

Talks at GS
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Julia Boorstin: I think having an outsider perspective, approaching problems differently, that's one reason I've always been inspired by female entrepreneurs.

Sallie Krawcheck: We are really, in every step of the way, you know, betting on women.

Stephanie Cohen: Hi, everyone, and welcome to Talks at GS. I'm Stephanie Cohen, and I'm really excited to be here today with my two fabulous guests. We have Julia Boorstin, who is CNBC's senior media and tech correspondent. And Sallie Krawcheck, the CEO and co-founder of Ellevest, a digital investment platform tailored to women investors.

What we're here to talk about today is Julia's fantastic new

book, *When Women Lead*. And we're proud to say that it includes a section on our own Launch with GS, which is our \$1 billion investment strategy grounded in our data-driven thesis that both of these lovely ladies absolutely agree with, that diverse teams drive strong returns.

That thesis is at the heart of this book, and it's at the heart of Sallie's life. And she's profiled in the book. Before we dive into the book, why don't we talk about the two of you and your backgrounds and what has driven you to be so passionate about women and diversity, particularly as it relates to the investment space. Julia, I'll start with you.

Julia Boorstin: I've always been inspired by the leaders both *Fortune* and CNBC have covered. And of course I was also very much struck by the fact that women leaders were the minority. Currently, female CEOs represent about 8.5% of the Fortune 500. That is an all-time high. Last year, female founders drew 2% of all venture capital funding. Co-ed teams drew about 15.5%. And last year, 82% of the \$330 billion in venture capital that was deployed in the US went to all-male founding teams.

So on one hand, I was very inspired by the leaders. I was particularly inspired -- I've always been particularly inspired by entrepreneurs and their willingness to create new business models, take a new, fresh approach at business. And then I was really struck by these numbers, and these massive gender gaps in particular. And what I found, in interviewing women like Sallie, she's not trying to follow the rules of some old business. She's looking at the data right now and creating a business that's actually following the data. She's not trying to fit her business into this old box. I thought women like Sallie are not just exceptions, they are really exceptional in how they're leading, how they're thinking about long-term problem solving, how they're being driven by data and using that data to look around corners.

And I was so inspired by Sallie and some of these other women, I thought not only do I want to really tell their stories, but I want to dig into their leadership strengths and use those strengths to talk about a new model for leadership. And I think, now more than ever, we need to be emulating leaders like Sallie.

Sallie Krawcheck:

So my background is

traditional Wall Street. I was CFO of Citi. I also ran Merrill Lynch and US Trust. So obviously your very traditional entrepreneur background. Like, not at all. But having seen that women don't invest as much as men do, having heard all the reasons for it, which is somehow women's fault and they needed to change, and having some hypotheses about how we could help women earn hundreds of thousands, for some millions, more over the course of their lives by building and investing platform centered on them. So I went ahead and founded it.

And while the numbers that Julia shared about the amount of money raised by women CEOs and startups are bad, come on over to fintech where we calculate women raise 1 in every 10,000 Series B fintech dollars. So the odds are very much stacked against women in the space.

Stephanie Cohen: Let's go right into that as it relates to entrepreneurs. Julia, when I see you on TV, you're always interviewing the titans of the tech world. And in this book, you decided to really focus on entrepreneurs. Can you talk about why you focused on entrepreneurs and how it relates to what Sallie was talking about?

Julia Boorstin: One reason I think it's so important to talk about the tech world is because A) every company is now a tech company. I know in many ways Goldman thinks of itself as a tech company. But also the fact that the tech industry is so powerful. Every company that has an app and that is on your phone was venture backed. I mean, every app on your phone, everything about the way we travel, the way we get around, the way we do our work, these are all venture-backed companies.

That venture funding means that these companies can afford to lose money while growing really quickly. If you don't have that kind of access to capital, you are at a fundamental disadvantage in the marketplace. That is why the fact that women have such lower access to capital is so fundamentally important, and we don't want to end up in a world where a very narrow group of investors end up determining the outcomes of how people live their lives.

But I also knew that, if I could find those women who had really defied the odds, those would be the women who had the best leadership traits and skills. If you could succeed despite all those headwinds, then you absolutely have leadership lessons for everyone. And I think Sallie is a

perfect example of that. And I would say Sallie always did things her own way. You always were very ethical in your approach. So I think having an outsider perspective, approaching problems differently, that's one reason I've always been inspired by female entrepreneurs. But I just think that this entrepreneurship space has an outsized impact on society and is a very valuable lens through which to look at leadership.

