The Economic Club of New York

115th Year
690th Meeting

Sukhinder Singh Cassidy
Incoming Chief Executive Officer, Xero
Former Chief Executive Officer, StubHub
Founder and Chair, theBoardlist

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Webinar

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Introduction

President Barbara Van Allen

Good afternoon and welcome to the 690th meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. It's an honor to be here with all of you in our milestone year – 115th anniversary. The New York Economic Club is the nation's leading nonpartisan forum for discussions on economic, social, and political issues.

And actually over the last couple of years, through our Diversity, Equity and Inclusion program, we've been leveraging the Club's platform to bring together prominent thought leaders to help us explore and better understand the various dimensions of inequity in underrepresented communities and highlight strategies, practices and resources that the business community, in particular, can use to be a force for change. We're not doing this work alone. We'd like to give a special thanks to our corporate partners – BlackRock, Bloomberg, Mastercard, PayPal, S&P Global and Taconic Capital – as well as the many members, speakers, and subject matter experts that are now and will be engaged in this work.

A special welcome to members of the ECNY 2022 Class of Fellows. This is a select group of diverse, rising, next-gen business thought leaders, as well as students from the

CUNY Graduate Center, the NYU Stern School of Business, the Gabelli School of Business at Fordham, and Rutgers University, who are joining us today. As a reminder, we are now taking applications for the 2023 Fellows Program here in New York. We also just had the board approve in November a national digital Fellows Program. So for the first time we'll have a class of fellows from around the country and probably some from around the world.

Today, I'm honored to welcome our special guest, Sukhinder Singh Cassidy. Sukhinder is the CEO-Designate for Xero, and she will be taking up this role in February '23. She's an experienced CEO, digital leader, and board member with more than 25 years of experience building and scaling global companies, including Google, Amazon, Yodlee, Joyus, and StubHub.

From 2018 to 2020, as President of StubHub, she was responsible for the platform's operations across the United States and international sites. She also served as a member of Ebay's Global Executive Leadership Team. Sukhinder has deep international and fin-tech experience. She was the Founder, Chair, and CEO of Joyus from 2011 to 2017, from 2003 to 2009, President of Asia Pacific - Latin America at Google, where she successfully built its operations from less than $100 million to a multi-billion-dollar business spanning 103 countries. Wow!

Prior to Google, Sukhinder co-founded fin-tech pioneer, Yodlee, in 1999, and served as SVP of Sales and Business Development. A Canadian national, Sukhinder is strongly associated with technology companies throughout Silicon Valley. She started her career in investment banking with Merrill Lynch in New York and London. She currently serves on the board of publicly-traded fin-tech, Upstart. She also has previous experience serving on the boards of Ericsson, Trip Advisor, Urban Outfitters, StitchFix, and J. Crew.

Sukhinder is an advocate for advancing diversity and inclusion. In 2015, she founded theBoardlist, an online talent marketplace connecting CEOs with qualified diverse board candidates who are peer-endorsed. She's also the author of the *Wall Street Journal* bestseller, *Choose Possibility*, which offers advice on how to manage and optimize risk taking for professional growth.

The format today is a conversation, and we're delighted to have Bloomberg's Deputy New York Bureau Chief and Senior Editor, Shartia Brantley, doing the honors of moderating. In addition, we're going to use the chat box for this conversation, and you can enter questions directly there for consideration, time permitting. As a reminder, this conversation is on the record as we do have media on the line. Shartia, if you're ready, happy to pass the mike over to you.

Conversation with Sukhinder Singh Cassidy

SHARTIA BRANTLEY: All right. Thanks so much, Barbara. I appreciate the lovely introduction. I am honored to discuss advancing access and opportunities for diverse leaders with Sukhinder Singh Cassidy, incoming CEO of Xero. Welcome Sukhinder.

SUKHINDER SINGH CASSIDY: Thank you so much. You look so bright and sunny from wherever you are. I sort of feel like I need to change my background. I'm like, the color, I'm like, I'm feeling like you're the burst of energy on this call. I'm super excited to be here.

SHARTIA BRANTLEY: Oh, thank you. I had to wear a little color. We have gloomy weather outside so I tried to counter that. Well, we are just delighted to have you. Before we dive into our conversation, can you just give us a quick overview of Xero.

