

### 3 Takeaways Podcast Transcript

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#### **Ep 51: General Catalyst Chairman and Former American Express Chairman & CEO Ken Chenault: Leadership, Race & Creating Diverse Workforces**

**INTRO male voice:** Welcome to the 3 Takeaways podcast, which features short memorable conversations with the world's best thinkers, business leaders, writers, politicians, scientists, and other newsmakers. Each episode ends with the three key takeaways that person has learned over their lives and their careers. And now, your host and board member of schools at Harvard, Princeton and Columbia, Lynn Thoman.

**Lynn Thoman:** Hi, everyone, it's Lynn Thoman, welcome to another episode. Today, I'm delighted to be here with Ken Chenault. He's the former CEO of American Express and current Chairman and Managing Director of General Catalyst, which partners with, invests in and advises founders of innovative companies. He also serves on the boards of Airbnb, Berkshire Hathaway, Harvard, Bloomberg Philanthropies, and many other non-profit organizations. I'm looking forward to a wide-ranging discussion with Ken about race, including how race affects almost every day of his life, and how we can overcome racial prejudice and injustice. I'm also looking forward to talking to him about leadership, and how, as a partner of General Catalyst, which advises founders of companies like Airbnb, what advice he now gives founders. Welcome, Ken, and thank you so much for our conversation today.

**Ken Chenault:** Great to be here with you, Lynn.

**LT:** Ken, we've known each other a very long time, and yet I never would have presumed to talk to you about race. Race is so personal. I'd like to start by saying thank you for talking about race. It can't be easy.

**KC:** One of the things that I feel very strongly about is, race is one of America's greatest unsolved problems. And part of it is that it's been very difficult for people to confront the history of race in America, and race around the world, and to deal with prejudice and bias makes people uncomfortable. But I think what's very important, and I really do emphasize this, is when people say to me, and I know how they mean it in a good way, that they don't see color when they're talking to me, one of the things I say to people is, "I understand that may be coming from a good place, but in fact, I don't want you to deny who I am."

**KC:** And so, there's this balance of, we want to be known for both our individuality, but we also want to be known for who we are, just as you're proud of who you are, you're proud of your heritage. I think it's important that we have an attitude that we embrace the differences, and we have the willingness to have uncomfortable conversations. So, I think what is important, particularly post-George Floyd, the George Floyd murder, is that it has unleashed the yoke that's been on people to not deal with or talk about race. And so, I think, if we can have those conversations, some of which are uncomfortable conversations, I think we're going to be much better off as a society.

**LT:** How did race affect you when you were growing up?

**KC:** What was interesting, and I was very fortunate to have two parents who talked to us from a very early age about being Black. And what was really helpful is, they talked about both being Black, but also talked to us about Black people through history that had really contributed to the world and to America. And so, we had a real pride, and they also steered us for some of the challenges that we would face. So certainly, at an early age, probably three years old, three or four years old, I certainly knew that I was different from my playmates, classmates, and I didn't feel the sting of racism till I was five years old, and someone called me a racial epithet, and I knew it was bad and it was hurtful.

**KC:** And what I think was very important, at least in my growing up, my mother and father were pragmatic but also sophisticated in how they would help us deal with different issues. And so, my mother said, "Well, here's what you should do tomorrow, here's a name that you should call him, and when you look at... Look him right in the eye and call him that name." And as a little kid, I felt pretty good that I was able to do something. And my mother said, as we grew older, you have to handle those situations differently, but I think what was very important as a child, she wanted to make sure that I didn't feel defenseless.

**KC:** And so, for my existence, Lynn, what was very interesting is, I lived in a neighborhood that was probably 60% Black, 40% White, but my school was probably 99.9% White. And so, at a very early age, I just learned how to move between both worlds. And I would say one other point that I think we're all fortunate by birth, and I was born three years before Brown v. Board of Education. And my life would have been completely different without Brown v. Board of Education. So, what's important is that the... I would say the psychological tax of being Black in America is a very heavy tax, and so what you need are a set of coping skills to get through it.

**LT:** And that psychological tax of being Black, has it changed much since you were little and since your children were little?

