

David Solomon: Stop Rushing. How Patience and Longterm Thinking Wins in the Marketplace | E39

You're listening to part two of my awesome conversation with David Solomon the incredible CEO of Goldman Sachs. If you haven't listened to part one yet, please be sure to tune into that. Without further ado, here is part two of my awesome conversation with David. So you're 37 and you joined Goldman as a partner to run their leverage finance group. And over the next 12 years, as Winkle Reed mentored you, you kept getting promoted. You ran Goldman's financing businesses, and in 2006 you were named co-head of Investment Banking, where you oversaw thousands of bankers in the 10 years you ran the investment bank. Profit margins nearly doubled, and the division share of Goldman's revenue rose to 22% from 11%, which was critically important to Goldman because its trading profits slowed after the global financial crisis. After 10 years of running the investment bank, you were eventually named co-president, chief co-coo, along with a guy named Harvey Schwartz, who was a little ahead of you in the race to succeed CEO Lloyd Blankfein. Can you tell us about the day when Lloyd unexpectedly called you into his office, what he told you, and what you thought when you got back to your office and plopped down in your chair, and in search of excellence, how important is luck and timing in our success, and what should we be telling ourselves? And we're competing with incredibly talented colleagues for promotions where, in some cases, our goals of running a huge company has what I call a very low probability outcome. Well, I was very lucky during my time at Goldman Sachs to be mentored by a number of people. I mean, John Wicker was one, Lloyd Blankfein was another, but there were many others who mentored me and guided me. Um, I never expected that I'd wind up being the CEO of Goldman Sachs. It certainly seemed unlikely that an outsider would come to the firm. Um, and would you know, rise up through the ranks to become the CEO? Um, but it became clear, you know, probably sometime around 2015-2016, that there was a possibility that I would be one of the people that would be considered when Lloyd chose to retire. Um, but it still didn't seem likely, even in that lens. And as you said, when I was promoted to co-CEO, um, you know, it was clear Harvey Schwartz had been the CFO, he had more exposure to the board. Um, it seemed, you know, it seemed likely that that Harvey might be the next CEO. I do think the timing, I do think the timing matters.

in all these things you know Lloyd wound up leading the firm for 13 years Had he led the firm for seven or eight years I wouldn't have been the CEO By the way Harvey would have been competing at that point to be the CEO either it would have been it would have been some other people that at that point in time had kind of risen to positions where they were the likely candidates to the degree there needed to be succession So I think timing matters I think there's you know I think you've got to work hard Um You've got to be committed I think you can't you can't want it too much Um because a lot of it is luck and timing and it might not go your way But I always look through the lens that I was really enjoying my work at Goldman Sachs I really enjoy the people that I work with I was constantly learning And I always felt that if we reached a day where it was my time to retire from Goldman Sachs and move on that the experience that I had there would give me plenty of opportunities to do other things to run other businesses Lloyd called me into his office and I was surprised he simply said to me you know I've decided that that um that you know that you're going to be the successor there'll be a period of time We haven't sorted that all out Um but um but I've made a decision the board's made a decision Um and I'm gonna let I'm gonna let Harvey know that we've made that decision you know sometime in the near future And I was I was quite excited about that Um and I went back into my office and my first reaction was oh my goodness I I just was told I'm gonna have this job and then my second reaction was oh my goodness I was just told I'm gonna have this job I think you go from excitement to a little bit of fear Um and then you've got to settle in and think about the responsibility that you've just decided to take on But I was excited and ready to take it on Although I must say very honestly you know a little bit fearful that I was taking out a big responsibility This organization has been around for 100 and 50 years and you know my job is to steward it make it stronger And you know I I take that responsibility very seriously and I know during that day in the in February of 2018 when Lloyd said that to me I knew you know I I knew that I was I was I was taking on that responsibility and it was a big one I do a lot of mentoring and coaching Some of which stems from my summer internship program where I get to work with 35 incredibly talented students every summer Over the years I've mentored hundreds of students and young professionals There's a common thing among many of them They're very anxious about their futures You said that there's a shifting nature on how young people think about work and they're much more focused today on what's next what's your advice to them And what's your advice to the billions