SUKHINDER SINGH CASSIDY: Sure, sure. Xero is one of the leading global cloud-based small business accounting solutions, really giving small businesses around the world insight and opportunity. We serve millions of customers from Australia, New Zealand to the U.K., Canada, the U.S., South Africa, across the globe, ASX-listed. And I recently accepted the incoming-CEO role which I'll officially take over in a couple of months.

SHARTIA BRANTLEY: Again, congratulations. I want to shift our conversation to talking about the state of business and diversity, equity, and inclusion. You have had such an esteemed career and wear many hats: CEO, entrepreneur, board member, and investor. How would you describe where we are in advancing access and opportunities for diverse leaders?

SUKHINDER SINGH CASSIDY: So I think if I had to describe it, I think we are, at a macro level, we would say on a consistent upswing. But I think that, at least from my perspective, as maybe a founder of theBoardlist, which I think gave me a unique point of view, particularly on-board diversity, but also as obviously as a former CEO and hopefully one again soon, the way I think about it is there's spikes and troughs in sort of that upward trend.

So if we can agree that sort of broadly speaking, you know, the topic of ESG has come to the forefront for private and public companies in the last 10 years and it's not going anywhere. Institutional investors are starting to ask the right questions about what is your company's strategy with regard to all of its stakeholders. You know, it's customers, it's employees, it's shareholders, and the causes and issues they care about that can drive, you know, sustainable, and I would say socially, "just" is not the right word, I would just say responsible citizenry as a corporation. Right? What does that mean?

On the other hand, and I described this to you in our prep call, when I say we go through peaks and troughs, if you think about the social justice movements we saw, George Floyd as an example, the Me-Too movement unfortunately, you know, difficult social situations gave rise to actually increase demand and attention paid to issues of diversity and inclusion. By the way, the talent wars in the boom economy of tech also gave rise to people thinking about, wow, how do I capitalize on the human potential of all my employees. Employee activism, they've all given rise to, I would say, kind of spikes to the topside.

On the other hand, you and I also discussed, we are now in an uncertain economic environment. In tech, for example, we are in a contracting environment where budgets are going to get cut to the essentials. And, you know, one of my worries, one of our worries is, gosh, what happens to diversity and inclusion budgets when, you know, the CHRO is asked to slash their spending, and that's a fear. So I think that, you know, I think that we're going to see expansion and contraction, but I think this theme and trend has been on the rise for the last ten years and it's not going anywhere for all of the reasons we described.

SHARTIA BRANTLEY: And with that being said, you know, you have a seat at the table. How have the conversations been changed? Are you all having more honest conversations on the state of affairs and where we are?

SUKHINDER SINGH CASSIDY: Well, I think, and I'm obviously curious for your perspective this because you have a point of view also as a journalist, so I would love to ask the same question to you. What I observe is, you know, at the board level, not only the conversation is happening, I think largely speaking this has shifted from a conversation about why to how.

So, you know, nobody debates, quite frankly, the need for diverse perspectives in the public boardrooms, even in private boardrooms, where 75% of theBoardlist demand, which is a platform for discovering and recommending board talent, 75% of our demand is from private companies. And, you know, the very first placement we did in 2016, was a Series A company. So I'd say even private company founders and CEOs are thinking about how do I run a better boardroom and what does diversity look like? So I would say the conversation has moved from, I think, generally speaking, like why would we do this to how do we do this? And I think that's generally a positive.

The same thing, I think, inside of companies. If you look at employee resource groups, if you look at the role or the hiring of a Diversity and Inclusion Officer, in most CHRO kind of portfolios, there's a remit for it. So I don't think people sort of debate the "why", as I said. What I'm more worried about is the "how." How do we make sure the "how" despite economic uncertainty continues because this is a need. So I think the conversations have shifted fundamentally from questioning the need to figuring out how to get it done.

SHARTIA BRANTLEY: You mentioned a myriad of actors earlier, you know, inflation, companies are still dealing with supply chain woes, are we entering a recession or not. So just so many things for senior executives to be mindful of. So when you think of all these issues leaders are facing today, and you spoke earlier about the various peaks and troughs along this journey, are we still in a moment? Or do you see this as a sustained movement going forward?

SUKHINDER SINGH CASSIDY: Yes, I think it's a sustained movement in the way that one describes, you know, when I talk to people about business movements, you know, I always say, like, hey, you want to ride the tailwinds. Like there is a macro tailwind behind diversity and inclusion. That does not mean, you know, in the short term we don't need to be worried about things like contracting CHRO budgets. But the point is the conversation is not going away. It's not because we have a recession, we're going to sort of magically stop talking about diversity and inclusion. As you know, the cat is quite out of the bag here. I think the question is how to keep it top of mind and present at a time when executives are under a lot of pressure.

