



The Economic Club of New York

113th Year
575th Meeting

Kenneth I. Chenault
Chairman and Managing Director, General Catalyst
Former Chairman and CEO, American Express

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Webinar

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Introduction

Welcome everyone. Thank you for joining us today. This is Barbara Van Allen, President of the Club. And we are going to get started in exactly one minute.

Vice Chairman Michael O'Neill

Good morning, and welcome to the 575th meeting of The Economic Club of New York in our 113th year. I'm Mike O'Neill, Vice Chair of the Club. The Economic Club of New York is one of the nation's leading forums for discussion on economic, social and political issues. Before we begin, I'd like to thank our healthcare workers, our frontline workers and all those in public positions that make our lives safer and easier during this difficult time.

Our club's mission is as important today as ever as we continue to bring people together as a catalyst for conversation and innovation. Particularly during these challenging times, we proudly stand with all communities seeking inclusion and mutual understanding. To put these words into action, the Club kicked off its Focus on Racial Equity Series where we have been leveraging our platform to bring together prominent thought leaders to help us explore and better understand the various dimensions of racial inequity and to highlight strategies, best practices and resources that the business community can use to be a force for change.

We'll be cataloguing, publishing and sharing these insights broadly. We're not doing this work alone and I'd like to give special thanks to our corporate partners – Bloomberg, Mastercard, PayPal, Taconic Capital and S&P Global as well as the many members, speakers and subject matter experts that are now and will be engaged in this work.

I'd like to take a moment to recognize those of our 316 members of the Centennial Society attending today as their contributions continue to be the financial backbone of support for the Club and help enable us to offer our programming now and in the future. A special welcome to members of The Economic Club of New York 2020 Class of Fellows – a select and very diverse group of rising next-generation thought leaders. Please make a special note that applications for the 2021 Class are now open. Any member interested in nominating a fellow can visit our website for more details. We'd also like to welcome students from Rutgers University, Gabelli School of Business at Fordham University, and the Medgar Evers School of Business.

It's an honor for me now to welcome our special guest today, Chairman and Managing Director of General Catalyst, Kenneth Chenault. As a Managing Director of the firm, Ken focuses on investing in fast-growing companies that have the potential to become large, fundamental institutions. He also provides guidance to portfolio companies, particularly to those with an eye towards global markets and responsible innovation, as they scale their teams and products. As Chairman, Ken leverages his renowned leadership

abilities and experience to continue to evolve General Catalyst into a formidable and enduring firm.

Prior to joining General Catalyst, Ken was Chairman and Chief Executive Officer of American Express Company, a position he held from 2001 to 2018. Under his leadership, American Express built one of the world's largest customer loyalty programs – Membership Rewards – and earned global recognition as a leader in customer service.

Ken is recognized as one of the business world's experts on brands and brand management. He has been honored by multiple publications including *Fortune Magazine*, which named him as one of the World's 50 Greatest Leaders in its inaugural list in 2014.

Ken serves on the boards of Airbnb, Berkshire Hathaway, Chief, Guild Education, Harvard Corporation, and the NCAA. In addition, he is on the boards of numerous nonprofit organizations, including the Smithsonian Institution's Advisory Council for the National Museum of African American History and Culture, the National September 11 Memorial and Museum at the World Trade Center, Bloomberg Philanthropies, the Council on Foreign Relations, and the Human Centered Artificial Intelligence Institute Advisory Council at Stanford University.

The format today will be a conversation in which we are fortunate to have Economic Club of New York Chair Emerita and Senior Fellow at the Hudson Institute, Marie-Josée Kravis, doing the honors. We'll end promptly at 11:45 and any questions that were sent to the Club from members in advance were shared with Marie-Josée. As a reminder, this conversation is on the record and we do have media on the line. Over to you, Marie-Josée.

Conversation with Kenneth I. Chenault

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Thank you, Mike, and thank you, Ken, for agreeing to share your time with us this morning. This is really our year-end conversation and it's been quite a year with Covid, of course, being the dominant issue, but also race relations as we witnessed the murder of George Floyd and Breonna Taylor, Ahmaud Arbery, and so many other acts of violence. Ken, you have said that race was one of the obstacles that you couldn't overcome. And I wonder if you'd share with us some of your experiences in dealing with racial injustice.