**KC:** I think that, clearly, there's been a lot of change, and there's been positive change.

**LT:** But not enough. Clearly not nearly enough.

**KC:** At all. But I think, Lynn, what's important is, one, I think about my relatives, my parents, my grandparents, and the opportunities that they had and the opportunities that I had. If I think about, more broadly, the condition of Blacks in America, the progress clearly has not been enough. And the reality is that the educational opportunities, the level of poverty that exists, and in fact, the gap, and clearly, we've just been through a devastating pandemic that has dramatically widened the gap between the haves and have-nots, and between Blacks and middle-class Whites and above. We've got to make more progress, and what we see is, post-Obama, where there was a hope that we were entering into a new era, it almost feels like, in fact, we've fallen back.

**LT:** Ken, you have said that you are reminded every day that you are Black. Can you talk about that? How does that happen? How are people reminding you?

**KC:** In a variety of ways. Sometimes, when you go into a store, and if I'm dressed with this type of shirt and jeans, I might get a certain look of... Particularly if it's a high-end store, of concern, trepidation. I make a reservation where I'm not a regular in a restaurant, and the restaurant's half-full, 50% of the time, I'm seated at a bad table, and I have to say to the manager, "No, I want to sit

over here," and so I'm moved. If people don't know me, don't know that I was CEO, I'm treated differently. And there are conversations sometimes, when I'm in a restaurant, that I may overhear, and they're commenting about some social issue or some issue involving Blacks, and things are said.

**KC:** So, what I would say at this stage, more of a series of micro-aggressions, but sometimes, at the end of the day, you just want to go in and have a meal and not experience a slight because of who you are. That still bothers me a great deal. And so those are some of the daily reminders that I have to deal with.

**LT:** That's horrifying, Ken.

**KC:** That's the reality of the world that we live in. And the hopeful part, Lynn, through my life is that I've been fortunate that there are acts of kindness that, on one sense, shouldn't be special, but in the world we live in, it gives me hope that change can happen. And I remember vividly, and I grew up in the Civil Rights Movement, and clearly, there are not enough at all, but the fact that there are Blacks in positions of authority in a number of sectors of society is very important, but the paucity of Blacks is something to be very, very concerned about.

**LT:** Ken, what can we do about racism?

**KC:** I think one... Lynn, what's very important is that there has to be a level of awareness. There has to be an understanding of the history. And I think one of the concerns I have is that people are now questioning, "Should we really tell the history of what happened with race in this country?" And the reality is, "Absolutely, we need to." Because if people don't understand the history, it's going to be very hard for them to comprehend the changes that we need to bring about. I think, frankly, there are things that we can do in our personal life. What are we doing in the interactions that we have with Black people? Are Blacks in our friendship group? Do we, in fact, go out of our way to try to create more of a multi-racial environment? I think about this in a business context, whether it's women, whether it's Blacks, Latinos. The reality is, you've got to go the extra mile. Because they've been excluded, it's what do you do to include them? So, I think there are things that we can do in our personal life, there are things that we can do with our children, in how we raise them.

**KC:** And then I think, obviously, there are public policy issues. That's one of the reasons why I've focused on voting rights, because voting is a fundamental right of Americans. Clearly, it's something that all Americans need to understand how important it is to exercise that right. But particularly for Black people, they had to fight for the right to vote, and people were killed demonstrating for the right to vote. And so, when I see legislation that could restrict or suppress the right to vote, we've got to stand up for it, and what I was at least encouraged by is that we had over 300 companies that answered the call. And it was one of the first times ever that corporations came together and aligned on a so-called social issue. And it wasn't a political issue; it was a social issue, which is, "What's more important than the right to vote?"

**LT:** Ken, how do you see law enforcement, the police and the criminal justice system, and what can we do?

**KC:** It's a really complicated set of issues, Lynn. I think, one, let me be very clear, I am not for

defunding the police. I think that would be a big, big mistake. But I also think that we need to really focus on the training of our police. I do think the use of body cams is very important, because people need to know they're going to be monitored and they're going to be observed. I do think that it's important to understand that the criminal justice system, when you look at the numbers and the facts, disproportionately impacts people of color, and what we've got to get behind is what are the root causes of that. We've got to be very fact-based, but we have to understand that there is systemic racism that has been embedded in the criminal justice system, and we've got to root it out.