of people out there who don't know what they want to do with their careers or even their lives I don't know that I'm great at giving giving life advice but professionally well I I give some life advice too I mean I think it's happy you know life is life is challenging Life is difficult and all of us no matter who we are or you know what it seems from the outside We all face challenges personal challenges family challenges you know sometimes health challenges um you know challenges with Children um et cetera And so it's a it's a journey Life is a journey There are gonna be ups and downs there are gonna be highs and lows I think you know part of part of success is it a success in life is trying to find a way to enjoy the ride and not being so worried about the destination And I think it's the same thing with a career Everyone's really in a hurry to know what's next and what the next job is and where they're gonna get to 30 40 years ago when I was starting out That wasn't there wasn't that same kind of pressure There wasn't that same you know that same intensity My um my grandmother and I've told the story many times when I was in my twenties gave me a great piece of advice She said don't be in a hurry And um and I think it's I think it's good advice I think patience commitment taking a longer term view opens up doors and opportunities you know over time But if you're always in a hurry you know to see what's next you might miss sometimes what's right in front of you Let's talk about leadership You do something called the talk series at Goldman where you bring in outside speakers And a few years ago you brought in General Stanley mcchrysal who had just written a book on leadership called Find in his book General mcchrysal puts forward the thesis that we have a view of leaders that we put leaders up on a pedestal and view them in a certain way But like all of us leaders are just human beings and they're fallible Leaders get a bunch of things right and they get a bunch of things wrong and they're not always great at what they do Leaders also have myths about them and these myths evolve over time How important is leadership to our success You know success is a big word and people defines success very differently Success for one person is very different than success for another If you take on a job where you're responsible for for people either a small group of people or a large group of people then you probably require some leadership skills to help move that organization that business that platform whatever it is forward I think there are lots of different leadership styles that can be hugely effective But I think there are you know there's some common threads Um you have to be willing to to formulate a vision and express that vision to the people that you're trying that that that are

that are that are with you that are that are part of the enterprise or the entity that you're trying to move forward You have to you have to listen you have to welcome disparate points of views diverse points of views diverse perspectives and listen so that you can learn people have to see you listening people have to see you changing adapting adjusting your point of view Um You also need to I think be apathetic and I think one of the things that the pandemic certainly has shown us given the stress and strain that it put on all of us in so many different ways is how important empathy is in leadership Um And really understanding um at different times you know what people might be going through personally and how it meshes with what they're doing professionally And so you know I think those are a handful of things that all leaders have to think about You know success is a different story People people look for success in different ways and you know some people want to lead and some people want to follow Um and both are both are good paths And you know we all need to define success around our own happiness and our own fulfillment in life As we go through that journey I want to talk about another ingredient of success which is one of my favorite topics the importance of preparation on our path to excellence One of the main ingredients of my success that got me to where I am today is that I'm always the most prepared person in the room How important has preparation been to your success and going a step further How important has the extreme preparation been to your success I'm talking about going way above and beyond What would normally be considered great preparation the kind of preparation that you that you may spend a week or a month on for a single event or meeting And you can and can you give us an example of how extreme preparation has been a crucial ingredient of your success Well I I at first I just you know amplify what you said I think preparation matters Um you know I'm I'm there there are different levels of preparation that are required for different things I'm not sure that I know you know extreme preparation is a term is a scientific term or you know or or defined term but I there are certain things that that I prepare much more fully for I prepare longer for that the firm prepares you know more fully for than others Um and you know I think you know I think it depends uh for a client meeting If I'm gonna go meet with a client I'll do a certain amount of preparation But certainly when we have an earnings call I'll do a lot more preparation for that earnings call than I'll do for an individual client meeting Now I have four earnings calls a year and I have over 400 client meetings a year So you know you can't you can't necessarily expect to have the same preparation that you'd

