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INTRO MUSIC

Asahi Pompey: I am honored to be joined today by Charles Phillips, Cofounder of Recognize. Charles was previously Chairman and CEO of Infor and Co-chair of the Black Economic Alliance, which we at Goldman Sachs are proud to support through the Goldman Sachs Fund for Racial Equity.

So, Charles, I want to say thank you so much for joining us.

Charles Phillips: Thank you for having me. Glad to be here.

Asahi Pompey: You actually showed an interest in computers at a very early age. And put your technical talents to use during your time in the Marines. At what point did you know, I want to pursue a career in STEM?

Charles Phillips: For me, it was when I was about 15 years old. I happened to walk in what was killed a Heathkit store, which don't exist anymore. They're kind of like a Radio Shack. But back then you had to build computers. You couldn't just buy a laptop off the shelf, which I didn't know till I walked into that store and it was a hobbyist shop in a mall. And I wasn't even sure what it was. And someone behind the counter saw a look of curiosity and said, "Do you know what you're looking at?" I said, "No." She said, "Well, we build computers here. These are all parts. And we've got this club every Tuesday and Thursday night, we get together and we build these computers. Why don't you stop on by and just see if you like it?" And this is where a lot of 50-year-old guys who, let's just say, didn't look like me, had no reason to help me. But I was-- I liked technical things. I used to work on cars. Putting things together. Taking them apart. And so, this seemed like the next step, even though I didn't know what it was. And within the first 30 days I had built my first computer. Second 30 days I wrote my first application. And I decided then this is a lot of fun. Immediate feedback. It's a logical rule I can follow. This is what I want to do. So, I started looking for computer science programs.

And at the time, my dad was in the military, so I knew I was

going to do something military as well. The only academy that had a computer science program, because of its space program, was the Air Force Academy. So, that's how I ended up there. And it just so happens by the time I took my commission in the Marines, they were just starting to build out the OperaNet, which is the forerunner of the internet. So, a lot of the international technologies that we now consider ubiquitous were built in the military. The first versions of IP, the first versions of email. We even had something called bulletin boards which were kind of a rough form of social media back then. So, all of those things. Nothing's been new, it's just been advanced and changed. And so, it gave me a unique perspective and foundation since I saw it being built. And just happened to get lucky.

And so, that's why when I, you know, talk to young people, it's all about getting them close to things they haven't seen before. That's what we need. We've been so segregated you don't have access. Whereas the people I was competing with, their parents knew about that. And I just happened to get lucky. But we can't count on luck. We need a more programmatic way of exposing people to the art of the possible.

Asahi Pompey: What lessons did you learn as you navigated a field where, Charles, you were often the only Black person in the room? And what possibilities do you hope young Black men and women might see in you and your story and your example?

Charles Phillips: Yeah. For most of my career I was the only one because technology, that's just the way it was back then, most of my career. But, you know, I took my advice from my father who told me, said, "Look, you're gonna go and have a career in what direction I'm not sure. But you're going to be around a lot of smart people. I advise you to do something that can be measured because you don't know anybody in all of these places, and you'll be the new guy. You won't have any friends. They probably won't, you know, be giving the Black guy a break. And nobody's going to be referring to you or looking out for you. But if you can measure your performance and point to the scoreboard, you'll be more protected and just let your performance speak for itself." So, that's why I chose computers, law, finance, things with rules that either it worked, or it didn't work. Either the program ran, or it didn't. You won the case, or you didn't.

So, that advice, for me at least, worked out very technical things that could be measured. And I could learn anything with

rules. And so, I figured let me stick to that. And it worked out for me.

But to generalize that, the first thing is to be good at your craft because that's what's going to give you confidence. Half the time when I'm talking to young people, it's convincing them they can do it. That they have confidence. That they can compete with anyone. That confidence comes from preparation. That not being intimidated. I'm super prepared. Just like if you're going to the free throw with 30 seconds left in the game, you're more confident if you shot 10,000 free throws before.

So, it's the same thing on work. Just pick something that you are going to go deep in, get good at it, and you'll be more confident.

Asahi Pompey: A question for you around the conversation around racial equality. You and I know that it's become even more in focus following the death of George Floyd. I remember that the first line of the statement that BEA put out in June of last year simply read, "Black people are exhausted." Can you share with us your own reaction as you've seen this movement grow across the country?