**KC:** And part of what I think is important is the willingness to engage in what I call constructive confrontation, which is, you do it respectfully, but you actually confront each other on ideas. And so, what I think is concerning now is, we're either in a situation where you have people say, "Defund the police" and "All police are bad," or "Everything that the police do is right," and that's not the case. Or if you think that parts of our criminal justice system need to be reformed, that's an issue. And so, I think what is really important is, particularly in the criminal justice system, we have to take some of the emotion out, and we've got to go through a real fact-based analysis.

**KC:** And I am certainly not an expert in criminal justice, but what I would say is, the conversations that I've had, with academics, with very experienced people in criminal justice, would say to me that we do need reforms in the criminal justice system. And what I think it means is that we need to have leadership that is willing to not only find out the facts, but has the ability to make decisions and to communicate the rationale for the reforms that need to be put in place, and I think what we have is, it's become too much of an either/or situation, and that just doesn't work.

**LT:** Yeah, it doesn't work at all. Another issue near and dear to your heart is a diverse workforce. How can businesses recruit, mentor, train and hold on to a diverse workforce?

**KC:** I think, Lynn, what's really important, and I think you certainly, in your career, have been a pioneer, and you were in environments where there weren't many who looked like you in that environment. I think one is, from a business standpoint, people say, "Boy, I'm uncomfortable setting targets." And I've said to them, "That's really interesting, because you're not uncomfortable setting targets for business objectives." Because they'll get into this, "Well, philosophically, I just have a problem with targets." Well, the reality is, if you want a diverse workforce, you need to set targets. And you need to set targets on representation in the workforce; you need to set targets relative to your board, to have objectives for your senior management. But the reality is yeah, business corporations are pyramids.

**KC:** One of the things that I say is, "There's no way 100 people are going to be CEO of a company." And so, I think, at the senior level, I've really tried to follow what I call the handful theory, which is to think three or four levels down and keep on pulling a handful of people, diverse people, who you think may have the potential to move to a very senior job in a company. And don't get the two confused. Because one is, you don't want to, for any of this, compromise on quality; I don't think you need to. But the reality is that you can't follow the same practices and approaches that you've always been using and just say, "I'm going to work harder."

**KC:** So, you've got to be more innovative in how you're going to attract diverse people into your company, and then you've got to think through how are you going to develop them. And then what you have to recognize is, the reality is that prejudice and bias still exist in our society. And so, as you think about moving people along to senior levels, you need to make sure that they're getting

assignments that will really not just test their abilities, but also position them so that they can move up in a company. You're not going to relax the standards, but yes, you should go out of your way to ensure that diverse people are getting opportunities, because that's the only way we're going to make progress.

**LT:** And you are now leading and working with a group of CEOs on hiring, training and promoting 1 million Black men. Can you tell us a little bit about that, please?

**KC:** Yeah, let me give you a little bit of the genesis, and it goes back to literally a day after the murder of George Floyd. I was talking to a number of people: CEOs, Black professionals, my sons, who felt really impacted by what happened, and Ken Frazier, the CEO of Merck, and actually, this is his last day as CEO of Merck. We talked about what we could do, and obviously, criminal justice was important, education was important, and we said there's an area of jobs. Jobs are really important to our economy. Jobs are really important for people's self-worth, to be in a job that's not a dead-end job. And so, we said we want to focus on this segment, as we look at Blacks in America, and this is now both Black men and women, those who didn't go to college or dropped out of college.

**KC:** That group from 18 to 50, that's a real problem. And if we can create family-sustaining wages, where there is wage growth, that could be a real impact. And so, what we decided was, "Let's enlist some of the largest companies in the United States, and we'll then move down to mid-sized companies and small businesses." But what I felt very strongly about is we wanted these companies to make a long-term commitment. So, we said 10 years. We want a 10-year financial commitment and a 10-year commitment to jobs, and if you can't do 10 years, you really shouldn't join up in this effort. And right now, we have 52 of the largest companies in the United States who have signed up for this. We're putting the ecosystem together of job suppliers, as well as an ecosystem of job trainers, both non-profits and for-profit companies. The objective is to have a million jobs.