KENNETH I. CHENAULT: Yes, I think what's important, Marie-Josée – and first let me say I'm very glad to be with The Economic Club of New York, and Mike, thank you for those kind words – race certainly is America's greatest unsolved problem. And for me, let me get a little bit personal, I was born three years before the landmark Supreme

Court decision of Brown v. Board of Education striking down “separate but equal.” And a good friend of mine, Ted Wells, who is an outstanding litigator at Paul, Weiss, we refer to ourselves as Brown babies because without Brown v. Board of Education it would have been very difficult for us to be afforded some of the opportunities, but it’s also a reminder of how far we have come. And I think what is very important is that race has an impact on my life almost every day, so I think what’s important for people to understand is in my daily interactions, I’m reminded that I’m Black, and in many cases those are not positive reminders.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Could you give us a few examples maybe? I mean, do you mind giving us one or two examples.

KENNETH I. CHENAULT: Sure. You know I think, you know, growing up, Marie-Josée, what was important is my parents instilled in me a pride for being Black, but they also instilled in me an understanding that I was going to have to fight for my rights and I had obstacles that I had to overcome. So in school, sometimes I was met with racial epithets that were cast out on the playing field – someone rubbing my head because my hair was different, someone, people saying you’re brown so you’re dirty. And that was just something you had to deal with and adjust to.

And what I think is important is I led a Black middle-class life. My father was a dentist. My mother was a dental hygienist. They put a high premium on education, but I saw

clearly whether it was going into a store and being followed or even as CEO, when I sometimes went to a restaurant and I was going with a colleague and someone may have called ahead to say the CEO of American Express is going to be at the restaurant, they would invariably look at my White colleague assuming that they were the CEO of the company.

And then I'll just give you one incident because it happens in all different ways. As I remember, towards the end of my second year, beginning first year at American Express and overall obviously I had a very good set of experiences there, but I remember a peer of mine who had not met me, we were at Harvard Business School at a recruiting event and he said, it's incredible to meet you. And I said, why are you saying that? He said, well, the way people talk about you, I could not have imagined that you were Black. And obviously I responded in a very direct, angry manner to him, but I say that again to emphasize what we call the Black tax that is fairly significant and it's an overhang that's important because what you're fighting for is to have a clear eye perspective and not be pulled down by these acts of bias.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So what were the main influences on you growing up that helped you deal with all of these slights and this prejudice? I mean, I know you mentioned your parents, but were there other influences that helped you navigate through this?

KENNETH I. CHENAULT: Yes, I think, I'll go through sort of a range of influences. One is I believe I was very fortunate to grow up at the height of the civil rights movement. And as a young person, fortunately I loved to read, and at a very, probably at seven or eight years old, I really wanted to understand why racism existed, why it happened, how to overcome it. And so following civil rights leaders like Martin Luther King was very important to me. In high school, Malcolm X was someone that I saw as a person who was able to overcome incredible obstacles. And then also I started to follow Nelson Mandela and Nelson Mandela is an incredible hero to me because he was able to overcome 27 years of being in prison and yet thriving.

And so my mentors, frankly I was someone who enjoyed school, was pretty good at sports, so I had mentors, my coaches. I had some incredible teachers. So I had a teacher who I still stayed close to until she passed away several years ago who literally followed me through first grade through eighth grade and was absolutely terrific. And then I had the Headmaster of the school that I went to was incredibly supportive. And then I had a range of teachers, both Black and White, who were absolutely instrumental. And I think in business I've been very, very fortunate to have a range of leaders, both inside and outside American Express, Harvey Golub, Lou Gerstner, Jim Robinson, Vernon Jordan who was on the board of American Express was a very strong influence. Franklin Thomas. So I've been very, very fortunate to have a range of people, both in business, outside of business who were able to give me real guidance and support.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So you speak of business and, you know, there's been so much discussion in the past few months about the need for business to recruit, to mentor, to train, to hold on to a more diverse workforce. Do you think it's different this time? I mean do you really think that, we've heard this oftentimes and then, you know, they check a few boxes and life goes back to what it is, do you think this time it's different?

KENNETH I. CHENAULT: I'm cautiously, and I'll underline cautiously optimistic for a variety of reasons. I think obviously the events of this summer with the murder of George Floyd and Ahmaud Arbery and Breonna Taylor and so many others, I do think that there is a reassessment that is going on. And what has been very challenging in America – and that's why I think we've got to keep the dialogue going – is that in America we're very uncomfortable talking about race and the issues involving race. And one of the things that I think has to happen in all types of forums is we've got to talk about the issues of racism, systemic racism. We have to raise people's awareness. But I think what is also critical is focusing on the actions that we're going to take and that the actions have to be long term.

