Goldman Sachs Exchanges: Great Investors

General Catalyst CEO Hemant Taneja on mission-driven investing, health assurance, and AI's transformation advantage

Hemant Taneja, CEO, General Catalyst

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Michael Brandmeyer: Welcome back to another edition of Goldman Sachs Exchanges Great Investors. I'm Michael Brandmeyer, global co-head and co-chief investment officer of the External Investing Group at Goldman Sachs Asset Management, and your host for today's episode.

Today, I'm delighted to be joined by Hemant Taneja, the CEO of General Catalyst, a venture capital firm focused on early stage and growth investments. Hemant was an early investor in companies such as Stripe, Snap, Grammarly, Samsara, Anduril, Gusto, and Applied Intuition, and is known for his frameworks around investing and enduring mission-driven businesses. He's also an author and entrepreneur, having founded several companies such as Livongo that are focused on transforming the healthcare industry. Hemant, welcome to the program.

Hemant Taneja: Thank you. I'm so excited to be here.

Michael Brandmeyer: Let's start with your mission-based approach to investing, an approach that sets you and General Catalyst apart in the VC space. Explain to our listeners what this means.

Hemant Taneja: Our mission is to invest in positive, powerful change that endures. And every word there is very carefully chosen. Our belief is that to create a high-performance firm you have to invest in companies that can endure for a long time because, if companies are enduring and growing, your investment's compounding. And in our industry, it's the compounding outliers that drive other returns. There's a parallel.

Working backwards from what are the kinds of things that make these companies endure is where our mission comes from. And honestly, the key observation we have made, especially in this era of technologically transformation of society is that the most effective way to build enduring companies is focusing on companies that create a positive change in the world.

Michael Brandmeyer: So this was an evolution at General Catalyst. Discuss when you started to think about the General Catalyst platform differently and how you arrived at a values-based approach to building the firm.

Hemant Taneja: Like most great organizations, there's always some element of serendipity in how they get started. So David and Joel were my partners of longtime and co-founders of the firm. They started the firm in '99. And when they saw a lot of what was happening with the Internet and there was this vibrant entrepreneurial ecosystem in Boston, they were entrepreneurs.

They said, “Hey, why don't we go be entrepreneurs investing in entrepreneurs?” That was literally our tagline at that time. And the first 14 years of investing we did a good job. We built a good firm. We invested in interesting companies like HubSpot. We started interesting companies like Kayak. And it wasn't until 2014 -- and at that time, I had already moved to the Bay Area to open our Silicon Valley presence -- that we sat down and I asked David and Joel, “What do you want do with this? We actually have an opportunity to build something that can really endure, but this is a business you guys started and you should decide what the goals are."

And they were very keen on building something that could endure, something that could outlast them and outlast me. That's when this started. And the very first thing we did at that time -- because we also didn't know how to build an enduring firm, by the way -- was to bring on Ken Chenault, who joined us a few years later as our chairman and helping us be on that journey where General Catalyst could not only be an interesting investment firm but actually be an organization that can endure for a long time. And that's when this whole exercise of mission and values started for us.

Michael Brandmeyer: And you were definitely early on that, and you developed something that you call responsible innovation that you've written about broadly. Talk about why responsible innovation is core to your investment process.

Hemant Taneja: Yeah. First of all, we were 18 years into our journey doing our mission and values work, so we certainly weren't early because companies do that at the beginning. But we had to go find ourselves and who we are almost retrospectively with a lot of Ken's guidance. By then, we had noticed that the role of technology in society was changing, and we were using it to build core pillars of society online. It was almost a digital transformation of society happening across all these major areas -- healthcare, education, finance, and pretty much every sector of society.

And our view was, gee, if you're going to build a modern set of companies for healthcare, as an example, or education, you have to think with a much longer horizon than we were used to in traditional venture capital. And you had to build these companies with a lot more sense of responsibility, so your governance mindset had to be different because now you're building companies that really touch people's lives. It wasn't just technology providing efficiency. And so that's when we started to think a lot about what does a responsible mission really look like? What are the mindset and mechanisms that can help these companies be in the interest of society and simultaneously focusing on purpose and profit?

Michael Brandmeyer: We'll come back to that in a moment, but I love the story that you tell of your time with Andy Golden and his advice to you on building your firm and some version of "become your best self." But one of the things that I really love about the makeup of General Catalyst is how diverse the managing partners of the firm are and how you've really come to embody a common set of values, both in terms of the firm that you've built, the diversity of your staff, and it goes all the way through to your investment approach, which I think is super interesting.

Hemant Taneja: Yeah. Andy Golden, he is this iconic LP who has been running the Princeton endowment for the last couple decades and has been our lead investor and a true guiding force for the evolution of General Catalyst. I used to always ask him at the end of each annual meeting -- he probably, for some reason or other, he probably got tired of being asked the same question. Like, "Andy, how do we become the leading venture capital firm?" And he would always say, "Play your own game."

And I think this idea of being first principled, have a true growth mindset, I give him a lot of credit for making us think about that in the context of even building our own firm. So if I go back to the values and mission exercise that we did, we realized who we are. And the core values which -- I mean, I love these words that our CMO came up with around diversity of thought, depth of relationship, creativity of approach, audacity of ambition, mindfulness of impact. And when you look at those things, what we started doing was how do we bring people together that share these core values? Because that's who we were. And honestly, I think Ken came there because that's who he is fundamentally. And at the same time, what diversity of thought means is they bring in new dimensions to how we think about stuff.