**KC:** Now, what's interesting about this, Lynn, is we said we're going to have to innovate like crazy, because some companies have really worked hard at this, they haven't made the type of progress they would like, and so one of the things we found doing some benchmarking of existing companies, and then there were academic studies to verify this, is that, for example, there was a significant percentage of jobs with an average yearly wage of \$70,000 that required a college degree. When you looked at what the real requirements were for the job, you did not need a college degree, but what it served as, is it basically restricted the types of people who could go into those jobs, and so since there's a large percentage of Blacks who did not go to college, they didn't really have that opportunity.

**KC:** And so, IBM, for example, is a company that went through an analysis regarding the specifications for the job and made some changes and had some success, and there were several other companies. And so, one of the things that we're doing is we are respec'ing jobs, then at the same time we're working with companies that are skilled in up-training and cross-training, and some of the companies have these skills on their own, but we're saying really go through a rigorous analysis of your jobs. Now, what's interesting, a side benefit and a very important benefit, is as a result of respec'ing the jobs, this is going to benefit everybody. So, it's an example, which often happens in business, you focus on a particular area, in this case, it was Black Americans, you do it right, often, you can say I can apply this more broadly.

**KC:** So, we're in the early stages, we're in the first chapter, but what I would say is, I am hopeful that in year five that we'll be able to revise our million-job target.

**LT:** That sounds terrific.

**KC:** And the impact of having people in jobs that are family-sustaining and the wages are increasing is exciting. And one of the things I'm excited, we are going to start a program at a few companies that we're going to pilot, where we're going to say, give us 25 or 50 of your employees, and what we're going to do is we're going to re-train them into data analysts. And it absolutely can be done. That's going to make a major difference for these people. So this is something that the private sector can do alone. My hope would be, if this is a template that works, that maybe it can be adopted by a state government or the federal government, and that there's an opportunity for private-public partnerships, but what we thought is that this is something that big business can make a real difference. And I would say the other point that we've emphasized, and companies agreed, we tell them, if you're just doing this because you think it's a good thing, that's not enough.

**KC:** You have to really see that this is going to be very beneficial to your business. It's going to increase your productivity; it's going to help the company. And it's also a good thing. So, it's got to be both.

**LT:** You led American Express as CEO for about 15 years through several crises, as well as the company's transformation, and you're now at General Catalyst, where you advise founders and leaders of companies like Airbnb and Guild. What advice do you have for founders and for leaders?

**KC:** One of the things I think is really important, and I say this to founders, and I certainly felt this at American Express, is one, do you want to build a company that will endure? That's one of the first questions I ask, because if they don't, I'm not interested in investing in them, because if you want to build a company that will endure, you have a very different attitude. It doesn't mean you don't have a tremendous sense of urgency, but it does mean that you are going to be more thoughtful about what you're doing, you're going to think more about the impact of what you're doing on the broader society, and you're going to think about what the company should stand for, so that's a very important point of emphasis.

**KC:** The second, frankly, that I tell founders and leaders is what's absolutely essential is you need to strive for capturing the hearts and minds of people and your customers, because in my view, great brands are cluster values, rational values and emotional values. So, you clearly need a terrific product, but if you can combine that with you're going to provide outstanding service, that creates both a rational and emotional connection. And so, striving to capture the hearts and minds of your people, of your customers, of your clients, I think is very important.

**KC:** And the third thing for me that I tell people is innovate or die. You've got to constantly focus on transforming yourself and innovating, but in that transformation, in that innovation, your core values should be constant. And one of the things I particularly tell people starting off in business, and I tell founders, is I talk to them and I say, take me through what your personal values are. And some people say, look, I really haven't had the time to think about that, and I've said, you'd better be conscious of it, because in business, if you're not clear about what your core values are, you're going to just go back and forth. You're going to be rudderless. And so really being intentional, because I think there are enough things in our life that we can't control, and my view is you should

be very intentional about what your core values are.

**LT:** And what mistakes do you see founders and leaders making?

**KC:** I call it the battle of the contradictions. Examples: I'm going to cut costs and I'm going to grow. And some people will say, and would say to me, at American Express, Ken, you've got to decide. And I said, no, I'm going to invest for growth in areas, and I'm going to cut costs, so I've got to manage what I call seeming contradictions. But you have the willingness to say, look, I want to achieve these objectives that appear to be in conflict to some people. And some leaders get forced one way or the other, and I think that's a mistake.

