

Exchanges at Goldman Sachs

Navigating Macro Headwinds: A Conversation With the Founders of Brex and Chief

**Carolyn Childers, Co-Founder and CEO of Chief,
Henrique Dubugras, Co-Founder and co-CEO of Brex,
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Allison Nathan: This is *Exchanges at Goldman Sachs* and I'm Allison Nathan, a Senior Strategist in Goldman Sachs Research. Today, we're sharing a conversation with two founders, Carolyn Childers and Henrique Dubugras on their founder journeys, how they're adapting to a challenging macro economic, and what they're most optimistic about for their futures.

Carolyn Childers is the Co-Founder and CEO of Chief, a private women's network that's built to drive more women into positions of power. And Henrique Dubugras is the Co-Founder and Co-CEO of Brex, an integrated corporate card and spend management solution.

Carolyn and Henrique sat down with Kim Posnett, Global Head of Investment Banking Services at our 11th Annual Builders and Innovators Summit, which brings together emerging and seasoned entrepreneurs across a diverse set of industries. We hope you enjoy it.

[MUSIC INTRO]

Kim Posnett: Welcome guys, thank you for doing this. First of all, congratulations to both of you on your successes. Let's start with the basics. Why don't you both tell us about what each of your businesses does and why your customers choose you. Carolyn, why don't we start with you?

Carolyn Childers: Sure. So, Chief is building the most powerful network of women. And we're a membership-based model where women join, and they get access to a suite of services. The primary thing that we do is what we call Core. It is a peer group model. You meet on a monthly basis. There's an executive coach in the room. So, you're truly working through the hardest professional and

personal challenges.

But outside of that, there's a whole suite of services. You can tap into the entire network to crowdsource for resources. We have physical spaces. But really, our whole mission is to unlock the potential of all of the women leaders in the world.

Henrique Dubugras: Brex, we do corporate cards and spend management software that your teams actually love. And a very easy way to explain it is we do a corporate card in reimbursements that does your expenses for you. So, instead of having to keep filling in all your expenses all the time and doing them, if you just use a Brex card, it's automatically done for you. So, we focus on high-growth companies and have been doing this since 2017.

Kim Posnett: Awesome. Guys, let's talk about your launch stories. Carolyn, you founded Chief to change the face of corporate leadership, which is no small feat, to say the least. So, how did you get started?

Carolyn Childers: Yeah, for me and my co-founder Lindsay, the idea of Chief came from a very personal place.

So, we were getting more senior in our careers. We were spending all of our time managing teams and mentoring others. And no longer actually had a place to go for ourselves and our leadership challenges.

And so, we were really inspired to build something for a senior executive. And it was also happening at a time where it was after the 2016 election. After the #MeToo movement and companies were really starting to approach the lack of representation in senior leadership in a really different way. And so, this personal need for us coincided with what was happening in the world. And we thought, wouldn't it be great to build just the most powerful network of senior executive women? And really excited to be three years into that journey now.

Kim Posnett: Give us a sense of the numbers today. What does representation of women look like at the top?

Carolyn Childers: Yeah. It's equal representation at the beginning of that corporate ladder. But it's only about 25 percent of C-level positions that are held by women. And there's 5.5 million women in the US alone who are VP level and above. So, the idea that it is a lack of talent and lack of

pipeline just isn't true. There's actually a ton of people who are right there.

And that's why we wanted to start with senior executive women is there are so many people right there. Just getting them in true positions of leadership, true positions of influence, the ripple effect that could have was the place that we wanted to start.

Kim Posnett: So Chief was one of the first women-led billion-dollar success stories during the pandemic. Why do you think the mission of Chief resonated with investors?

Carolyn Childers: What was so amazing for us was from day one that we launched, we had just a wait list of thousands. We thought this was a personal problem for Lindsay and I, and realized how much it was really resonating with so many people.

And I think it was that momentum and movement and growth of our membership that got investors very excited. When you couple that with the sentiment of what people were experiencing as they were going through the Chief experience, and we were a very in-person experience before

the pandemic. We had to pivot over to virtual during--

Kim Posnett: I was just in your New York headquarters.

Carolyn Childers: Yes. Yeah. So, we still have an element that is in person. But we now have an experience that you never have to go into a physical space to get the value that Chief really gives. And that allowed us to think about the experience and the way that we scale and be able to get this mission out to more people across the whole US faster. And that was a story that really resonated with investors.

And we never really set out to be a billion-dollar business. But we're excited because I think it shows that investment in women is a good investment.

Kim Posnett: Awesome. Congratulations. Henrique, let me turn to you. You got an early start in building a FinTech business in Brazil where you grew up. In fact, you started coding when you were 12 years old. So, what drew you into fintech?

