

**Exchanges at Goldman Sachs**  
**Fostering Innovation Within Companies: An Inside Look at GS**  
**Accelerate**

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**Allison Nathan:** This is Exchanges at Goldman Sachs where we discuss developments currently shaping markets, industries, and the global economy. I'm Allison Nathan, a Senior Strategist within Goldman Sachs Research.

Today, I'm delighted to welcome our colleagues from our firm-wide strategy group: Tanya Baker and Hasan Malik, who co-lead Goldman Sachs's Accelerate Program, the firm's internal innovation engine that identifies new businesses for Goldman Sachs. Also joining us is Daniel Kovenat from our engineering division who built an enterprise software program through Accelerate. That platform, which is designed to automate communications between applications, is set to launch as a pilot later this year.

Tanya, Hasan, and Daniel, welcome to the program.

**Tanya Baker:** Thanks for having us.

**Hasan Malik:** Thanks.

**Daniel Kovenat:** Thanks for having me.

**Allison Nathan:** Tanya, let's start with you. Can you explain for us what Accelerate is and what it was started?

**Tanya Baker:** Happy to. And first of all, we are thrilled to be here, so thank you again for having us.

So, we've always prided ourselves on a culture of innovation and entrepreneurship at Goldman Sachs. And what we found was that with so much change and evolution going on in our industry, is that new ideas that were either cross divisional, so across the multiple businesses at Goldman Sachs, or were just so new that they didn't have an obvious home, they didn't really have the right place to be validated and run through for us to be able to

see if there was a new business opportunity there.

And similarly, is we have so many talented employees at the firm and for an employee to be able to pitch an idea, and for the firm to be able to evaluate whether this business is viable and exciting and really a new opportunity to better serve our clients is a pretty powerful concept.

And so, GS Accelerate is essentially a platform for anyone at Goldman Sachs, regardless of tenure, seniority, geography, title. If you have a new idea for a business that you think Goldman Sachs should be pursuing, then you can submit your application and we go through at various rounds each year of pitching and culling and refining. And we make a number of investments off our balance sheet to be able to explore new, exciting opportunities for our clients.

And just to give you a sense of scale with this. We've been around for three and a half years. And so, Accelerate is still a fairly new program. But we've had close to 2,000 ideas that have been submitted to date from close to 3,000 employees. We've made 15 investments to date. We've developed seven new products, live, that are being used today directly with employees or client use. And so, we're small. We're growing. But we're really, really excited about where this is going.

**Allison Nathan:** Hasan, let me turn to you. Why is it so difficult for large corporations to innovate?

**Hasan Malik:** Yeah, great question Allison. Allison, as we look around, I think that's a bit of a misnomer because when we look at the business world, when you look at the largest companies, whether that's by market cap or that's by the amount, sheer magnitude of earnings they [UNINTEL], there's plenty of innovation going on there. Nobody would accuse those firms of not being innovative. So, I don't think people can use size of a company as an excuse, as the only excuse for not being innovative.

Having said that, as I've looked back at companies we've come across and that tend to do it better and deliver more innovative solutions to their clients, they tend to have three things in common. First is a keen belief that innovation happens at every level of the organization. Just because you're new to the firm or you're more junior, it doesn't mean that you can't have a creative idea for our clients. Similarly, just because you're senior, it doesn't mean you can't be creative. So, as long as

there's a belief that ideas can originate and be given a fair hearing from anywhere in the organization, I think that tends to work in your favor.

The second thing is a keen eye for the outside and what's happening in the rest of the world. I think too often we become, in larger organizations, too inside looking. And if we fail to connect with the outside world and look at all the other ways our peers or other providers are serving our clients and serving those needs with innovative approaches, I think the more you do that, the more innovative your own approaches tend to be.

And third, I think this is probably the most important, is patience with the process. I think all of us, virtually all of us, delight and cheer every time there's a successful innovation. But very few of us have the patience to put up with the painful experimentation that goes on behind the scenes where many product ideas do not succeed, where many team configurations do not succeed. And it takes many tries to get it right for the clients. So, I think patience with the process is very important.