Charles Phillips: You know, we've seen things like this [UNINTEL] before like George Floyd. But this one struck a different tone because it was so graphic, so recorded. And you couldn't debate it. And what I was worried that this would come and go and pass, that doesn't seem to be what happened. That I can't tell you the number of CEOs that have called that want to talk about racial equality, what can they do, how to have the conversation with their employees? And so, I was a little bit surprised on how much it stuck.

And so, you know, I guess if there's any good thing to come out of this, it seems to be people now get it and want to action. Or to feel they need to take action, whether they get it or not they're under pressure from their own employees to do so.

And so, what we've been doing at BEA is trying to find ways to take advantage of the moment because who knows how long this will last. But while it's here, we've got multiple programs in place to kind of take advantage of a CEO's desire to take some action to give them something specifically to do to create wealth in the Black community. So, that's what we've been involved for the last year or so.

Asahi Pompey: You know, what you say really resonates with me because I think so many of us have wondered, like, is this a false dawn? Because we've seen inflection points before. But I have to say, I agree with you, this time does feel a bit different. Tell us more about OneTen and the incredible leaders that you have assembled working on OneTen from, you know, Ken Chenault to Ginni Rometty, Ken Frazier and others.

Charles Phillips: After George Floyd, the business counsel called me and Ken Chenault and said, "We want you guys to come on and talk about the Black experience." Everybody was getting those sorts of calls. We all became ambassadors. You. Us. All of us.

So, I said instead of going on this call and just talking about our experience, why don't we give them something to do because I don't know the next time, they're going to ask us to talk about this. So, the night before, myself, Ken Chenault and Ken Frazier got together. So, I dusted off this plan that we had been trying to get the Federal Government to do to create one million jobs for Black people. Let's give them this. Let's do it privately.

And so, in that plan it essentially knits together the hundreds or thousands of non-profit job training organizations around the country into a single network. The reason that's important is just these companies say, "The reason I can't hire is I can't find Black people to hire. They're not trained. There are too many of these little programs out there. There's too much friction. I don't have time to wade through all that. So, I just don't do it."

And so, we proposed, we got on the call and we said, "If we did this for you, let's build a network, we'll authenticate the ones that work. We'll be kind of the authentication arm. And we'll take care of that and that friction out of the system and get you trained people. You just tell us how many people you can hire by city, by job, role, by industry. That's our responsibility. We're the accreditation engine. We'll find the ones that work and make it easy."

And they paused for a second. Asked a bunch of questions. They go, "Well, let us see a more detailed proposal. How much is this going to cost?" So, we went off and did that work and came back. And fast forward we got about 40 of them to commit to hiring 300 to 500 people a year. More importantly, in aggregate they would give us 100 million a year to fund this for the next ten years. So, we had a lot of money. And so, we're building an

organization. Hired our CEO. And now we've taken it where it doesn't just have to be those 40 companies. We're going to add more. We also had a conversation with the National Association of Manufacturers because they have connections to a lot of small companies. And so, that's an easy way for us to get jobs there.

And just last week we rolled out an option for private equity companies because they have a portfolio. Rather than going to each company, we'll go to the portfolio level and do the same thing. And so, I think we could expand this. That's 100,000 job a year. After we looked at it, we think we can exceed that.

So, but the idea is can we hire a million Black people? And we had this debate. People didn't want to put the word Black in there and all that. I said, "No, no, this is for Black people. If you can't say that word, then you know, we've got a problem. This is for Black people." And so, once they accepted that, it's okay to say the word Black, you know, we're not changing it to some other word, people of color, blah, blah, blah, no, no, no, we can always add later. For now, let's start here.

And so, it's all up and running now.

Asahi Pompey: I want to get your thoughts on investing in one group in particular, and that's Black women. As you know, Goldman Sachs announced One Million Black Women, a 10 billion dollars in direct investment. On top of that, another 100 million in philanthropic capital to address the disproportionate impact of gender and racial bias that Black women face. What's your perspective on how we can invest in Black women, and what impact that investment could have across industries?

Charles Phillips: It's a fantastic initiative. Very impressive. So, congrats on you guys on announcing that. I think this a perfect place to start. If you look at the increase in Black entrepreneurship over the last five years, it's been on average about 34 percent of the year. Who's leading that is Black women. And so, in terms of, if you were going to target capital to create wealth and get these businesses off the ground, they're the ones who are starting the businesses in our neighborhoods for sure, but way beyond our neighborhoods. So, I think it's a great target as well.

And also, if you look at the households where we need to increase wealth, that have-- or that are raising kids, often single on their own, this is the place where we need to be investing. So, I just think the investment will help.