And I mean, by the way, this is a conversation I used to have even in the boom times when you would say, hey, guess what, you know, to create an environment and a workforce that reflects your customers, your employee base, all those things, you have to be intentional. It doesn't just happen. So if you have to be intentional in boom times, imagine how intentional you might need to be in times when there's all sorts of uncertainty you're facing. It doesn't, it's not that it's any harder, it's just you have to be mindful.

And I would say this is a time to be even more mindful and protective of creating those environments that are inclusive and that are diverse, regardless of all of the other challenges you face. So I think it's a question of mindfulness. And depending on what sector you're in, you're facing a lot of uncertainty right now. But that's the job of an executive. Quite frankly, it's gotten harder every year. So has the job of the CEO. So this is one more important thing to hold for your stakeholders and your company's long-term performance.

SHARTIA BRANTLEY: Oh, definitely. And we spoke about this last evening, how just expectations of senior leadership have evolved, I would say, quite dramatically over the past five years or so. Some people say maybe an absence of leadership either from government or what have you, that leaders are expected to take a stand and speak up a little bit more than maybe ten years ago.

SUKHINDER SINGH CASSIDY: Yes, I mean I think all the jobs have gotten harder. By the way, the job in the boardroom has gotten harder, given all the uncertainty and disruption and your expectation as a board to also not just be reactive, but to be honest, think about all the stakeholders beside the shareholder. A board is required to, you know, obviously provide oversight governance on those matters too.

Then you've got the CEO who, as we chatted about, is now not dealing with just commercial performance but the management of multiple stakeholders, and as we said, I think the rise of employee activism, sort of the ongoing sort of balance for a CEO between what societal issues do you get involved with versus not, you know, versus just sort of running the business and putting your head down. People are going to ask you, so it's not, you simply can't just say, like I don't want to deal with it. It's coming your way. And, as we said, the executive teams and the C-Suites underneath them, right?

So, look, it's a time of more pressure and more performance because, as we discussed just a little while ago, you have to manage a whole host of stakeholders in an environment of increasing uncertainty and pace of change. Whether it's a black swan moment like Covid, which, my God, you know, was unexpected, or the expected turbulence of the economy or other things. Whether they're predictable or not, you know, there's just, the rate of change is so high.

SHARTIA BRANTLEY: Meeting the moment. I do want to talk about ESG and board diversity. As Barbara mentioned earlier, you know, you launched theBoardlist in 2015. Can you share with us what inspired you to launch this platform and what has been the reception and the overall mission of the platform?

SUKHINDER SINGH CASSIDY: Sure. So theBoardlist, for those who don't know it, is an online tech platform. Think of it as a premium talent marketplace where diverse groups of all kinds can be recommended and found for board opportunities. And if you think about the genesis of it, theBoardlist was born, sometimes it feels like it was too early, other times it feels like it was right on time. I don't know. We're seven years in and I feel like we've barely scratched the surface on theBoardlist.

But theBoardlist was born in 2015 of a frustration I had when I was then the CEO of my own startup. And one of my VCs reached out to, well, two things were happening. VCs that I knew, who were not investors in my company, were reaching out to me as a senior woman leader and saying, what should we do to solve the problem of women in tech? And, you know, I found that question, I was getting asked it a lot. And on the other hand, my own board member, who is a prominent VC called Keval Desai, had six women in his portfolio who were CEOs. And he wrote us all a note and he said, my God, every headline is so negative, yet I've had a wonderful experience watching all of you in my portfolio. You know, it's not for me to speak on your behalf, but what's your opinion on all of this?

And he sort of challenged us, like does somebody want to use their voice to say something? And I think that confluence of him prompting us and me getting asked this question, I sort of said, you know what, like I could just stay silent, but I do have an opinion on this. And theBoardlist was a result of that because I had sort of chatted with VCs and one of the ideas or brainstorming ideas that had come up was, hey, look, if you wanted to change the prognosis for women in tech, I'm like, you're starting with trying to hire more women into engineering, that's great, that's fine. It will take many generations to solve. Yet I said, like there's so many talented women in leadership positions in the valley. Why don't you start talking to them? Why don't you, as a collective, say we're going to put a woman on the board of every Series B company and beyond. And just watch the ripple effect of coming in from the top and trying to solve diversity. You don't need to wait.