So, innovation at every level of the organization. Looking outside and keeping in touch with, not just client needs, but what others are doing to serve those needs. And then patience with the process.

**Allison Nathan:** So, how does the Accelerate Program solve for that problem? And how does it compare with other innovation models within companies?

**Hasan Malik:** Sure. So, first of all let me just clarify, I don't think GS Accelerate is trying to be the innovation center at Goldman. We don't have a chief innovation officer, because innovation is everyone's job, all 40,000 employees of ours. And we do that everyday. And it's [UNINTEL].

What we try to do at GS Accelerate is try to approach trickier situations where either, like Tanya said, we have a situation where an idea requires cross-divisional collaboration or requires more patient capital and attention. I think that's what we're trying to accelerate, unintended, with the program.

So, when we started this process, we looked around the world. We looked at peers. We looked at companies that we admired in this space. We talked to everyone. And some have been more successful at this than others. And what we've tried to do with Accelerate

is follow three principles that try to create an environment where those challenges are addressed.

One is independence. So, once an idea is funded and the core kernel of the team is in place, that team has complete independence in terms of, once it's funded it can choose its team. It can choose the technology, tools that it's trying to use. It can set its own milestones. They set the agenda. They set the pace. So, independence is absolutely critical.

Second is sponsorship. So, we try to provide every business or every funded idea with a board of directors. And those are senior people that come from across the organization or the sponsoring part of the business, but also other parts of the organization. And these senior people provide guidance, provide advice, provide a network, provide introductions to clients and potential business partners. So, sponsorship is the second one.

And the third, which I already mentioned which is critical, is we provide them some patient capital, not looking for immediate opportunities the next quarter or two quarters out. But waiting for something truly special to be built for our clients for the period of the next two years, three years, or more.

**Tanya Baker:** Just to add to what Hasan shared is, I've been at Goldman Sachs for over ten years. And what was very interesting is as we did our tour of talking to other amazing companies and amazing clients of ours, of learning about how they approached innovation, what we found is at the end of the day is that there really is no one perfect structure that works for everyone. And what we were really triangulating on is, A, what are our goals? What are we hoping to achieve here? And B, what do we think will work well within the culture of Goldman Sachs?

And just to be a little bit more specific of that is we are very consensus driven by design. And so, to have an entity that's not going to deliver results for some time, that has no ties back to the mothership, but maybe also working on businesses with direct connectivity, we didn't think that that would work well at Goldman Sachs. And so, hence the focus on the board of directors and the sponsorship. What we've also done with Accelerate is we've only let businesses stay in Accelerate for two years. And so, when they come in, they know that they have a certain time period to validate whether it works. And if it does, they're going to have to find new owners, whether it's part of Goldman Sachs. Whether it's spinning out. Whether it's partnering with someone else. And so, having that ticking clock in the back of

our head, we've found, has also helped really make sure that we really, really do focus early on validating, but also developing the right partnerships inside and outside the firm to meet everyone's goals.

**Allison Nathan:** We often hear of fintech startups disrupting the businesses of large incumbents. A type of David versus Goliath story. But it seems we might be entering a new stage where fintechs are, in fact, partnering with large corporations. What are you seeing and what's driving those changes?

**Tanya Baker:** This is another great question. And I love it particularly because at GS we've always had a great relationship with fintechs, and partially by the nature of our business. And as our business has evolved, our relationships with them are becoming more multifaceted, and in many ways better and richer.

And just to be a little bit more specific is fintech companies, they're our clients, we advise them, we invest in them, sometimes we acquire them, sometimes we spin out our businesses and create new fintechs. And so, if you look at the history of Goldman Sachs, we've always had a great and quite symbiotic relationship with them.

But as we now continue to build more businesses, we really are focused on building in areas where we have a clear competitive advantage. And in other areas we're looking to invest, partner, and potential acquire. And one great example of that is Marcus in the early days where we took very much a build, buy, and partner approach in the early days of the businesses. And we continue to look for new partnership opportunities. And so, that's been a really great example where we've seen this multifaceted strategy work across various different angles of the business.

