nudges and continuously iterate to make sure that they're effective. We track data on whether tasks were completed. We have mini employee surveys to determine the effectiveness of the nudges.

15:49 But I would say the concept of nudges can be parlayed into any company regardless of size. Nudges in their simplest form look to drive changes to improve the employee experience. And I think that really the concept behind nudges is that we -- we assume everyone has the best
intentions, especially our managers.

16:11

We know that they're busy. We know that they have personal lives. And sometimes they for -- just forget. They -- they might know that, hey, it's good to call a new joiner before they start, but they're so busy and wrapped up in their work that they may forget to do that. So that's really the idea behind nudges, is that we just want to make sure that we're reminding them to act on those intentions.

16:30

I think while our approach at Goldman is a little bit more, you know, involved and involves automation and -- and internal research, I think any type of company can also think about identifying those moments that matter and designing practices to really enhance that employee experience around those moments.

16:49

DAVID LANDMAN:

And then very lastly, you know, there's no
perfect science to what is the perfect performance management system. There are a lot of different -- there are certain -- there are certainly guiding principles, but there's a lot of different iterations and methods out there.

17:07 I think just an important lesson learned that I continue to remind myself of and I just think is useful is there's no one-size-fits-all approach. There's no perfect solution. I think what, you know, we designed fits into the context of our culture. I think what you design should fit into the culture of yours.

17:21 There are certainly principles and best practices. But there's no perfect answer to the question of how do you do performance management.

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