And a number of VCs said to me, oh, that's a great idea. And I said, well, you guys should just do it. And they all came back and said, you know, it's a really good idea, we're just going to worry about our own portfolio of companies. And so, I was like, okay, well, no one is going to come together and solve this. And so I ended up writing an op-ed on the topic of women in tech. I surveyed a bunch of female founders, talked about their experience, so it didn't represent just mine. And at the end of it, I was, look, if we can't use tech to solve our own problems of diversity and inclusion, yet we talk about solving world hunger, poverty, literacy at a global level, like surely, surely we should be applying tech in our own backyard.

And so I basically came out of that and thought, you know what, no one is ever going to do anything with this idea. So I went to 30 well-known tech folks and I said, if I crowd-source the list, they were all, like people like Reid Hoffman, and said, hey, I'm thinking of putting together on an Excel spreadsheet a crowd-source list of highly-endorsed women for boards. Then we can solve this problem of, like where are all the great women. And, you know, those 30 people produced 600 names. We launched it at Fortune Brainstorm Tech as literally, I mean when I say it was the barest of bare platforms. You know, the idea came to fruition between June 15 and we launched it at Fortune Brainstorm Tech, maybe July 30th or something like that. So six weeks, like literally.

And from there on, we built up the platform. Today we're at 38,000 members, 22,000 recommended candidates, 14,000 people in our community who are what we call recommenders or experienced board directors and CEOs who are recommending or searching for their next board member. We've assisted over 2,400 companies in looking for their next board member, 75% private, 25% public, every stage of growth. But we think of ourselves as a discovery platform, meaning we're not a search firm. We literally are a place to go discover great talent. And we hope we make it real easy for you to build a board list yourself or with our assistance, we have built services.

SHARTIA BRANTLEY: And so you encourage executives to submit, so the process, how does one become a member of theBoardlist, either from, you know, from a corporate perspective or to serve as a board member?

SUKHINDER SINGH CASSIDY: Yes, great question. So first let's talk about how we deal with people who want to be board members. Today, one of two things happens. It's a peer-nominated community so you can apply to theBoardlist and set up your profile, but then you have to effectively just enter one to two people. You just need one endorsement from somebody who has board experience. We generate an email out to that person. So you ask someone to endorse you. By the way, the person who endorses you does not need to be a member of theBoardlist. They can become a member of our community simply through the act of endorsing you. So we say if you want to be a board member, go out and bring your endorser. You know better than us who in your network has board experience who can vouch for your capacity or capability or potential as a candidate.

And then on the other side of it, if you know someone who is great, you can go to theBoardlist today and just nominate them. So we started, of course, with a push or, you know, I would say the pull of people who know great people. And now it's flipped, right? Three-quarters of our activity is from people who come, sign up, and then invite their endorser. So that's how it works.

If you're a company or if you're a private equity firm or if you're a talent firm, if you're a search firm, you can come to theBoardlist and do one of two things. You can set up a free profile and do a quick search. There's some limitations on search because we're a freemium product. And then you either sign up for a subscription, which is really suitable for people who want to run the search themselves. Many people can, you know, if you're a CEO of a Series A company, you might say, like, hey, I want to just go take a look myself, generate a list. So you can pay a subscription and do it yourself or you can do what's called assisted search, where we will put a talent partner with you and they will manage the process for you.

SHARTIA BRANTLEY: Wow! Now, can you confirm whether this list is just domestic or global?

SUKHINDER SINGH CASSIDY: Well, I would say, I think you should think of it as very heavily U.S. given where our network is, but it is global in the sense that we have nominations from all over the world. The only other country we "officially" launched in is Canada where we went out, did an event, you know, specifically sought out endorsers who could jumpstart the network. So Canada, I think, is about 10% of the database, but we have nominations from all over the world. There's no restrictions on becoming a member from anywhere.

SHARTIA BRANTLEY: Got it. Now can you share the gender breakout? Are you seeing more women submit their information to theBoardlist or is it pretty even or any trends that you're seeing, especially over the past couple of years in terms of demographics?