And one of the things I say to people and CEOs is one of the first things that you need to do is you need to talk to your organization on how you think about race. What are the learnings? What are the issues that you've had to deal with? What are some of the

changes that you're going to bring about? What are the individual actions? What happens when you're having a conversation with people and statements are made that clearly are biased? As you examine your personal life and business life, what did you do about it? Because if you simply brushed it off, then you're not dealing with the issue. You're not being proactive. And if you're not challenging the status quo, I think you become complicit.

One example, if I could just give it, that I think is a powerful one that Ken Frazier, the CEO of Merck who is a close friend, cites is Roy Vagelos, who was one of the all-time great CEOs and Ken was a lawyer who was doing some work for Merck, came to see Ken and said to him, my top colleagues who are all White have had difficulty and tell me that it's very hard to find people, Black people, and put them in the pipeline. I want you to come to Merck and I'm going to be your mentor. You've got to take personal accountability. And so it's both taking the action as well as putting in the processes and making sure you execute.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So I mean that's a fabulous example and I know that you and Ken Frazier and others are working also at trying to develop more momentum for CEOs hiring a more diverse workforce. But you speak to a lot of CEOs and I just wonder is this a reaction to, you know, outrageous actions and violence? Or do you think that they really understand that diversity makes a corporation stronger and

richer?

KENNETH I. CHENAULT: I think some do and some don't. I am heartened, I really am heartened, Marie-Josée, by the conversations I've had over the summer. And I think there are a number of CEOs who have seen the impact of having a more diverse workforce and the benefits to their business and company overall. But what is absolutely critical is they have to face this issue as they would any challenging business issue. How are they going to innovate? What are the tactics that they need to put in place? How are they going to measure? How are they going to hold people accountable? It's got to be integrated into the entire fabric of the company.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So tell me, we often hear about, we hear and you mentioned it, the word pipeline. Is that a real issue or is that a cop-out?

KENNETH I. CHENAULT: It's a cop-out.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Or maybe a little of both.

KENNETH I. CHENAULT: It's a little bit of both. The reality is one of the things I say to people who say I have a pipeline issue, one of the things I say is, well, how long have you been in charge? Because you're the one who controls what's put into the pipeline.

And so the reality is that, again, if you simply take the position that the status quo approach and processes are the ones that you're going to follow, then you're not going to make progress. And my experience has been that if you understand how to go after the source of talent and you vary your approaches, that you can make substantial progress on the pipeline issue.

Now there are some areas where there are issues of supply, but I think there are many areas where clearly the talent is there. And I also, one of the things I talk about is what I call the handful strategy, which is in some areas getting a few diverse people in position, what you see over time is that leads to an increase more broadly in diversity across the company.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Well, speaking of someone who questioned the status quo, you were the CEO of American Express, one of the world's best-known brands, and you really led the transformation from a payments company or a card company to a platform company. Could you tell us about what informs you about change elements?

KENNETH I. CHENAULT: Sure. I think what's very important about bringing about change in a company is first you need to understand what's at the core of the company because that will help guide you in the transformation that you need to bring about. For

American Express, at the core of the company was service. And American Express is now a 170-year old company. It started off as a freight-forwarding company. What does that have to do with payments? But at the core was this commitment to service. And so my view was that American Express had always been a platform and that platform delivered services.

The second point that I think is critical in a transformation is you can't get wedded to any business or form factor. And so what was important is that American Express has an incredibly successful payment business and a card business, but one of the points that I emphasize for the company is that the card was a form factor and it was only a platform to deliver services and that platform was evolving. That was very important with the digital transformation and the move to virtual payments that people did not focus on this piece of plastic alone because my view was this piece of plastic could go away and we shouldn't be wedded to the form factor.

The third point that I would make is it's very important that you're constantly focused on how to drive growth and you're also setting the appropriate metrics. So one of the points that I felt very strongly about was that American Express needed to capture a greater share of their cardmember spending but also historically American Express had been over-dependent on travel and entertainment spending. And if we look at the whole customer, in addition to their T&E spending, they had a very large opportunity in

personal spending.

So one of the things that I'm most proud about is that we took American Express from a company that on spending, 70% of the spending was T&E and we still maintained a strong position in T&E but we changed our share in the company to 70% non-T&E and 30% T&E. And I think that was very important because we took a holistic approach to understanding that we needed to meet the spending needs of all of our customers.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: While you were doing this, you were confronted with the bursting of the dot-com bubble at the end of the 90s and then the financial crisis in 2008-2009. What are the lessons that you learned from these, from leading in a crisis? What are the tips that you would share with other leaders?

