

BUSINESS VOICES OUTSIDE OPINION

# A warning for every leader

Action, not words, would best demonstrate Goldman Sachs' commitment to its clients



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If your employees were to write an op-ed about you or your organization, what might they say? What do you aspire to have them say, and how are you leading with your actions to get those results?

These questions address the issue of employee engagement. We've recently learned the cost of employee disengagement: \$2.15 billion in lost market value at Goldman Sachs. The company's shares dropped 3.4 percent in a day when a senior-level manager alleged in an op-ed in The New York Times not only poor but also possibly negligent client management at the renowned financial institution.

Goldman Sachs' leaders posted a statement on its website disputing the employee's claims. My reaction? There must be enough clients and other shareholders out there who suspect the allegations could be true for the company to lose \$2.15 billion in valuation in one day.

Clearly, none of us knows all the facts, nor can we assume what the employee, Greg Smith, has stated is true. It's his perception and his reality. But from where I sit, I have to wonder whether there are some serious leadership problems within the organization.

## Talk is cheap

I use the phrase "talk is

What all the fuss is about Greg Smith, who was an executive director at Goldman Sachs and head of its equity derivatives business in Europe, the Middle East and Africa, announced his retirement in a scathing March 14 New York Times op-ed, "Why I Am Leaving Goldman Sachs." The nearly 12-year employee detailed a "decline in the firm's moral fiber" and said "the interests of the client continue to be sidelined in the way the firm operates and thinks about making money." He blamed CEO Lloyd Blankfein and President Gary Cohn for threatening the firm's "long-run survival."

"Today, if you make enough money for the firm (and are not currently an ax murderer), you will be promoted into a position of influence," he wrote. "Today many of these leaders display a Goldman Sachs culture quotient of exactly zero percent. ... Integrity? It is eroding."

Smith said he wrote it as "a wake-up call" to the board "(to) make the client focal point (of its) business again." He said: "Without clients, you will not make money. In fact, you will not exist."

The op-ed generated a large response in opinion pieces from news outlets, and Goldman shares dropped 3.4 percent March 14, to close at \$120.37. Goldman shares closed at \$124.37 Friday.

cheap" frequently when referring to empty promises made by leaders, and I'm afraid it's relevant in this situation. It seems talk at Goldman Sachs may be cheap, and it's potentially costing the firm clients money as well as the trust and engagement of its employees.

At question is Goldman's stated business principle: "Our clients' interests always come first. Our experience shows that if we service our clients well, our own success will follow."

Smith contends that Goldman leaders frequently focus on their own financial gain, rather than

that of their clients. I see this conflict between words and actions frequently. Organizations can issue principle, value and standard statements all they want, but until the actions of the leaders consistently and wholeheartedly reflect the meaning of the words, those words are empty, and

the smart, talented employees they hired will know they're not sincere before they can say "wiped out market value."

## Actions and commitment

I see it all the time: Leaders not realizing the mes-



STEPHEN SCHILDBACH/GETTY ILLUSTRATION

sages they're sending through their actions. With or without intention, they're always communicating. Often it's a "do as I say, not as I do" mentality, and that erodes trust and, consequently, relationships and results.

Actions speak louder than words. Actions establish culture and demonstrate a commitment to carry out a promise. Leaders at Goldman Sachs — everywhere — need to make good on their promises and act in line with their principles and standards to gain employees' and customers' confidence and trust. And when they fail to live up to their principles, they need to say so, detailing what they've learned and how they plan to make things right.

Goldman's Web posting would have been more credible with evidence of how they're addressing Smith's perceptions; how they've worked to improve their culture and client service. What actions have they taken?

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