SUKHINDER SINGH CASSIDY: Sure. Yes, I'll talk a little bit about the demographics of theBoardlist, but then maybe what we're seeing in terms of searches. So in terms of demographics, remember theBoardlist was originally launched for gender equity, and it wasn't until George Floyd that we switched on the opportunity for any diverse group, recognized diverse group, to be a part of theBoardlist. So we'll probably 75% women, though obviously a very large, you know, nice and large cohort of people of color, both women and men. But keep in mind, part of the database has been growing for seven years and the movement has been growing for two years. So necessarily, we are pretty gender-skewed. But, of course, men are on the platform too, and as I said, different types of diversity are recognized on the platform.

In terms of trends, what I would say is, so I'd say in terms of demographic trends, it's just a mix that's blending up towards all types of diversity but it's still heavily gender-based today, just again given our origin. In terms of the trends on searches, you know, there's some things that are pretty steady, which are very expected. But I think we're different than a search firm where maybe the remit you get is like, I want a sitting CEO on my board. Like the lens has widened. So at theBoardlist, you know, yes, people want sitting CEOs, but honestly, they're there because they're intentional about their board composition. So mostly we get asked for CFOs, GMs, Chief Product or Technology Officers because that's often a missing link. So think about that Digital Director, it might be a sweet spot for us given we were born of Silicon Valley, though we have people from every industry on theBoardlist.

I'd say the things that start to peak and trough, little spikes, ESG. Like people, like literally, maybe there's a Chief Sustainability Officer that we would want to put on the board or somebody with a sustainability background. We've seen sort of minor peaks around like how do I manage the future of work, a CHRO. But I would say the constant heartbeat are, you know, General Managers, CFOs, Product and Tech, oh, and of course Marketing. You know, anything that is representing the voice of the customer. Those are pretty enduring trends that we see.

SHARTIA BRANTLEY: Got it. Very interesting. Would you consider board diversity efforts a bright spot? As we mentioned earlier, you know, ESG is under scrutiny, to put it mildly. Would you say that board diversity is a bright spot in what we're seeing lately?

SUKHINDER SINGH CASSIDY: I would. I would. And the reason is, if you think about, remember we talked about those tailwinds, think about what's happened in recent months, like in the last couple of years, Goldman Sachs, Nasdaq, institutional investors putting their money where their mouth is and saying we're not going to advise or bank or have folks list on our exchange without meeting some diversity requirements, legislation in California. So you have pushes from a lot of areas.

So I would say as a result, if you were to look at the data on incoming board directors, let's say, you know, the Fortune 500, you would find that, I think it's a majority, are now diverse. So you can see that as board seats turn over, you know, a disproportionate, which is needed to, by the way, to right the balance, a disproportionate might be going to diverse candidates in order to, as I said, have a composition in the boardroom that reflects our customers, our stakeholders, our employees, and quite frankly is needed to sort of, as I said, for long-term performance.

So I do think it's a bright spot. I don't think the attention is going away from board diversity, which is, as I said, a distinct issue in the diversity and inclusion landscape from as we talked about CHRO budgets, and what are you doing for all of your workforce, and to make sure your entire workforce is reflective of the population at large, of the customers you serve. So I'm a little more worried about the latter than the former. But that doesn't mean we take our eye off of the ball on board diversity. It just means now, today, there's pressure from a lot of areas. And, as I said, I don't think there's an retrenchment from that. If anything, I believe boards in times of uncertainty turn over at a faster rate.

So interestingly, isn't it ironic that uncertainty may create more board diversity opportunity when you just think about the need to change up your boardroom. So it's the freeing up the seats that allows us to rebalance what our boards look like, right? When seats are tied for nine, ten years, and nobody is moving out of the boardroom, it's very hard to change the balance. But as seats are turning over, the question is, okay, this is your opportunity.

SHARTIA BRANTLEY: Right. You mentioned earlier that about 75% of the demand on theBoardlist is from private organizations. Can you provide any perspective on the differences you're seeing in the approach from private firms versus publicly-traded firms when it comes to adding board members?

SUKHINDER SINGH CASSIDY: Sure. Well, let's talk again about some of the bright spots. So if 75% of our demand is from private and a quarter is from public, you're getting a board list that's pretty even between, let's call it early stage, mid-stage, late stage private, which could include unicorns – it often does – and public. Okay, so think of us as 25-25-25–25. That's sort of what we look like.

Now, what's the difference? Interestingly, I would say, you know, and founders like, until they have an independent seat, which is really your first institutional round of funding, I would say historically they might not have filled that seat. Now what we see is we have a number of VC partners who are subscribers to theBoardlist, they're part of our subscriber base, and we end up running a lot of education events on how to build a great boardroom. That means board practices, including recruitment, but not exclusively recruitment. It's about how do you run a great boardroom.