KENNETH I. CHENAULT: Well, the way I'd start off is my leadership mantra, that literally I think about every day, is the role of a leader is to define reality and give hope. And defining reality, as we all know, is very, very difficult. And it's not enough then to do the situational analysis, it's what are the tactics and strategies that will give you hope. So in the financial crisis, like everyone, American Express was impacted very substantially. And what I think is important is you've got to give people that sense of reality and so for me I developed a mantra which was stay liquid. If you think about the environment then, that was really critical, and explain to 60,000-plus employees the

importance of staying liquid. I also said here are the reasons why I believe we can stay profitable. And then the third point was we're going to selectively invest in growth.

And so one of the things I've learned in a crisis, whether it was 9/11 or the financial crisis is, one, that you've got to give people a sense that you get it, that you understand the challenges that you're confronting. You may not have all the answers of how you're going to meet those challenges, but also that you're giving them some focus. And what was very important was to give people some signposts that they could track. So one of the things that I said to people as a signpost is we should look to see if we're going to have a trade-down from our premium products to lower-priced products. That's a very important health-of-the-franchise signpost. Fortunately, we did not see that. That was absolutely critical.

The second thing that I said to people was we're going to; we need to be very focused on retention of our customers and so we saw very good retention there. The other point, back to selectively investing, is we identified several areas. One was we wanted to get more involved in commercial payments, B2B payments. And we said we're going to invest and here's where we're going to invest. That gave the organization some hope. So I think in a crisis, you clearly want to define the situation you're in. You want to give people a sense of what your objectives are in that crisis. You want to give them some signposts. You've obviously got to demonstrate a great sense of urgency. And I think

you want to be empathetic but also very decisive. And that's where some leaders get things confused, that they look at being empathetic, that you're being soft, and then they defer making the difficult decisions. You've got to be very forceful and decisive, but you also have to be very empathetic because you need to have the hearts and minds of your people.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: And do you think this applies to, for example, the current situation of a pandemic where the virus almost is telling the story and you have, in a way, less control over some of the parameters? Do you think that the similar approach to leadership applies in a pandemic, for example?

KENNETH I. CHENAULT: Yes, so let me contrast it. What I would say very frankly, and I've said this to a number of CEOs who have called me for advice, you take 9/11, you take the financial crisis, times ten is the pandemic. So this is a crisis that is unimaginable. That said, what I think I've seen a number of CEOs do which is important is first to emphasize the safety and security of their people. I think that was very important. I think what's critical for the pandemic is the level of communication has to be constant. So you're setting the context. And I see a number of companies who have been able to set a pretty good context and communicate some of the uncertainty as well as here's what we know and here's what we're going to do and here are some of the signposts.

What is also happening is I think some companies are certainly making investments in growth. And I think it's fair to say we feel very different than we felt in March where people thought the bottom was falling out. By no means do people think it's smooth sailing at all. I think we all understand it's going to be very, very challenging but I think that the communication about remote working is important. The fact that those who are deciding to have partial return to the office are emphasizing the safety protocols that they're putting in place, and ensuring people of their safety, and I think that is absolutely critical. But I do think that the lessons for me from the financial crisis and 9/11 is you've got to be very clear with people how you're navigating through the crisis day to day but also you have to give them a sense of what the business priorities are and the capabilities in the company to meet those priorities.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Now you've said that maybe one of the most common mistakes that CEOs make, and you've said that that was your experience also, is not moving quickly enough.

KENNETH I. CHENAULT: Yes, I think at the end of the day it's important in a range of areas. And let me be clear, I think you've got to be thoughtful but what I have seen is sometimes people take too long to move on poor performers in an organization. And the damage that that poor performer can inflict on the organization is very substantial. And so when you know someone is not performing, you've got to move quickly. You've got

to do it in a respectful way but you've got to move quickly. I think that sometimes some people spend too much time on the analysis and getting it all perfect when 60%, 70% will do, and you move forward.

And so I've always had a bias to action but to be thoughtful and to be guided by the principles and criteria that I've set. So, for me, one of the things that I always focus on for the company, for American Express, that I evaluated a lot of our actions was, one, what were we doing to provide superior value to customers and clients? How did we set that up? How did we measure it? How did we deliver best in class economics? And then because we are, American Express was a brand-driven company, everything we do must support and enhance the brand. So when you move, you've got to have a rationale. You've got to have a criteria. But speed is very important.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So you're now advising and helping a number of startups. Do you think that they get it, the importance of value, the soul of the company, the long-term commitment, speed, scale? Is it a different mentality?