Henrique Dubugras: Yeah, I would say that my coming to

fintech was a little bit lucky, a little bit-- mostly luck, I would say. So, both my co-founder and I had some experience. So, he actually was hired by Brazil's largest payments company to be an engineer there when he was 14 years old. So, that was his background in payments because he was working at that company. And I built an app, like a dating app. And I had to implement payment systems in Brazil. And it was a terrible experience. It was so hard to get started and to process payments.

And when we met over Twitter, basically fighting text editors on Twitter, and we were like, oh my God, this is such a terrible experience. And he's like, "Oh, I know why it's a terrible experience." I was like, "Oh, maybe we can build something better."

So, we built this payments business in Brazil back starting in 2013. Sold it in 2016. And then when we moved to the U.S., we actually wanted to get out of fintech. We were like, oh my God, fintech is so hard. All these regulators and banks. We want to do something on the bleeding edge of technology. So, we actually tried to start a VR company before we started Brex. And a few weeks in we found out that VR is actually pretty hard. So, we decided to go back

to fintech.

Kim Posnett: Amazing. So, what was the opportunity that you saw in the market when you and your co-founder, Pedro, launched Brex? And that was in 2017, right?

Henrique Dubugras: Yeah, correct. So, when we launched Brex, what we realized is that there are all these startups in the U.S. that had raised millions of dollars. And they still couldn't get a corporate card. And we thought, how does that make any sense? You have \$3 million in your bank account. But you still can't get a corporate card with no personal guarantees. So, that's the first thing that we solved.

And then since then we grew into a lot more than that. But that's the initial pain point.

Kim Posnett: So, let's shift the conversation to megatrends and disruption. And you both have front seats to that. One of the megatrends that we've been discussing at Builders & Innovators is the role that technology plays in disrupting traditional ways of doing business. Carolyn, how's technology helping building a community of women leaders

at Chief?

Carolyn Childers: Yeah, I was mentioning when we first started that we were this in-person experience. And we are truly building a membership across the busiest women in the world. And the idea that you have to go across the city to get the benefit of a network, just, it doesn't fit in a time-starved community.

And so, it was really important for us to just create access to answers of your best professional, personal challenges at your fingertips. And it's been a huge investment for us to really build out that product and that technology that can really tap into this collective knowledge of an amazing, vetted community. And it has just changed the experience so much for the Chief membership.

Kim Posnett: Henrique, how about you? Fintech's obviously been a disruptor in the financial services industry. Where are we in the evolution of fintech? And what do you think comes next? And what do you see as the next big wave of innovation in fintech?

Henrique Dubugras: Yeah, absolutely. So, I think that

one of the biggest things that has been happening for a long time, but I think the pandemic accelerated it, is companies going a lot more distributed, right? So, you can say in office, or you can say remotely, I'm not even going to debate that. But it's very clear that talent is everywhere, and you should be hiring people in a lot of different places.

And I think that a lot of fintech has been local so far. Everything is there's this for the U.S. There's that for Canada. There's this for Brazil. And I think it's now time for global solutions, right? So, companies that are not necessarily big multinationals that have the resources to have managed 20 different banks around the world, they can have one solution that works for them globally for their team of ten or 10,000.

Kim Posnett: I want to stay on this point of remote work. It's still keeping with this theme of disruption and evolution. But the pandemic led to huge disruption, to state the obvious, in workplace norms, including a rise in remote work and workplace flexibility. How is the conversation around workplace policies and dynamics in Chief's network evolved in this post pandemic economy?

Carolyn Childers: I think we saw the great resignation. It's definitely skewed towards women, in particular, as we were going through the pandemic. The extra burdens of trying to hold the job and take care of your family at home, it definitely was having a greater burden for women.

We're also seeing that some of that is coming where childcare services are coming back and schools are opening up, you still see women as being the predominant group that is saying, going back into the office, it's just harder. There are so many benefits to being able to work from home.

And I hope that companies, as they recognize that those dynamics are playing out, are really intentional about those policies, if they also have the stated goal of really wanting representation in their leadership ranks.

And for me, I think the most important thing that the pandemic has given is that the old ways of working, of needing to be in the office, we have proved that you can actually be very effective companies without needing people to be in office. But I think without that collective convening, it actually creates this, like, broader societal

challenge of loneliness.

And so, it's something like Chief that allows people, you know, the corporate office is no longer your go-to place for that connection and that community, how else am I going to get that? How do I make sure that I still stay connected and don't end up in this place of loneliness?

Kim Posnett: I want to hear, Henrique, your views on this because remote work and hybrid work models have become increasingly popular. And especially amongst tech companies, including at Brex. So, you guys have a remote first policy. How do you think about cultivating and maintaining your culture, to pull on the thread that Carolyn was starting on, when employees are remote? How do you maintain culture?