So I would say the appetite for founders at the early end, what I would see is a lot more curiosity on how do you build a great boardroom early. And, of course, if you're going to build it early, you know, build diversity into it. It's so much easier, like in your organization, to build it in early, you know, because then as you have a heterogeneous workforce, you know, there's kind of, I would just say, a virtual cycle, right? They have virtual cycles, they refer employees, other employees into the company. They themselves have heterogeneous networks. And a lot of our employee bases grow through referral. And people already see the workplace is inclusive and, you know, you can think about the snowball compounding effect of being diverse early.

So I think that, I've observed early on, founders are pretty curious about how to create a great boardroom and we spend a lot of our education events increasingly not talking to candidates but talking to companies that early about what does a great boardroom look like? What are the practices? How does recruitment fit in? How does diversity fit in? As you move sort of mid- and late stage, I would say, and you enter worlds where companies are closer to going public or managed, I'd say majority controlled by private equity, there's a lot of good demand. They know what to do. You see increasingly private equity firms have their own talent partners. They control the board. They really want a diverse perspective.

So we see private equity as actually, quite frankly, quite hungry to build a pipeline of diverse candidates and broaden their networks. We see later-stage VC-backed companies starting to put in practices, call it 18 to 24 months before IPO, maybe 24 months at the latest, 18 months is probably the sweet spot where they're like, wow, what does my boardroom need to look like? They set up committees. They already feel the heat. They're like, wow. They already might be adopting some of the practices of a public board, you know, comp or audit. And so they're starting to look to IPO and filling those. Now, we know the IPO window is closed for a lot of tech companies, but overall they're still getting, I would say, IPO-ready in what they need to look like. So I'd say that's how, a lot of early education. I'd say a place where there's already velocity and our job is just to help accelerate it. And then, of course, public is under its own bright lights.

SHARTIA BRANTLEY: Thank you for that. I do want to shift and talk a little bit about the state of venture capital while we have some time. On Monday, the National Bureau of Economic Research published a study co-authored by Federal Reserve Governor, Lisa Cook, which said Black founders of U.S. startups raised just one-third as much venture capital over the past five years as other comparable businesses formed at the same time. Does this finding surprise you?

SUKHINDER SINGH CASSIDY: Unfortunately it does not. As you know, there is systemic bias in the movement of capital. Like, you know, everything from who controls the capital, like let's go all the way up to the LP and institutional investors who then pass down to private equity funds and VCs. If you think about all of the funders of capital are themselves, relatively speaking, non-diverse. And even though, you know, I mean I certainly was parked at a venture capital firm, Acrew Capital, and I'm a venture adviser there, that is founded by women and is 88% diverse. That is the extreme minority of the funding situation.

So when you have homogenous networks controlling all the funds, you know, you do have systemic bias in sort of what their networks look like. And, you know, maybe even their understanding of the opportunity for all populations versus populations they recognize. And again, there's, I don't even think it's mal-intent. When we talk about unconscious bias, it's just about we know what we know. We don't know what we don't know. And so there is still an extreme lack of diversity, extreme, in the controlling of capital. So it is not a surprise to me that when it comes to who gets the capital, that that systemic bias shows up.

Now you hit another issue, which is difficult. If it's difficult for women, when you have intersectionality, women of color, you know, people of color, I mean this hits, you can get hit (a) twice as hard, right, in that bias. So even if you get the funds, do you get quite the same funds? Do you have to, you know, pitch harder for the same story? Unfortunately, I'm not surprised. So there's a kind of, as you know, a challenge here which is you need to diversify the capital base and the people who are allowed to invest if you want to get diverse companies to have sort of, I would say, their fair share of the capital pie.

SHARTIA BRANTLEY: How do we ignite that shift?

SUKHINDER SINGH CASSIDY: Well, first of all, I think if you're an LP, like my God, what are you asking, you know, the people to whom you give money for their accountability on the diversity of their portfolio, on the diversity of the C-Suite of their portfolio, the diversity of the pipeline of the things you look at? Ask the right questions. Demand accountability. You know, apply pressure duly, because it all flows from the funds.