Going back to Accelerate, is in Accelerate people often think of Accelerate as the place where we build. But actually, GS Accelerate's first business was a business called ClearFacter where we acquired a very early stage fintech startup. We acquired a team. And now we have a really talented team working on the product at Goldman Sachs.

And so, there is certainly the David versus Goliath part of the dialogue. But I would say that we really have a productive, symbiotic, and great relationship with the fintech community. And in an ideal world is we can all thrive in the spaces where we're uniquely positioned to be successful.

**Allison Nathan:** Daniel, I want to bring you into the conversation. You entered the Accelerate Program in 2020. What prompted you to apply? And how did the idea for your business take shape?

**Daniel Kovenat:** Thanks Allison. This all started about six years ago. We were facing a problem internally. Applications are made up of a lot of small, little pieces. And they all have to talk to each other. And as applications have been getting a lot more complex, the only way to keep up with the scale is to be able to automate. And that's exactly what we did.

I'm really fortunate that the engineering division here at Goldman Sachs fosters a culture of innovation, giving us the opportunity to be able to build a product internally when none existed outside. After we had this solution up and running successfully inside, I found that as I was talking to some of my peers, I normally get the opportunity to participate in these, like, industry exchanges and vendor conferences. And as I was talking to some of the people there, they started taking notice. They were interested. You know, "Is that something that I could use in my organization? I could really use a product like that." And that gave me an idea. Is there a way for us to be able to externalize this and bring it to other enterprises?

So, we started talking to a couple different partners. And ultimately, we stumbled. Because the solution was just to embedded inside Goldman Sachs. And anybody that we talked to was intimidated about the effort to extract it.

A couple years later, GS Accelerate came around. And it has given me the opportunity and the funding to be able to holistically extract the solution from Goldman and turn it into a product that any enterprise could consume.

**Allison Nathan:** And Daniel, you just spoke about the technological lift of trying to do this outside of the firm. But beyond that, how did you weigh the pros and cons of doing this within the firm versus leaving to start your own startup as so many entrepreneurs do?

**Daniel Kovenat:** So, that was an easy answer for me. I've been at the firm almost 15 years and have had the opportunity to build a really strong network internally. I've been here so long because each year I have found a new challenge and a new opportunity that keeps me wanting for more. GS Accelerate was

that most recent opportunity.

Ultimately, I get to hone my skills as an entrepreneur in an environment that I'm familiar with. At the same time, I get to take an asset that was typically just an expense and monetize it for the firm, which is a great opportunity. Another critical piece of this is that most startups in their early stages struggle to find that first customer who can validate their use case and give them the credibility as the in to the rest of the market. GS Accelerate gives you that automatic first customer. Goldman is on board. I can use them as a launch pad to help me attract other customers.

**Allison Nathan:** So, Tanya and Hasan, how do you ensure that a startups entrepreneurial culture is truly maintained within the structure of a much bigger firm like Goldman Sachs?

**Hasan Malik:** So, I think first of all, you've got to let the teams do what you funded them to do in the first place. I think there was at the submission stage or the evaluation stage, there was something in the idea, something in the team or something in the leadership of the team that captured our imagination. And we've got to keep reminding ourselves that we believed in that then, and we need to continue to believe in them. But let them do what we approved them to do. And that's where, you know, just a little bit of patience comes in. Putting up with movement sometimes that goes sideways because a product is delayed or [UNINTEL] is delayed. I think you've got to let them do what they've been funded to do. So, that's number one.

I think the second thing is GS Accelerate also provides a platform where we've been able to bring a lot of outside talent in, sometimes from places that you would traditionally consider entrepreneurial by their nature, in some cases from other organizations. And they bring a certain level of creativity that's different from ours. And a lateral thinking that may be different from insiders. I think that ensures that that initial creative spark continues beyond day one.

And the third is we try to practice what we preach. We've got to be patient. I think as new information comes to light, we give the teams latitude to change direction, to change their milestones. We still have a very high bar for execution and delivering on what has been promised. But at the same time, like I said, you know, to come to a successful innovation there will be, you know, some failed experiments. And we tend to work through that together, providing resources where it's necessary,

but not imposing rails our wills, as you will, [UNINTEL] the team's mission.