have for an earnings call for every one of those 400 client meetings. You probably wouldn't have time for all the client meetings or all the earnings calls if you put it in that context. So different things require different levels of preparation. That's a judgment you know everybody's got to make in the context of how they ensure that they're performing with a level of excellence you know that they want to see in the context of the responsibilities they're taking on on the topic of extreme preparation. I'm writing a book right now with that title. And the thesis is that extreme preparation helps you achieve faster results results that would not have been possible without it. So I'm gonna brand the term. Hopefully I'm hoping it. Well I mean it'll be very interesting to see if you brand the term. I think it's an interesting term. Um And I'll be interested to read the book. I think preparation matters a lot. Um But I think there's you know different levels of preparation for different tasks for different assignments for different projects um for for different jobs. And I think one of the things that's super important uh to be successful in in you know almost any job is time management. The one thing that we can't get more of is time and we have lots of things that pull on our time. And so I think one of the areas where you need to have really good judgment is how you choose to use your time and how you choose to prepare um you know becomes a component of an allocation of time and the leverage that you get around being able to do more or accomplish more. And so I'll be interested to see how you think about that and how you balance that. I'm gonna send you uh a book and I'd love a quote if you like the book let's talk about the importance of getting past our challenges which we all have in the 2008 financial crisis. The justice department accused Goldman of misleading investors about a series of bonds. Goldman paid a \$550 million fine to settle the criminal investigation. In 2012 and 13 Goldman helped sell \$6.5 billion in bonds for Malaysia after the money was raised. Malaysia's Prime Minister at the time Najib Razak along with a guy named John Lowe stole a significant amount of the money from those bond sales as well as money from that fund. Around \$700 million ended up in the Prime Minister's bank account. He was later convicted for his abuse of power was sentenced to 12 years in prison and Goldman settled the criminal investigation into the actions of two rogue bankers who had accepted bribes. The justice department's investigation also accused Goldman of ignoring warning signs of fraud in the pursuit of fees fees and the amount of \$600 million. The scandal cost Goldman more than \$4 billion to resolve. What were you telling yourself during these challenges and in search of

excellence how important is transparency in taking responsibility for our actions to our success Well I think one of the things that was that was important here was that as a leader of the firm it was important for me to stand up and take responsibility and make sure we put it behind us We unfortunately had two people who worked at the firm who broke the law that's completely unacceptable does not fit with our values in any way shape or form We have core four core values one of which is integrity obviously having people uh break the law is is completely unacceptable And so we tried to take responsibility put it behind us and move forward and we did that um a couple of years ago let's talk about the importance of those around us On our path to excellence You can't build a great company without a great team And I want to talk about the type of people you hire the secret sauce of Goldman Sachs is your people And if you want to work there good luck to you It's harder to get a job at Goldman Sachs than it is to get into Harvard Much harder Actually it's been reported that around 350,000 people apply to Goldman each year A number which includes summer internships and that of these 350,000 applicants you hire fewer than 10,000 less than 3% You hire the smartest of the smartest the best of the best From the most highly ranked colleges in the universities not only in the United States but from around the world You said that you wanna hire a diverse group of people with unusual profiles and not only people with finance backgrounds or finance majors You've also said that you placed a lot of emphasis on face to face job interviews with a big emphasis on character and being the sort of interesting person that people want to hang out with And I wanna compare these criteria with some of the criteria used by your former firm Bear Stearns And to do that we need to go back and talk about a guy named Greenberg one of the great icons of Wall Street who ran Bear Stearns for 24 years and was CEO when you joined in 1996 he wrote an awesome book called memos from the Chairman which was a collection of memos that he sent to various employees at Bear Stearns Over his long career these memos became famous on Wall Street and on October 16th 1987 he wrote one to all managing directors There were five bullet points in the memo and the first one was higher P sds which stands for a poor smart and a deep desire to get rich Then he goes on to write please do not infer from this that we are prejudiced against people who possess other almost worthless degrees That's one way to do it Hire people on the basis of their driving hunger instead of the grades or the schools where they go to in my 28 years in the workforce To me it doesn't matter where you went to school or what your GPA is there We've