Stephanie Cohen: You've both alluded to this concept that women may look at the world differently and see things that maybe men don't see, just because it's a different perspective. Where do you think women are having a real impact in terms of industries that they're looking at, either in a different way or in whole industries that were overlooked before?

Julia Boorstin: Well, I think in every industry that women are starting businesses, they have an advantage in having a different perspective. I mean, I have a chapter in my book on purpose-driven companies, and a lot of them are focused in the health space. So there's this whole femme-tech revolution right now. You know, sort of health tech startups that are focused on everything from

reproductive health to just general women's health to issues like menopause and fertility that have just been overlooked by the establishment forever, effectively. So I think there is a lot of growth categories there.

Also, you've seen a larger number of women take companies public in the retail space, and I don't think that's a coincidence, once you have sort of a little bit of a critical mass and there can start to be change.

Stephanie Cohen: So Sallie, maybe you can talk about the void that you felt that Ellevest was really filling as it relates to your mission.

Sallie Krawcheck: I think being a research analyst helped me see things differently than other folks because my rule as a research analyst was, if I don't have anything different to say, just shut up. And so for me, it wasn't all about picking stocks. It was can I take the pretty much same set of information that other analysts have and combine it in a different way or analyze it in a way such that I see something that's different? And I think that's how we approached building Ellevest, which is can you take the same set of facts -- women don't invest as much

as men do -- and come up with a different hypothesis? The industry's hypothesis, very broadly held, is women are more risk averse than men. Right? Everybody knows that, right? It's clear because they're not investing as much as men are.

Or women need more financial education. Or women aren't that good at math. Or women don't like it. The industry had sort of told itself a story about why women didn't invest. It wasn't them. It was the women. And we looked at it and said, boy, this is an industry that has fantastic product market fit for middle-aged white guys. They trust their financial advisor at Merrill Lynch more than their doctor. But in the year after his death, women lead at a rate of 80-90%. Maybe it is in fact that they're risk averse.

Or maybe, maybe, Stephanie, in an industry where 86% of financial advisors are men, overwhelmingly white, average age 63, where 99% of mutual fund dollars are managed by men, where 90-plus percent of traders are men, maybe they built a business for themselves. That's another hypothesis.

What if we get together a group of women and we build

something for ourselves? Being the first financial services company or investing company really centered on women, that was the hypothesis. Can we come up with another reason and build towards that?

Stephanie Cohen: So let's dig deeper into that because I want you to talk a little bit about your algorithm and how that caters to women. And to your whole point on how the world originally was really catered to men, can you talk about some of the differences?

Sallie Krawcheck: In a patriarchal society, you know, when we say it's for everybody, it's typically for men, right? The medical research that's been done on heart attacks is on white men. The crash dummies are man sized and women tend to die more. And even the investing algorithms. They work very well if you're planning for retirement if you're a man because you die sooner, you earn more, your salary peaks later, and you take fewer career breaks. So the worst thing that happens is you die with too much money.

The problem is, if you're a woman and all those things are the opposite and they assume you're average, then you

have a risk of dying with no money or having to do a *Golden Girls*, you know, live alone. And this really matters. This really matters because 80% of women die single. 80% of women die single. Half of marriages end in divorce. We live 8-6 years longer than men in our lives. And newsflash, nobody's giving you a retirement loan. Once you get there and you're on your own, game over.

And so what we're doing is incredibly important.

Stephanie Cohen: So there's obviously the financial wellness of the women that you're serving, but there's kind of their overall wellness and, by the way, how that impacts society, which we'll come back and kind of where the money is being invested. But can you talk about the multiplier effect at a company like --

Sallie Krawcheck: Yeah. Well, so first of all, at a micro level, money is women's number one source of stress. And taking action on it is the number one driver of their confidence and their future. So at a micro level, it's important. So the research is clear. When women have more money and particularly relative to men, society is fairer. We all know the research in developing markets

about women tend to put the money in their families, in their community. They give away a greater percentage of their wealth to nonprofits. So the ripple effects are tremendous.

Julia Boorstin: Can I just ask you to dig in on the idea of talking about risk? Because I write about this in the book. But the idea that -- and it's interesting because there's so much data that I write about in my book about how women approach risk differently. But this idea that the word "risk" was a red flag, and women did want to invest, they just didn't want to think about things in those terms.

Sallie Krawcheck: We say women are risk averse. What we found is they're risk aware. And the difference is women want to understand the risks that they're taking before they take it, not in terms of draw down or standard deviation but in plain English. Like, how bad could it get?