**Allison Nathan:** This year, the Accelerate team is looking for business ideas that fall into one of three themes: the financial Cloud, financial services digitization, and sustainability. How did you decide on these particular themes?

**Tanya Baker:** So, let me start by saying not easily. There is so much change going on in our industry and in our firm. And so, as you can probably imagine, narrowing it down to three themes was not an easy feat. But at the end of the day, these are three major themes and major areas of focus for our firm that we've been tremendously public about and that we're really, really excited about. We want to hear ideas. We want to invest in them.

And just to hit on them one at a time, is when you start with financial Cloud, our Co-Chief Information Officer, Marco Argenti got on stage in 2020 at our Investor Day and publicly disclosed that this is something that we're working on, something that we're focused on. It's a new way that we can better serve our clients. And so, what better way to channel the power of Goldman Sachs than open up GS Accelerate for new businesses for financial Cloud.

Financial services digitization is a theme that I expect to see for many years to come because, although there is a lot of change and evolution and disruption going on in our industry, it's still many of our businesses have been around for a long time and pre iPhone and pre internet and pre a lot of the exciting efforts that are going on. And so, there are still a lot of analog business and opportunities for optimization and more scale and more self service. And so, we've seen Goldman Sachs take on new businesses for Goldman Sachs, for older businesses for the industry in Marcus and transaction banking. And we tell people, "Listen, any time you're asked to fax something over, any time you're told, 'Sorry, this person works from 9 to 5, call back tomorrow,' think about whether there's an opportunity to build this business in a more modern way."

And last but not least, sustainability. I mean, sustainability is central to our purpose of advancing sustainable economic growth in financial opportunity. For Accelerate, we're seeking innovations that can increase scale, velocity, affordability for our incredibly ambitious but exciting commitments that we've made. As many of you may have seen, we've committed to \$10 billion to One Million Black Women over the next ten years. And

in order to really achieve those goals, and many times you really do want to rethink the way that you deploy capital, that you discover, that really to make sure that we can have the most impact with these targets.

And similarly, we continue to work very closely with our clients and customers to achieve their decarbonization goals. And again, along those lines, we're just really, really excited about the new ideas in innovation that are taking place.

I will say that we reserve the right to evolve these themes as industry trends and our strategic priorities shift over time. So, stay tuned.

**Hasan Malik:** I think Tanya put it perfectly. I would also add ours is a client business. It begins and ends with clients. So, we're largely following where our clients are going. And in some cases, or in many cases, leading them.

If you go through the themes, sustainability is a top of mind theme, whether it's our investing clients, our corporate clients, our financial institution clients, our consumer clients. Across the board, sustainable investing and inclusive growth is top of mind. And we'd love to get crowd sourced ideas on how to push that agenda further.

Number two, anybody who's worked in financial services or in a corporate environment knows there's too much paper. That creates inefficiency. That creates errors. That creates frustration all around. So, digitizing that, especially with our acquired muscle around digitizing analog businesses, or traditionally analog businesses, I think, gives us confidence that we can make a meaningful impact for our clients in the industry there.

And then, financial Cloud, I think the financial industry relative to other industries has been a little bit late to the game. But I think we have aggressive plans there, not just to create on the Cloud for our own clients but create capabilities on the Cloud that our partners and clients can use for their end consumers. So, I think all three of these, many of these places we're pushing the industry. In some of these cases we're following our clients. But they're all themes that resonate heavily in our day to day client discussions.

**Allison Nathan:** And Daniel, as you embark on your new venture, what do you see as the next steps to grow?

**Daniel Kovenat:** So, building a pipeline of committed customers and identifying some external partners that are going to help us raise that capital are going to be the keys to our growth as we look to spin this solution out of Goldman Sachs.

**Allison Nathan:** Tanya, Hasan, and Daniel, thanks for joining us today.

**Hasan Malik:** Thank you for having us.

**Tanya Baker:** Thanks for having us, this was fun.

**Daniel Kovenat:** Thanks for having us, Allison.

**Allison Nathan:** That concludes this episode of Exchanges at Goldman Sachs. Thanks for listening. And if you enjoyed this show, we hope you subscribe on Apple Podcasts and leave a rating and comment.

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