If somebody says, well, guess what, your fund outperformed and that's good enough for me. I'm like really? Is that good enough for you? You don't actually ask about the opportunities missed. And there's lots of data that talks about how women are more capital-efficient, about how diverse founders outperform, teams with diverse founders outperform. The data is there. But if you're not asking the right questions as an LP, you control the capital, so you have to hold the people to whom you're giving capital accountable. What are the metrics you are asking for? That's key.

Secondly, of course, is when there are emerging managers who are diverse, are you yourselves looking at how you fund diverse managers? You know, as you know, like so of all of the people you fund, you have to ask for accountability on their metrics. Then what are you doing to fund capital in your own capital allocation to diverse managers who often think about the double whammy. They're emerging first-time managers. So they already get a haircut on the capital they get from you. What are you doing to change the ratio of funders in the ecosystem?

So this is, as you know, it's an upstream problem. It's a midstream problem. It's a downstream problem. But if you flow all the way where capital originates, you can't in the public markets talk about how you are ESG-supportive, and as you make your allocations to private funds, be them venture capital, be they private equity, be they REITs, whatever, not ask for accountability in the people deploying your alternative asset categories and to whom you're giving money for alternative asset allocation.

It doesn't compute if publicly you're saying one thing and you're...you know, when you think about crossover funds, people who are inordinately large pension funds and so on. They have so much power to help change the game.

SHARTIA BRANTLEY: What do you say about our younger colleagues and investors, right, who have a point of view and high expectations of the workplace and wanting to see a more inclusive society, a more representative society? Do we need this block of investors to push for that change, to accelerate it at a more rapid pace? Because from my vantage point, I came across a stat earlier today, you know, PitchBook says that $151 billion were raised by capital, venture capital firms from investors as of September 2022, but going to your point, emerging managers are having a very hard time getting a nice portion of that, those funds. So is it finding that next generation to just break open the door?

SUKHINDER SINGH CASSIDY: Well, it's interesting, right? I mean I don't have the stats on emerging fund managers, but I do know the number of emerging fund managers, I don't have the stats, but anecdotally the number of emerging fund managers who are diverse and look to either allocate capital to diverse founders or just allocate capital, by its very nature they will end up allocating it in a more diverse way. I think they're showing up, to your point, I think institutional investors have got to be very cognizant about how much of their capital they will allocate to first managers and how they will fund, you know, it's not in the first funds, it's the second, third, fourth funds, how like, okay, if you want to start somebody with a $10 million allocation, that's okay, but you have to be there for funds two, three, four, five, so they can build their capital base once they have a track record.

And quite frankly, it does require you to take a little bit of risk on people who maybe are crossing over from being an operator to a venture fund. So to answer your question, I see a lot of young investors actually who are solo GPs. You see, you know, in the world I live in, you see angel investors who then go out and raise solo GP funds. So there's a lot of new investors at the table. The balance, obviously, which is the balance that any LP needs to strike, is the balance between, hey, I want a track record of performance. That's fair, right? That's fair. But you also have to invest in the high potentials.

Otherwise, it's just like the boardroom. If you say I only want a sitting CEO, that, in and of itself, is going to narrow the pool available for people who are board-ready but don't have the CEO title, through systemic bias. It's the same thing. If you say I'm only going to fund investors who have a ridiculously impressive track record, you're casting your net too narrow in building a portfolio of diverse managers and taking a little bit of risk on people, quite frankly not a lot, on people whose track record may be smaller or earlier, but quite frankly have maybe as much, if not more potential to outperform. So this is what happens when you're at home.

SHARTIA BRANTLEY: Oh, all good. Thank you. You know, you mentioned earlier that you serve as a venture adviser to Acrew Capital and their Diversify Capital Fund. You mentioned it earlier, but I just want to stress again the role of intentionality when it comes to supporting underrepresented leaders and founders.

SUKHINDER SINGH CASSIDY: Sure. Let me talk a little bit about what the Acrew Diversify Capital Fund does. So I said, as you note, I'm a venture adviser. What that really means is in between StubHub and taking on the Xero role, I parked myself at a venture firm that I am very close to called Acrew Capital, founded by Lauren Kolodny and Theresia Gouw, two well-known VCs, but who set up shop on their own. And they had already built a team that, quite frankly, was 88% diverse in terms of the investor base.

So they were up and running and going and when I came out of StubHub, one of the conversations I had with Theresia, as I was working on things related to theBoardlist ironically, it had nothing to do with Acrew, but Theresia and I were chatting. I was like, you know, I'm at theBoardlist and I see all of, like we have this 22,000-candidate database and everybody is asking them to be on boards. So that's awesome. How come no one is asking them to be an LP as individuals? How come nobody is asking all these incredible leaders to join their cap table? Because I know the wealth I've created for myself through being an angel investor and be invited to have a seat at the investor table.