Henrique Dubugras: Yeah, absolutely. So, the first thing is I don't think that remote or in office is a one size fits all. I think that every business has different characteristics and different cultures that drive them to success. And remote has its pros and cons, right, based on the business.

So, for our business specifically, right, so, I don't want to

say this is a rule for every business in every industry, the pros of being able to hire talent anywhere, especially engineering talent, which is highly competitive, outweighs a lot of the cost. Right? Like the ability to hire people in all these different places around the U.S. and the world is something that's extremely important for us, both in terms of hiring and availability of talent, but also in terms of cost as we get into a tougher environment and there's more expectations around profitability, it's a huge thing for us.

That being said, when it comes to culture, I would say I separate culture into two. One is the quality of decision making. And I think that has actually improved since remote because a lot of the decision making is now in writing. And I think writing decision making, there's more data for new hires to see why decisions were made. And I think that's really good.

The second one is around the sense of belonging. And I think we do a lot of offsites. Probably there are 70 offsites going on this month at Brex. And that's how we maintain the close relationships in person. We believe that three days of intense bonding every quarter is probably worth more, at least for our business, than five minutes or ten

minute every day in the office.

Kim Posnett: Let's shift to macro, topic du jour.

Companies are facing a lot of macro headwinds ranging from inflation to interest rates, slowing economic growth, an increasingly difficult time raising capital, on and on.

That abrupt shift in market conditions this year has forced a lot of companies, especially high growth tech companies, to be more disciplined around profitability. So, Henrique, how has that impacted Brex specifically? And how have you shifted your strategy in response, if at all?

Henrique Dubugras: Absolutely. So, I think for us, it's both a tailwind and a headwind. So, in terms of the, if you just think about total spent in credit cards, which is the majority of our business model, it is a headwind. People are spending less. Like, we see advertising is probably the largest category spend at Brex. And that's gone down.

On the other hand, the amount of new business that we're getting is increasing exponentially. Because, like you said, every business is now thinking about costs. And I think last year, if you were in enterprise software and you weren't talking about how you helped them expand revenue, you

didn't get the light of day. Versus now, helping them manage costs and do more with less is definitely something that matters to a lot of companies.

Kim Posnett: How about you, Carolyn?

Carolyn Childers: Yeah. I think we have a similar headwind/tailwind. I think for us, the way our model works is it's an annual membership fee. It is largely paid for by the companies. In the same way that a company would sponsor somebody to go to a conference or get them an executive coach, they will pay for a membership for Chief. And what we've largely seen is as some companies are going through layoffs or really slowing down on hiring, the willingness for somebody to go and ask for that sponsorship has waned a little bit.

And the irony is, from the company perspective what we have actually seen is, yes, they are slowing down hiring. They might have a hiring freeze. They might actually be letting people go. But they're recognizing that they actually need to invest in the talent that they have even more. And so, that's the headwind that we are seeing.

And one of the things that has been interesting for us, we've been largely a B to C company, but the amount of B to B conversations that have started to come up have been very interesting for us over this time.

Kim Posnett: A question for both of you, just given this environment, where are you taking on more or less risk?

Carolyn Childers: Well, I think for us, the thing that is universal that, like, we would be doing whether it was a good time or bad time, I just think that brands are made and built during hard times. And so, the thing that we always just front and center want to make sure is that we are there for our members who are going through another challenging time. It feels every few months the new challenge du jour is coming your way.

And so, for us, we are always going to be investing deeply and heavily in the experience to make sure that we can meet our members where they are. That they have that support through those hard times.

The irony is that because it is a hard time, you often need something like Chief more. And so, we just, a few weeks

ago, announced that we're officially going over to the UK. So, we're expanding internationally. Which would be counter intuitive to people in a moment like this. But it's actually when people need things like this the most. And we often resonate as a service that people are looking for.

Kim Posnett: How about you, Henrique?

Henrique Dubugras: I think we're absolutely taking less risks and increasing focus in terms of, like, prioritization. So, I would say that before in 2021 you would have these projects that were horizon one, horizon two, horizon three. Which is, what's going to pay back in six months? What's going to be pay back in 18 months? That's, like, the general framework. And we had a lot of projects that I would consider, like, early-stage bets and seeds that we were planting that may or may not become anything in the future. But if you do enough of them, like, one might become the AWS or something like that.

I would say that we're putting that on pause for now. We're basically saying we're going to absolutely focus on the only, most important things we need to deliver for our customers. And there are some markets that maybe we're

not going to compete that are not our core. And the core markets, we're going to double down making sure we're serving our core customers really, really well. So, I would say that that's probably something we're taking less risk on.