KENNETH I. CHENAULT: Yes, I think, Marie-Josée, when I, one of the reasons why I'm real excited to be doing what I'm doing is...

CHAIR EMERITA MARIE-JOSÉE KRAVIS: And, by the way, it's quite a heavy

retirement.

KENNETH I. CHENAULT: Yes. I enjoy it. I call it the next chapter, not retirement, but the next chapter. But one of the things that I've been very excited about and one of the reasons why I went to General Catalyst is our mission, which I was involved in crafting, is to invest in powerful, positive change that endures. So I really believe that whether you're a startup or a company 170 years old, you want to endure. And I found that message is resonating with founders, and what I really enjoy is the opportunity to work with founders, and that's what I'm finding, who are very mission-driven and want to understand how to build a company that will endure. It doesn't mean the company will never be sold, but it shouldn't be I want to build this company because in three years I'm going to take it public and then I don't care what happens. I think that I'm a real proponent for companies and companies in technology to be very focused on what I call responsible innovation.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So there is one company that's less known maybe in which you've been quite involved but I find quite interesting called the Guild because they've been very active in workforce training which is one of the areas where I think government programs have not been as successful. And I wonder if you might just tell us in a few words what the Guild is, what they do, and why you were so attracted to that company.

KENNETH I. CHENAULT: So, first of all, let me just say that I think – to your point – Marie-Josée, I believe very strongly that workforce education in America needs to be transformed. I think we all know the importance of people having jobs but people also being able to have upward mobility in those jobs. And Guild was founded by a person by the name of Rachel Carlson, who is 30 years old, who since she was 13 had a passion for workforce education. As I told Rachel when I met her, that was not my passion at 13 years old, but I admire her greatly and she's a very well-rounded person. But she is really focused on all aspects. Initially started the forerunner of Guild as a not-for-profit and then put together, realized she could have more of an impact, get more scale, as a for-profit company.

And so she's created a marketplace platform that meets the needs of employees, of corporations, of universities, of trade schools. And so the way Guild operates is they have done an incredible analysis from a price value standpoint of educational institutions that come into the network. They also work with students, and what they've been able to do, because of their technology platform, and the economies that they've been able to achieve, every single employee is assigned a coach and that has had an incredible impact. So for the typical tuition reimbursement program that companies have, most companies have – American Express had when I was there – the completion rate of those programs was 5 to 30%. With Guild, the completion rate is 55 to 80%, more in the upper range.

On top of that, many of the students in a typical tuition reimbursement program incur debt at \$10,000 per year. And many of these tuition reimbursement programs are geared to white-collar workers. Guild has a diversity of offerings to white-collar and blue-collar. And what's also very exciting, in addition to the completion rates, students graduating debt-free, is that 54% of the participants are people of color, 56% are women, and 76% are people that did not have any college credits at all.

So what is exciting about this is this is a model where corporations clearly can better meet the needs of their employees in a cost-effective way. Students can, whether it's high school, college, graduate school, MBA, trade schools, can finish the program debt-free. The segments, single women, single mothers working, people of color have increased opportunity because the financial burden is lessened. So this is an example, and I think it's happening across technology, whether it's healthcare, whether it's education, whether it's parts of online commerce that fundamental changes can be brought about through technology.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Well, Ken, we could go on, but I'm happy to end on this hopeful and uplifting note. And you mentioned the next chapter, I hope it's going to be a very long one because I know it's going to be a very fruitful one. So thank you again today for joining us, and I'll turn it over to Mike.

KENNETH I. CHENAULT: Thank you, Marie-Josée. I enjoyed it very much.

VICE CHAIRMAN MICHAEL O'NEILL: Ken, thank you so much. It's not hard to see why you got ahead, I will tell you, very, very impressive. And, Marie-Josée, thank you as well for playing a role that you are accustomed to. We have some good speakers coming up here in December. Tomorrow, for instance, we've got David Steward, who is the Founder and CEO of World Wide Technology. And we also, later, on the 17th have Mark Carney, the former head of the Bank of England, Governor of the Bank of England, who will be describing a report, the G30 Report on "Mainstreaming the Transition into a Net Zero Economy." That should be quite interesting. 2021 is shaping up. We've got Adena Friedman on February 2 and Chairman Jay Powell who is confirmed on February 10. Thank you all for joining.