

CONVERSATIONS WITH MIKE MILKEN



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May 1, 2020

Mike Milken: David, thank you for joining us today.

David Solomon: Thanks, Mike. I'm really pleased to be with you.

So David, as a service firm and one of the leading financial firms in the world, your asset is the talent and ability of your people. A large percentage of your employees have been located in many of the areas devastated by the coronavirus. How are you protecting your employees? What policies has the company put in place?

One of the things that we've been incredibly focused on since this crisis started to unfold is ensuring that as an organization, we're really taking care of our people and our families. Our business continuity planning really accelerated about 20 years ago, coming right out of 9/11. We had always thought if you lost New York or you lost London, you could

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put people on a plane and you could go to the other place. Obviously after 9/11, you couldn't just do that.

So then we started thinking about how you create, in driving distance, multiple sites. A lot of our business continuity planning was around multiple sites where you would

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separate teams into A, B, C. We started thinking about it more in the context of having small groups of people in different locations so that you could protect different groups from each other.

But we probably weren't as forward-thinking of imagining a scenario where *everybody* was out. What was really interesting was in mid-February, late-February, we really started realizing that might be something that we had to plan for. We accelerated our planning relatively quickly where we got to a place where over 98% of our employees were working

from home and they had the right technology platforms and resources available for them so that they could do their jobs effectively.

And so of our 38,000 employees globally, we've been operating for the last six weeks with only about 700 people physically in our office footprint across 45 countries. We're really trying as an organization to make sure we're supporting our people and their families as broadly as we can.

In many ways, the world is dependent on you for liquidity, making markets. You and I both know that quite often traders sit across from one another, interact with salespeople, interact with investment bankers in raising capital for companies. It had to be a big adjustment for them not being able to see each other.

There's no question, Mike, that that this was an adjustment – a big adjustment – but as you say, when you're providing market liquidity, it's that look across the desk, it's that quick shout that that allows you to move more quickly to support your clients. And people have had to adapt with multiple phones, with text messaging, with instant messaging, there are a variety of ways that they can stay in touch with their clients, stay in touch with other traders and salespeople, have those linkages.

Video is a very, very powerful tool, but it's not the only tool, and I wanted to be able to communicate in a real-time, authentic way to employees that was very efficient to get messages out. I started just taking the voice messaging app on my phone and just turning it on and just speaking freestyle about what was on my mind, what was an important message to employees, things I was thinking about. Then we just attach that to an email and send that voice note out to the whole firm. And that really struck people. And I think it just shows you that at a time like this, when you have to increase your communication, we all have to do more. We've got to be creative. We've got to try new things. We're trying to lever all those channels for our people and for our clients to be as effective as we can be.

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David, as I've spoken to hundreds of bioscience companies' leaders around the world, I have seen a level of unprecedented cooperation between them, sharing information. And the interaction between government – whether it's in this country, FDA, CDC, HHS, BARDA, NIH – and for-profit in speed of movement. What have you seen across the access to finance and economics during this challenge?

I do think that one of the things that's interesting at a time of crisis is to see the private sector really come together to try to work with the public sector to create solutions in places where efforts are needed. I think one of the places that in finance there's been an enormous amount of focus, particularly around leadership in finance, is getting access to capital for smaller businesses, because smaller businesses are such an important part of the overall economic activity in any economy.

Our ability to use our resources in a way which is not a typical part of our business platform to make capital available and get it flowing to small businesses is something at Goldman Sachs that's really been a cornerstone of our business philosophy that we've focused on over the last decade. I know you're aware that about a decade ago we created a program called [10,000 Small Businesses](#) to provide business education for small businesses to help them grow and expand. And that community has become a very interesting community for us to survey, get feedback, create ideas, and then find ways we can help and support that community. Personally, if you look now at some of the programs that are rolled out, in particular the PPP, we don't really have a banking relationship with small businesses. We are not a commercial bank to small businesses. So we've tried to find ways that we can use our capital to get that capital flowing into small businesses through that program.

We've chosen to target CDFIs, Consumer Development Financial Institutions, that really serve a lot of small, ultra-small businesses, particularly those in very vulnerable communities that might be underserved by the banking sector broadly or don't have those banking relationships where they can easily access capital. We've committed over \$500 million to CDFIs to try to get that capital flowing into small businesses. That's one example where we've been focused. As I talked to all my peers, everyone is trying to find ways to make sure capital is flowing and to make sure markets are operating smoothly more broadly.

David, I know access for small business has been a particular passion for you. For our listeners, I'd like you, if you could, just to spend a minute to contrast the large companies that you finance and provide liquidity for, capital structure for, advice for – what are their needs versus a small business's needs?

This is a demand shutdown in the economy that's affecting all businesses large and small. If you're a big business, a big public company, you have lots of different pools or access through various different channels where you can attract capital to bridge your company through the economic disruption that this crisis is causing. So if you're a public company, you obviously have access to public equity markets, you have access to public debt markets. Generally speaking, as a public company, especially the larger companies, you have access to the bank market. Certainly you have multiple choices in terms of finding ways to get capital into your business.

If you're a small business, your access to capital in some cases can be limited only to the banking market, if you have a relationship with a bank who will lend you money. And in some cases, for super-small businesses, even that is not available. The money that has generally supported them has come from family, friends, relatives. So at a time like this, those small businesses are very limited in their choice or their availability to access capital.

