

How Goldman Sachs Cut Ratings From Performance Reviews

About Goldman Sachs

Goldman Sachs is a multinational investment banking, securities and investment management firm that provides financial services including asset management, mergers and acquisitions advice, prime brokerage, and underwriting services to its client base, that includes corporations, financial institutions, governments and individuals.

The firm is headquartered in New York and maintains offices in all major financial centers around the world.

Industry:

Investment Banking, Institutional Client Services, Investing and Lending, Investment Management

Year Founded	# of Employees	Revenue
1869	36,900	\$39.2 billion

Company Values

- Client service
- Teamwork
- Excellence
- Personal initiative
- Accountability

The Problem With Performance Management

The Old System

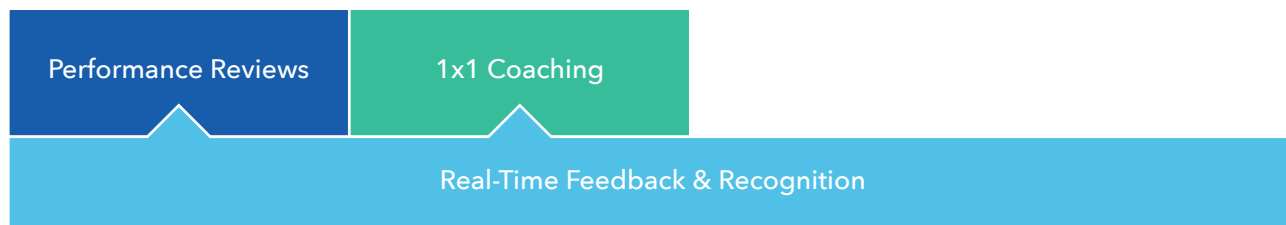
- Performance review: Annual
- Ratings
- Stack ranking
- Tie to compensation: Bonus and promotions determined by rating

Goldman Sachs needed a way to retain junior bankers, as banks increasingly see younger workers leaving in favor of jobs in the technology sector. Internal surveys indicated that employees wanted more frequent feedback, and more direction in regards to ways they can improve.

Incentive for Change

In internal surveys, staffers requested "more frequent and constructive feedback."

Redesigned Performance Management at Goldman Sachs



Based on internal surveys, Goldman Sachs found employees were seeking direction in ways to improve. The new system enables continuous feedback through a web application, where employees can receive and give feedback on an ongoing basis throughout the year. Managers are given guidelines for how frequently to have informal performance conversations. The bank will continue to run an annual review, but it won't be seen as an end-of-year score.

The new review is given in summer instead of fall, so the conversation between managers and reports is forward-facing instead of backwards. This enables managers to offer coaching and direction about how employees can improve, ahead of decisions around bonuses and promotions, still made later in the year.

Eliminated

- Ratings (numerical)

"Providing high-quality and ongoing feedback is at the heart of our culture, and is an important investment we make in our people and the future of our firm."

– Goldman Sachs CEO Lloyd Blankfein and President Gary Cohn

Adapted

- Annual review: 360 review with 6 reviewers instead of 10; takes place in summer instead of fall
- Compensation: Reviews will still influence bonuses and promotions

New

- Real-time feedback: Web-based tool for giving and receiving performance feedback
- Qualitative rating (outstanding, good, or needs improvement)

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