So now we're not talking about LPs. We're talking about who are institutions, we're talking about the opposite side of LPs, which is angel investing. And I'm like, it's really irritating to me, like don't these people deserve all the opportunities? Shouldn't they be investors too? Because we know that if somebody creates wealth, they then go and in turn fund the next ecosystem of investors.

So if we're going to put money in the hands of diverse fund managers, why are we not trying to generate wealth for diverse executives who are angel investors? Because they will pour back into the ecosystem. And so this is what we call diversifying the cap table. And Theresia's like you're absolutely right. So, Sukhinder, why don't you come work on that with us? And what we ultimately kind of originated at Acrew was the thesis of what we call the Diversify Capital Fund. It's $300 million fund we raised in early 2021, so now almost two years. And it's alongside Acrew's early-stage vehicle, which is a $400 million fund.

But the growth fund is specifically designed to do two things. Number one, in addition to taking money from institutional investors, both diverse and non-diverse, we invited hundreds of diverse leaders in Silicon Valley to become LPs in our fund, which is kind of virtually unheard of. And we have several hundred who are on the cap table of our fund, which we call the Diversify Capital Fund. So that's half the equation.

Then, when we go to deploy those funds, we don't deploy them in just companies run by diverse founders. We want to deploy them, it's a growth fund, in the best performing companies. But we go to those founders and say, okay, I don't know, Gusto, which is one of our investments, or, you know, there are many others, but we say, Gusto, you're raising our next round and it's $100 million round. And 90% of that money from your lead investors and so on is un-diverse. Why don't you take a check from Acrew?

We have aggregated for you a group of diverse LPs. So when we come onto your cap table, we are not just there as great investors who know our stuff, but for a $5 million or $10 million allocation in your large round, we are bringing along with us diverse investors on our cap table, which means you're diversifying who generates wealth as you build your company. And with most founders, that resonates.

The issue is not that they don't want to have diversity on their cap table. It's just, it's a lot of work. If you're managing a $100 million round, guess what, the chances you're going to go out and find 50 angels to come on your cap table to do the right thing. So we want to make it easy for them to be inclusive in who generates wealth, who gets to invest in their companies. So that's what the Diversify Capital Fund does.

We're really pleased with the reception it's met in the market. It's definitely a pioneering concept of aggregating and bringing diversity to the table, not just for board memberships but literally for the opportunity to be LPs. And I think most of the executives in our network who joined us as LPs, for many of them it was the first time they've ever been invited to invest in a fund. And I mean these are exceptional leaders. For most of them, for a good portion of them we had to teach them, because if you've never invested in a private equity vehicle, in a venture vehicle, you don't know. It's scary. What is, you know, what are all these things? What are the risks? What's the return profile? But, you know, if they're going to build an alternative asset portfolio, we did a lot of educating, because they've never been asked. And that's a shame, that's really a shame. They should be. So that's what we do with this particular fund.

SHARTIA BRANTLEY: Oh, my gosh, I have thoroughly enjoyed speaking with you. We must leave it there. Thanks so much, Sukhinder, for joining us today and providing just such valuable insight to our audience. Barbara, over to you.

PRESIDENT BARBARA VAN ALLEN: Thank you. And Sukhinder, I have to second what Shartia just said. That was just superb. Thank you so much, and we hope you'll come back and join us after you've got some time in the saddle there. We're really excited about that. And Shartia, always, great interview. Thanks.

I just want to mention in terms of upcoming events. We have our year-end dinner, which will be with The Honorable Joe Manchin, U.S. Senator. It's listed on our website where you can register. We're going to be, and you can see there, he's going to be interviewed by Steve Clemons. We're excited about that event later this week. Also, just keep tracking with our website. We're going to be soon releasing our 2023 events, and we have been confirming already. So they'll be going up soon.

And just a moment, I'd like to take, to thank our members of the Centennial Society. We now have 357-strong in terms of members that have joined Centennial. And we thank them for their contributions, which provide the financial backbone for the Club and enable us to provide our programming now and well into the future. If you'd like to become a member, just let us know and we can follow up with you. And again, thank you everyone, for attending today. We look forward to seeing you soon and have a great rest of the week.