hired interns and people from Harvard and Stanford with four point os with ridiculously impressive majors who are among the worst interns or people that we've ever hired We've had interns from employees from schools like Biola or Southeastern Oklahoma State who run circles around them I'll give a big shout out here to Matt Hickerson who killed it in our summer internship program last summer and he'll be joining us This May after he graduates from Biola a huge number of my former interns have applied for summer internships at Goldman And I'm proud to say that we've had seven or eight joined Goldman throughout the years The best intern we've ever had by many miles is currently a junior at Middlebury college named Dylan Taylor who is working in your leverage finance group next summer and who may replace you as CEO in 15 years if you're still there And if you're lucky enough to keep him there you said that Goldman to get hired you don't have to major in finance but you do need five things You need grit you need to talk about failure You don't have to be afraid to show the emotion You have to mention your quirky hobbies and you don't need to be afraid to talk about work life balance but you don't mention grades What's your view on the importance of grades versus P sds are GPA S in any way Correlated with success And would you ever hire someone from Biola or Southeastern Oklahoma State So you said a lot there You also said I said certain things about the hiring criteria I'm not sure sir that I said those things the way you said them So I'm not I'm not sure where that's coming from or where you read that But but um but the the the firm firm is blessed with an incredible talent ecosystem Um And you know a great reputation I think one of the reasons we have a great reputation is because of the quality of our people and people young people want to come here they want to work they want to learn And so we're blessed with a very very diverse group of people from all over the world that applies to work at the firm every year As you highlighted we hire people from over 200 schools Um We would hire people that we thought were talented that were motivated that had proven that they had accomplished things both academically and individually from any school in the world We would not hire from a particular school Um And so we hire from all different kinds of schools all over I think 25 30 years ago we hired from a much narrower collection of schools but we're looking for people that have been successful that have accomplished things that have shown that they want to work hard that they want to learn That they want to grow Um And it's a combination of skills both both intellect You need a certain amount of intellect to succeed and to compete at a place like Goldman Sachs But you

also need a certain amount of EQ So you need IQ and EQ And I think we think about both of those and we think about people that we think will fit culturally We value our culture and the strength of our culture very well We talk a lot about our foundational values of client service of partnership of excellence of integrity really to try to find people that we think you know appreciate will will will strive to uh you know to live by those values And so you know all of that goes into the higher equation but obviously given we hire thousands of people a year there are thousands of people here that are involved in interviewing and hiring people And it's a very very diverse and dispersed process Let's talk about fun and work life balance You've always believed that having a wide range of outside interests leads to a balanced life and makes for a better career which is something you regularly preached to younger employees at golden is something for which you have led By example for starters you're very active you cycle spin run ski golf scuba dive hike and kite surf which you learn at a kite surfing boot camp in North Carolina Coast You do yoga with your daughter You're at the gym every morning at 6 a.m. with your trainer You used to DJ for fun at parties and a festivals which humanize you with your employees But you also have 43,900 employees around the world to manage serve on a bunch of boards and run one of the most important financial institutions in the world What's the right balance here Can we be a successful professional A great parent Give back to our community mentor others and also have fun Absolutely But I think there are there are different stages of life and there are different you know there are there are there are different times you know for everything and the journey that we all go on Um you're out of school you're in your twenties You know I think it's really important to put yourself in a place where you can learn work hard be very focused Most people in their in their young twenties coming out of school aren't married They don't have the responsibilities of a family They haven't made those kinds of commitments at that point in time And so it's it's a great time to be focused on learning growing And I think always you have to have hobbies interests things you pursue that take the stress off and you've got to find a balance to that Um you start a family you get to a point in your life where you're raising Children and you're working hard well then there's not gonna be a lot of time for a lot of the other things if you're trying to both raise your family and also you know excel in your career A lot of the things that I've done you know in the last 15 years when my kids have been you know grown and older my kids are now 30 28 Um when my kids were in elementary school in high school I