There are some other things we're working on to help around the edges. Childcare is one of them. Something like 30 percent of the Black women who don't work said they couldn't because of the lack of childcare that is accessible, close by. So, we're coming up with some ideas around that. But this is a great start. And I think it's a perfect place to start.

Asahi Pompey: We also released data that shows that stark desperately that Black women faced, including the staggering 90 percent wealth gap between their households as compared to a white household. How do you see that gap impacting the rest of the economy? And more importantly, what do you think specifically can be done to close that gap?

Charles Phillips: For most Americans, the source of their wealth is your home. And if you look at the home-ownership rate in 1968 when Martin Luther King gave his last speech, which was on economics, it was at about 41 percent. And you fast forward to today, over 50 years later, it's still at 41 percent.

And so, a lot of entrepreneurs-- and for white people it's in their 70s, 68 to 70 percent or higher. A lot of entrepreneurs get the equity to start their businesses by borrowing against their home. Or their parents do that. And so, without that, that's one issue. And secondly, without that it's hard to create intergenerational wealth to pass that along.

And so, if you look at most immigrants who come here from anywhere else, even if they start in the fifth quintile at the bottom, by the second generation they're in the third, maybe even the second. So, they move up. We haven't had that same transition generation to generation. A lot of us, because of the lack of accumulation of wealth, if you combine the homeownership and the low wage earnings, because we're in, you know, minimum wage jobs, it's a two-for-- and there are a lot of other issues obviously. It's hard to create that wealth. And so, I think if we can own more homes-- and we have some ideas around that as well. Reducing down payments, for instance. Rent to own. A lot of other things. But a lot of it is also related to the job. You have to earn enough to even afford a home. So, that's where we've been focused beyond the education is can we increase homeownership.

There are a lot of times in some neighborhoods where we live, the prices of the homes are so low people don't want to finance them because it takes them as much to finance a large loan as a

small loan. And so, there's a gap in the market. So, we're working on that as well. But if I could wave my hand and do one thing, besides the jobs, it would be homeownerships.

Asahi Pompey: You've been a pioneer when it comes to Cloud computing and bringing the Cloud to your clients around the globe. Why do you think the Cloud has had such an enormous impact on the way that we do business in such a relatively short period of time? And where do you see the Cloud business in, maybe, five or ten years from now?

Charles Phillips: Yeah, it seems like a short period of time. But it took a long time to give people confidence. Because we were talking about versions of the Cloud in the '90s, really. And we called them ASPs back then. When I took over-- I left, I was President of Oracle and couldn't get Oracle to focus on the Cloud as much as they should have. So, I decided when I became CEO of my own company that it was going to be a major point of differentiation. I was going to bet the company, basically, and move all of our applications in the Cloud. So, this was at a time when people didn't run enterprise class applications to the Cloud. Thought it wasn't as secure. That you couldn't do that. This was back in 2010. Had Federal, you know, agencies as customers. Aerospace and defense customers. Was just not secure, I would never do that.

And but I'm made a bet with, at that time, AWS and Andy Jassy who is now CEO there, that I'd pick-- I looked at all the platforms. Picked out one. We're not going to run on multiple platforms. We're going to get to know this one really well because I think it's the best after looking at it technically. And we want to co-innovate with them. So, they were missing some things. But they were very entrepreneurial and would listen. And we said, "Well, we need X. We need Y." They would go build it. And so, it made their platform better. They were looking for a large company to validate their platform for our type of applications. And we did that.

And so, fast forward to, I think, last year we were, like, their third largest customer. Had over 77 million subscribers. And all built on AWS Cloud. And the reason it's now so popular is that the technology has accelerated so quickly and changed so much it's beyond the capacity of a normal company to consume it. So, just put it on the Cloud because these things are just moving and what's happening is over the last ten years it's a fraction of what's about to happen. And so, they know that. That they can't hire enough technologists, the best technologists normally

don't want to work with industrial companies. They want to work in a technology company. And so, as this change keeps moving, it's just harder and harder to keep up and you're getting behind. And so, let me outsource this to professionals who know how to do this.

And it's like anything else. Electricity. I don't have my own election plant. I like ConEd or whoever do that for me. And that's where computing is headed. In that you're going to rely on third parties more. And it's going to be not vertically integrated the way it once was. You're going to rely on these specialists who do this for a living.

Asahi Pompey: Charles Phillips, thank you so incredibly much. We're thrilled to have this discussion with you today.

Charles Phillips: Thank you. Thank you for having me. Appreciate it.

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