**KC:** The second mistake that I think obviously people make is compromising on people. We all do it. I think when you're building a business, boy, you've got to be really confident, not arrogant, but confident that this is a person that you think has integrity, that you think is aligned with the values and mission of your company, is someone that you can trust. And we've all been in the situation where we say, boy, I really need to get someone in this role, so I'm going to move and I'll compromise and hope it works out. It always ends up hurting you, and so I think you've got to be really careful and particularly in starting a business, really focus on getting the best people possible in your organization at all levels.

**KC:** And then I would say the third thing is, for founders in particular, is you've got to get the product out the door, but you want it to have some quality, and that goes back to enduring. But I've said to people, look, part of what you've got to manage is speed is really critical, and the end of the day, you still have to focus on ensuring that you're doing something of high quality and don't compromise saying, look, I'll fix the quality later. I think that's a mistake.

**LT:** And what advice do you have for young people, including young Black men and women?

**KC:** What I would say to young people, what I would say to women, what I would say to Blacks, everyone, is one, very importantly, we spend so much of our life at work, be really passionate about the job, the firm, the company, don't sell yourself short. Make sure that each day you think you can be excited, because the reality is, every day is not going to be great, you're going to encounter people that are not very good leaders. And this goes back to the other point that I tell young people is, really do think through what you stand for, what are your personal values.

**KC:** And third is forming trusted relationships with people that you work with, just as it is important to form trusted relationships with your friends. I think it's really important, it'll pay big dividends to be trusted.

**LT:** And before I ask for the three takeaways you'd like to leave the audience with, is there anything else you'd like to talk about that you haven't already mentioned?

**KC:** I think one of the things, Lynn, that I would mention that I'm very focused on is with one of my partners at General Catalyst, who's the Managing Partner at the firm, his name is Hemant Taneja, we've come up with a concept that we call responsible innovation, and this is part of the contradictory aspects. Companies starting off need to integrate the philosophy of responsible innovation, which means that we have a real understanding of mindfulness of impact. So, we've created four pillars.

**KC:** One pillar is when you're developing products and services, think about what the impact is on a range of customer segments, who are you excluding, who might you be hurting, who are you helping. Be conscious about that. With the advances in AI and machine learning, our ability to predict and anticipate what the impacts will be on different groups is there. So, let's focus on that.

**KC:** Secondly, right in the beginning, think about the environment and sustainability, integrate that in. Third, particularly because we're all in technology, but everybody's in technology now, is think about how the data's being used. Think about privacy issues. One of the things I say to founders is, you're going to have a mental problem, in my view, if you call your customer users, because that just then creates a different dynamic that's not a good dynamic. Call them something that means you have a real attachment, they're not using you, and you're not using them. It shouldn't be, that shouldn't be the attitude, but understand how we're using information and data.

**KC:** And then the fourth thing is, how from the beginning can you create a diverse organization, how to do that. And so, our view is that responsible innovation can start at the beginning for a company. So, we're just at the start of the journey, but we're finding that it resonates with the founders. I've also talked to some companies, some CEOs at large companies, who are very intrigued with how to integrate this in. And one of the things I say is, we do financial due diligence, we actually do, informally, due diligence on people in the firm, why not do some responsible innovation due diligence? So, I just wanted to make that plug for responsible innovation.

**LT:** It's critical. Ken, what are the three takeaways you'd like to leave the audience with today?

**KC:** The three takeaways for me, and it sort of fits in, one, Lynn, with my leadership mantra that your partner, Rick, will understand, given that he's a Francophile, is what... Napoleon, that I paraphrased and simplified a quote, that the role of a leader is to define reality and give hope. That's something I think about every day, and within that, the three takeaways are: Act with integrity, which for me means the consistency of words and actions. Second, I've already mentioned innovate or die, really understand you've got to constantly innovate not only in your business, but you have to innovate for yourself; and third, strive to capture the hearts and minds of your people, and to do that means clearly you have to come up with strategies that they can believe in and tactics, but if you don't have the hearts and minds, you're not going to be an enduring leader, and that's what you need to be focused on.

**LT:** Ken, I think that's what makes you such an outstanding leader, that you have the hearts and minds of everybody that you work with. Thank you so much for an eye-opening and extraordinary conversation.

**KC:** Well, thank you, Lynn, I really enjoyed talking with you.

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