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In addition, the smaller businesses tend not to have the resources to support their employees or the business during a difficult period of time. Their ability to bridge through that time is much more limited than big companies or larger companies. So you can really see the dichotomy, and that's why getting resources to these small businesses that employ so many is so, so important.

There's another area that you've taken leadership in and that was focused on creating women-led businesses. What has happened in this environment?

Small businesses that are led by women have always been disadvantaged with respect to their access to capital. Two years ago we had an idea to create a platform called [Launch with GS](#), which basically provides capital to female-founded businesses and also supports and provides capital to female-led asset managers, particularly female-led venture firms or growth equity firms, because they tend to look more broadly for female-supported businesses.

We've tried to make that a focus area over the course of the last few years with quite a bit of success. But it wouldn't surprise you, at this point in time, whenever you go through a crisis, anyone who's slightly disadvantaged in good times, those disadvantages are amplified. We continue to try to find ways that we can make sure that resources, including capital and business allocation are directed to women-led businesses. We thought that's something that we should be leaning into and trying to use our platform to expand.

I think you have about 1,200 associates in Hong Kong and about 400 in mainland China. Have you had a chance to implement a back-to-work plan in Asia? Is it applicable in the United States or Europe?

As I said, we're kind of operating 98% work from home. Recently, over the course of the last few weeks in Hong Kong, we've been able to have a broader part of what I'll call our critical teams. So that's 5 to 10% of people in the office with physical distancing, with a variety of protections to help them and ensure that they feel safe. We have implemented a plan in Hong Kong that literally we're right in the middle of the implementation, that in the near term in Hong Kong and China would take us up to 25%, give or take – could be a little bit more, could be a little bit less, with a bunch of protections for those people. But a big part of that is making sure our people feel safe. You've got to test that and see how it goes and see how people respond to it. And so we're right in the middle of that.

We think a bunch of that is applicable for Europe and the U.S., although Europe and the U.S. are behind that. Starting next week we've been looking at implementing the beginning of a back-to-work plan in Stockholm and also in parts of Germany.

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Again, slowly, a step at a time. It's going to depend on the information we have available. It's going to be slow and cautious, but we are starting to think about that as we look at our global footprint.

So David, another area that you and I have spent years talking about that I know is extremely important to both you and the firm is this issue of sustainability. You just released your latest [sustainability report](#). I've had a chance to read it. What are the key things you want people to take away from that report?

You know, I think when people talk about sustainability immediately the environment comes up, and the environment is obviously an important part of that, but we think about it in a much broader context. For our world, for our communities to be sustainable, we need to make sure that they are supportive, they're inclusive, and that the freedoms and the economic participation that brings people along really works in a balanced and fair way.

We've thought about the fact that all businesses think about these issues. All businesses need to think about what they can do to make sure that they're contributing to the sustainability of this planet broadly. We came up, a little over a year ago, with nine thematic areas that we thought were very important for global sustainability. And it obviously includes the environment, but it also includes inclusive economic growth that allows people to participate in economic growth broadly and fairly and make sure that's getting distributed.

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These are things that all businesses need to think about, and all businesses are thinking about how they can transition their businesses to make sure they are more sustainable and contributing to strengthen our economic system and our communities broadly. We believe we're in a position to help people think about those transitions, think about medium- and long-term investments they can make that strengthen their business position. I think companies that are focused on these issues and are contributing on these issues and are making investments that make their business more sustainable through that foundation will be stronger, and we'll have better relative performance over time.

I'd really encourage your listeners to go look for our [sustainability report](#). You can go to [gs.com](#) and pull it right off the web. But I do think the capital allocators are going to continue to think about, in the medium and long term, where capital is going and how it's getting allocated to make sure we strengthen the world and the global economy as we all move forward.

As someday this crisis comes to an end, and I know both of us have been working night and day to try to make that day as soon as possible, how do you see the work environment changed on a go-forward basis? Do you believe you will change the way you do work, your interaction with clients? What changes will be permanent and what changes were temporary?

We're focused on our people and our clients and our communities and really working through the crisis. There'll be lots of time after the crisis to decide what we learned and what should change and how we evolve. But there are a couple of things I think that are important to recognize. First, I'm a big believer that a crisis doesn't create new trends, but it has a tendency to accelerate trends that were already in place and maybe move them along a little bit more quickly. So there is no question that more work flexibility, including the option of working from home at times and creating more flexibility around how we work, has been a trend that you and I would agree (and we've talked about this) has been in place for quite some time, and this is accelerating it to a degree. It's giving people more confidence and the flexibility of choices that can work productively.

With respect to work environment. I think there are a couple of things to think about. First of all, people like to be with people. They like the interaction. And I still think that that's going to be a core part of the work experience for people across most industries, and especially when you think about professional services businesses where human capital is really one of the things that you're delivering for your clients. I think that will always be a part of those businesses. I don't think these changes in a lot of these interactions will be as dramatic as some people are talking about right now. But we'll see. And of course, some of the trends that we've seen will accelerate and will be a little bit more amplified.

Well, David, thank you for joining us, and I really want to thank you for your leadership at your firm and the role it's played in keeping financial markets active and open, and particularly your commitment to an area know that's dear to my heart - small business and women-led business. I just want to commend you again for your commitment.

Well, I appreciate that, Mike. Thank you for all you're doing for small businesses, all you're doing for so many other causes, and I really appreciate your having me on today and having the opportunity to chat with you.