was very focused on my family and I was very focused on work and I wasn't I didn't have as much time to do as many of these things did I did I try to stay in shape Yes Did I have outside interests and things I was interested in Yes but no I didn't have as much flexible time then because my flexible time first and foremost went to my family as your kids get older and you get to a different stage in life You have you know more latitude and more room to pursue other things But it's different for everyone Everyone's on a different journey These things get prioritized Some people you know come into a career they work very hard and then they take a break or they step out of the career for a period of time There's no right path There's no right way But I think for all of us you've got to find a way to prioritize the things that are important and you've got to find a way to do things that you're interested in that bring you joy Um And you know for some people that might be very modern dimensional for others like me it's multidimensional Everybody's got to find the right way to balance that Before I finish today I wanna go ahead and ask some more open ended questions I call this part of my podcast fill in the blank to Excellence You ready to play Sure When I started my career I wish I had known I wish I had known how quickly I would get old The biggest lesson I've learned in my life is the biggest lesson that I've learned in my life is to really understand and appreciate you know how important the people that you love are how special it is to have them And you know you don't you just you don't you don't know what's gonna happen You don't know what the journey is and so cherish the time you have with the people you love My number one professional goal is well at the moment my number one professional goal is to be a good steward of Goldman Sachs And I'm you know in the fifth year of my my tenure and you know I I wanna be a good steward of Goldman Sachs I wanna deliver for our shareholders I want to deliver for our people Um And I wanna make sure that this firm continues to contribute to the communities that we're lucky enough to operate In My biggest regret is I don't have a lot of regrets Um you know life life is a um you know life is an adventure It's a journey Um You make choices you uh you take different turns and I I think it's better to you know look at all the decisions embrace them try to learn from them but not go back and regret uh things that have happened I think it's better to I think it's better to look through the windshield as opposed to through the rearview mirror The one person in the world that I admire the most is my father The one question you wish I'd asked you is I think you've covered a lot You obviously did your homework really well Randy because you've got you know everything things

that I've said things that others have said about me that have been attributed to me You've kind of got it all all wrapped in So I don't think there's anything you didn't ask about I've been incredibly lucky to have amazing guests on my podcast I've had a lot of people ask me how I've been able to do this I've told a few people that you are going to be a guest on my show And the first question I ever wanted to ask me is did I know you and I told them sort of but not really with an emphasis on the not really part So I want to share the story Now we met back in 1996 when I was working at so America as the assistant to the chairman Eli bro was my boss I was relatively new at the company He sent me to New York to meet our leadership team there who ran our broker dealer network Before I went I sent a cold letter to Ace Greenberg telling him that I'd be there and wanted to come by and say hello and Ace I sure would love to and I went to see him and I still remember he had this massive baseball bat sitting in the corner of his office You and I met at some point that day and you invited me to your apartment that night for dinner for a small get together you were having which was incredibly thoughtful of you in the 26 years since I've emailed you three times twice to recommend two of my summer interns and 16 months ago reminding you how we met which I'm 10 million% sure you have no recollection of asking if you'd be on my show You wrote back in less than an hour saying you would love to for for which I'm very grateful and which says a tremendous amount about the type of person you are I've been a huge fan of yours for a very long time I admire you for a long time You've been a phenomenal role model You've inspired millions of people with your success your humility and your philanthropy I'm very grateful for your time today Thank you very much for sharing your story with us Randy I am I am blown away by the amount of preparation you did for this podcast It really it really was an extraordinary amount You seem to find anything and everything that was ever written and said about me And so I uh I I appreciate that preparation I do remember meeting you back at Bear Stearns and you know I I try to answer you know most of the emails that are sent to me personally I can't say that I get to 100% these days but I certainly try I certainly try with people that I've been connected to throughout my life So thank you very much Appreciate you I hope to see you soon I appreciate you Congratulations again Good to see you Thank you for your time Appreciate it Thank you Appreciate it Bye bye