I would say that something we're taking more risk on is we're trying to be very opportunistic. So, we raised over a billion dollars last year. And, you know, we still have a lot of cash on balance sheet. And I think in these kinds of times there are a lot of opportunities that are created. Obviously, M&A is the obvious one that everyone thinks about. But I think there are a lot of other things around marketing, around hires, around other kinds of investments that you can make during these times that would be hyper competitive or not available during the good times. And I think we're trying to be opportunistic and take some risk there.

Kim Posnett: Fascinating. I want to end the conversation around, just, advice. So, let's spend some time there. So, the companies at our Builders & Innovators Summit are all entrepreneurs. And you've both had impressive careers in building companies before launching

your businesses. What did you learn from those experiences that helped you as founders and CEOs? And that's the first question.

The second question is, do you have any advice for other entrepreneurs starting their own businesses right now?

Carolyn Childers: Yeah, I joke all the time that I've been a senior executive at a lot of other startups. And you thought you were in it with the founders. And then you go and become a founder yourself and you're like, oh, this is different when you are in that seat.

So, I was, like, sending emails to all of my past founders being like, oh, I am so sorry that I was such a pain in the butt. This time is different.

But there's still a lot to be learned from that. And I think one of the biggest things that I have learned, you know, I've worked with some amazing founders. And the people that got the best out of me were the people who gave me extreme trust and really put big challenges in front of me that, frankly, I didn't deserve the opportunity to go and have those challenges.

There was nothing in my background at the time that said, like, I was going to be able to go and really deliver on the thing that they were asking me to do. But I did. And I think that is something that is a great learning for me as I've tried to build this team and build a culture of, like, how important trust is in the culture that you are building, and especially as you go into some of these harder macro economic times, that you want to make sure that you have a team that's in that bunker with you that you can really trust to go and spearhead some really big, risky initiatives.

Henrique Dubugras: I think my learning over the years is when you start scaling as a founder/CEO, a lot of process gets built in a company. You start having this feeling that everything is slow, right? Whatever it took one person, now it takes ten. Whatever took one week, now takes a month. Right? And you start feeling that the company starts becoming really slow.

And when you talk to your team, everyone just says, oh, this is what it is. When a company grows, this is what happens.

And I would say that I took a particular project for myself to start analyzing if that's actually true. And I think, especially in this environment of doing more with less, I would advise founders to question that assumption. Do we really need to be really slow?

And I think a way that companies become really slow is that they start optimizing for the 1 percent. So, I'll give an example. Right? There are some stories on reddit about people who have three jobs at the same time with remote work. Therefore, because of the 1 percent of people who have three jobs, now we're going to monitor everyone's computer or we're going to not do remote work or we're not going to do this. And then, okay, now we have all this bureaucracy because of the 1 percent.

Or expenses, which is the area we play in, is another example. When Brex early on, everyone trusted everyone. Then one engineer went and bought \$3,000 worth of wagyu beef in a restaurant. And now, we were super upset. We didn't want our culture to be like this. So, then our CFO now implemented this process, right, that everyone needs to go through multiple approvals and memos and receipts and everything. And again, because of the 1 percent of

people, 99 percent now have to go through this process.

Hiring committees is the other one, right? Like, you do one bad hire, now everyone needs to go through a hiring committee.

So, I would say that's probably the most common theme that I found when scaling companies, is people start building process for the 1 percent, not for the 99. And I think my recommendation, especially in this time of doing more with less, is go back and make sure you're building your process for the 99 percent.

Kim Posnett: Well, let's end with what success looks like five, ten plus years from now for each of your companies. Carolyn, maybe you start.

Carolyn Childers: I think that there's the macro goal that we have as Chief of wanting to have equal representation in leadership. And being able to be even just a small part of that broader movement, I think, would be an amazing success story.

I think for us, personally, we truly want to build globally

the biggest, most powerful network of women.

Henrique Dubugras: Yeah, I think for Brex, I have a very big passion for distributed companies because I think the second order effects of companies hiring in locations like Brazil or India or even Utah that haven't received much investment is that develops a lot of the local communities, especially as they go.

And I think that I would love to build financial services and software that empower leaders to make companies more distributed and still do really well. So, I would love that the Brex customers are the fastest moving, the most successful ones everywhere in the world.

Kim Posnett: Henrique and Carolyn, thank you both so much for joining us. This has been a fantastic and inspiring discussion. So, thank you both. And we will see you soon.

Carolyn Childers: Thank you.

Henrique Dubugras: Thank you.

Allison Nathan: Thanks for joining us for this special episode of *Exchanges at Goldman Sachs*, which was recorded at the Builders & Innovators Summit in Sonoma County California on Thursday, October 13th.

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