The other big discovery we had -- there were many of them -- but what we did discover is that, with men, when you ask them their risk tolerance and they're not sure, they make an educated guess and continue on. Continue

signing up. When you ask women, probably because we're all socialized to get A's in school and be perfect and because the bar is higher for us as women, when we're asked about risk, we're like, "Ooh, that sounds like an important question. I'd better go figure that out," and we leave. And then we're like, "Well, I'll go buy a book and see if I can figure it out." And then we never come back because what's more interesting than figuring out your risk tolerance? Everything. Everything.

And so even these simple questions in an on-boarding, it's not the -- the genders are different, but often not in the way we actually think they are or have been told they are.

Stephanie Cohen: Do you think there's a key to getting through that first set of VC meetings, you know? Stereotypically on Sand Hill Road? Like, how do you make sure that they're not the woman who doesn't want to get the risk book and then kind of never comes back? That they actual persevere?

Julia Boorstin: Well, I would say understanding the research is incredibly important. There is so much data about the fact that female founders are more likely to be

asked questions about downside risk. What's the worst-case scenario? In the very same type of meeting, male founders are going to be asked what's the best-case scenario? What does this company look like if everything goes as planned?

Those fundamental difference in questioning, the difference in questioning, the fundamental bias of people in the room that may be totally unconscious, is leading to different outcomes. Because if you're going in there saying, "Well, if things go badly, if the economy takes a turn for the worse," you are not, you know, giving the same pitch if you're a company as the men are. So I think understanding that and walking into the room knowing what's against you is really an important opportunity for women to flip their answers and say, "Look, I know you want to hear downside risk, but let me tell you where I think my company is going."

So there are a bunch of successful founders I talked to who said just simply understanding the data is the first key step here.

Stephanie Cohen: Sallie, do you want to talk a little

bit about your own fundraising experience? You have some great investors. You have Melinda. But I'm sure it wasn't all roses and balloons. So can you talk a little bit --

Sallie Krawcheck: No, no, no, no. I actually think the problem has shifted. I think the problem a few years ago was at the early stage and just let's get money to women and then let them build their companies and we're off. And we are seeing now so many women coming in at the seed and Series A. Probably I get a call a week, "I'm thinking about starting a fund." So there's still the need for more, but I think it's shifted. And I think it's shifted to Series B.

And Series B is hard. Series B is hard because you're proving product market fit, but everything isn't all balloons and roses. It's not all, you know, you put a quarter and a dollar comes out. There's still stuff that's being figured out. But it's also hard because it's very hard to find women and particularly women of color investors at that level. And in fact, it's even harder to find those who do fintech.

So what we did after having the typical 150 Series B

meetings is we got the deal priced. We had a strategic and a financial. We got it priced. And then we sort of worked our way to finding wealthy women and pulling them together in SPVs, special purpose vehicles, and having them invest together. And so what we said is, rather than, you know, continuing to look for people to invest large checks and try to convince them our view of the world, why don't we find a bunch of people with our view of the world and convince them to write a series of smaller checks?

And I have to tell you we went from “this is hard” to “this is done” within three weeks after we changed our strategy.

Julia Boorstin: Really, again, taking a totally different approach. You didn't have to play by the same rules as everyone else. You were just figuring out what was necessary to work. That to me is quintessential female leadership, finding solutions.

Interestingly, you were talking about Series B. But I got some data from this organization called All Raise and PitchBook, and they track the numbers. Women raise less money at every single level until C. Seed, A, B. And then at the C stage, once the numbers are unquestionable, once

the track record is so established, then investors invest in equal numbers, in equal percentages in male and female startups.

So I think it's so interesting that at some point, when the bias is so overwhelmed by the data, then things even out. But the numbers about B rounds are horrible.

Sallie Krawcheck: It's horrible.

Stephanie Cohen: Yeah, it sounds like we need to -- there's a lot of companies that aren't getting from that B to C, who probably need to.

Julia Boorstin: Yeah, absolutely.

Stephanie Cohen: So Sallie, you talked about getting female investors to invest in the company. And you know these numbers better than me, but there's \$11 trillion in the hands of females. But there's the \$30 trillion of Baby Boomer wealth, that's to your point on living longer, is likely to go to women. Can you talk about how that's driving the investment strategy at Ellevest and how you actually think it's going to impact the world and Wall Street

and the places that people invest, where money's going?
When is that going to happen?

Sallie Krawcheck: Well, so I think, let's talk about first the headwind. And the headwind is that we as women receive very negative and damaging messages around money. 90-plus percent of articles written to us about money, most of them tell us that we spend too much, which is sort of fascinating, you know? It's pay no attention to the systemic gender wealth gap and pay gap. You're just getting too many facials, too many manicures, buying too many high heels, right? For the women in the room, it's sort of familiar.

For men, 75% of articles or segments to them about money are positive, so women still today, whereas men think of money as abundance, women tend to think of it as scarcity and having to husband it. Now, at Ellevest, we have a few fundamental beliefs. We truly believe in the power of diversity. We do. We are 85% women, 50% people of color. And so we believe we have a real talent arbitrage. We believe that investing in women drives higher returns. We believe nothing bad happens when women have more money.

And so, you know, at Ellevest, the way we're plugging into it is that, even post Series B, the majority of our investors are women. In the last round, 90% of our investors were women and other underrepresented groups. Investing in a workforce of women, helping women, invest most often for impact in other women. And so we've got a private wealth business that invests in women CEOs, that invest in getting working capital loans to women entrepreneurs in Latin America, that invest in fixing up real estate in a sustainable way in the Carolinas and getting it rented to women in transition. So we are really in every step of the way, you know, betting on women.

But part of what is important for us to do and the reason we put a lot into our social following and our newsletter -- we've got probably 3.5 million in our social following and a million signed up to our newsletter -- is it's important for us to change the way women think around money.

Because if we don't change it, then they're going to do what they do today, which is get it and put it in the bank. And that doesn't help anybody.

Stephanie Cohen: We've talked a lot about the

investing world and about technology, but I want to talk in some respects -- and I don't mean this in a derogatory way -- but, like, the real world. And the world is a scarier place than it was just a couple years ago. And the financial health for everyone is actually in decline, but let alone for women. Sallie, you talked about this a little bit, but can you give your perspective on that, given you really actually see a very wide array of society.

Sallie Krawcheck: Because we just introduced the Ellevest Women's Financial Health Index, because we went for just this, how are women doing? And as a, you know, recovering research analyst, what is the quantitative assessment for it? And what we found is it is bad out there. That a few years ago, it was tough during the pandemic with women leaving the workforce. They'd been coming back, but they've been hit with a double whammy of inflation, which hurts everyone but hurts women more if you have less wealth. If you have less income, it hurts you more. So it hurts women of color even more.

Plus the fact that we're not making as much progress on more paid parental leave as we would like. We're not making as much progress more women in CEO roles or

women VCs.

Stephanie Cohen: There are a lot of reasons around this conversation to be optimistic, but then we have to go back to the data and the data is still not fantastic. And you mentioned this, Julia. You mentioned that 8% of Fortune 500 companies are led by female CEOs. Then I think about the 2,000 companies that went public. Eighteen had female founders. How do you think we get from the amazing women who are in your book to a place where those numbers change?

Julia Boorstin: Well, I am optimistic despite those crazy numbers because there is also a ton of data about how female-led companies outperform. There's some data in my book about how, after a female CEO is appointed to a public company, in the following two years, her stock typically outperforms by 20%. So the numbers do not lie.

If you look at the startup space, one male-led VC fund after his first ten years running his fund, first round capital out of Philly, he said, you know, "We invest early stage. We're mostly making bets on the entrepreneur and on the idea if there isn't a lot of track record." He went back and looked

at all the data about the first ten years of the fund. Their female-led companies outperformed by 63%. They were 63% more profitable. And he was like, "This isn't a statistical error. We need to be investing in more women."

So I am confident that, once investors start actually digging into the data -- and I think this economic downturn might really prompt that -- that more money will flow into women. And I think, just from a fundamental standpoint, if people are following data, that data will start to overcome the bias because if, you know, from an arbitrage opportunity, I mean, there are a dozen studies in my book that show that all the ways female-led companies, female-led startups, VC funds that have more women involved, you know, startups founded by women or co-founded by women, they simply statistically outperform. And at some point, that wealth of data has got to have an impact.

Sallie Krawcheck: The answer is for women to start their own businesses, right? I think typical corporate America, it's going to be hard for them to change. I think it's got to come from the startup world, but we have to change something amongst the VCs before that works.

Stephanie Cohen: Well, Julia and Sallie, thank you so much for being here. Thank you for all that you've been doing for so many people. And Julia, congratulations on your book.

Julia Boorstin: Thank you.

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