So if you look at the team at General Catalyst, we have Fortune 500 CEOs, we have an Oscar-winning filmmaker in David, and we've got trade investors from other elite firms. We've got the most preeminent bankers who's taken most of the technology companies public in the last 20 years. We've got this incredible team where they all come at this process of supporting founders to build enduring companies, which is really our core focus, with a very different lens.

And the key to our culture has been how do you activate that diversity of thought? Because if everybody's speaking a different language, you can actually be in a place where nobody understands each other. But if you really lean into a culture, you can leverage all those points of views, then you have magic. And I think it's taken us a few years to get there, but it's just amazing to see how all these different thought leaders from different categories come together in support of the founders of General Catalyst.

Michael Brandmeyer: It is really amazing to think about how different you guys are as individuals and yet how it all does come together, which is amazing. Another one of your core pillars has been on supporting entrepreneurs and founders. And you've developed a product set around that to enable them and what they're doing. Let's talk a little bit about that, starting with what you're doing on the customer value side.

Hemant Taneja: Yeah, so if you go back to our mission, to invest in positive, powerful change, at the end of the day, founders are those agents of change. And the change that they create is building these enduring companies that are focused on improving society, focused on creating both purpose and profit with their work, supporting their purpose. And what we have been thinking about from our own product strategy, the financial tools we have, the governance tools we have in support of the founders, is how can we help them navigate these inflection points to become those enduring institution?

And in one of those dimensions, the observation we made for a lot of technology companies, which tend to be following the subscription-based business models or models that mimic subscription-based behavior with their customers, there was a better way to help those founders support their growth than necessarily raising more and more equity and diluting themselves.

And so we have a young guy on our team who came to us with an idea one day and essentially said, “Hey, what if we started funding growth with this fundamentally different view, which is think about the investment that any company makes in CAC, cost of customer acquisition, almost look at a return on that investment and give them capital based on those return thresholds in their performance?” And that idea, talk about being lucky in terms of the timing of the idea because, over the last couple of years, where the markets took us to a spot where all these companies were mispriced, heavily overpriced, frankly, from their valuation perspectives in the bubble, but they still need capital to grow. We were able to come in and help these companies support their growth in a way that it necessarily didn't require them to go raise equity.

And so that product has had tremendous product market fit, and CVF, as we call it, is getting great traction with companies in really all major parts of venture capital has helped those subscription businesses. Consumer, gaming, enterprise infrastructure, you know, US, international. And we're very excited about having that tool in our toolbox to help these companies become enduring.

Michael Brandmeyer: Yeah, it's a super powerful tool for entrepreneurs and super innovative that you guys came up with it. Something else that you guys love to do is start companies on a napkin or just around a table with founders. And so you have an entire strategy around that. Talk about that.

Hemant Taneja: Yeah. If you think about the last 20 years of GC, one of the unique strengths and the secret sauce what we now call is creation, which is patching and transforming businesses. And it came from the original DNA of the founders, because that's what they were doing before they started the firm. And over the last 20 years, I think we're the only firm that has created companies, category-defining companies, in multiple categories.

So we started Kayak. We had Demandware, which is the Commerce Cloud and that's part of Salesforce now. And Livongo, which was the digital health company that got to a certain level of scale, focusing on consumers with chronic conditions. And we really leaned into that.

We think that, in addition to the idea of serendipitously supporting founders that bring ideas to us, we do have deep perspective on certain set of areas where often there are certain kinds of companies that are not getting built that would advance the evolution of that sector. And they're not getting built because either they're too capital intense and venture capital firms don't want to fund them. Or they're very multidisciplinary and the right teams don't self-combust. There could be a variety of reasons.

In those areas, we will put teams together, put the capital to work, and have the long-term mindset of, “Hey, let's go solve this problem.” And with the benefit of hindsight, that has been a phenomenal part of our business. So we have continued to lean into that, and we're expanding our capabilities to do that across many different sectors in addition to the ones we have already done it.

Michael Brandmeyer: Yeah, that's value creation at its essence.

Hemant Taneja: That's really why we call it creation because we are actually truly doing value creation. And a lot of these companies fundamentally won't exist if it wasn't for General Catalyst.

Michael Brandmeyer: Yeah. Now, something else you're doing is expanding internationally. Now you're investing actively in Europe. You're investing actively in India. Talk about where you're seeing the most interesting opportunities these days.

Hemant Taneja: Yeah. So we were very excited about the opportunities in India. If you think about India rising as a third geopolitical power and an economic power and the dynamics around how US and India are really aligned from a technology development perspective, we think there's a great opportunity for us, having done work in our core areas, to bring that perspective and help with the transformation of India. I grew up there. I have several other partners who have affinity to that. We understand the local markets. And the areas that we care about are very relevant when you think about what India needs to accomplish for its own people. And so we've been investing there for a few years.

These companies are extraordinary. The Indian public markets have opened up, and you can see that venture capital can actually generate strong returns there. So we're learning into it.

And Europe, Europe, we always look at that as an extension of our core business from the beginning. We've been investing there for almost a decade. And the way companies move fluidly between Europe and the US, especially in technology, we look at that as a single ecosystem. But from a resilience standpoint, Europe has its own set of challenges that it has to get itself out of. And so when you think about energy transitions, especially if you look at the energy issues around the Ukraine War, there are so many areas like that where Europe has to become more innovative. And so we think working with entrepreneurs there and helping them, again, in our own areas that we understand, build that resiliency for Europe is also a tremendous area over the next decade for us.

Michael Brandmeyer: Yeah. I mean, India is a place where it really feels like something fundamentally special is happening right now with good governance, a lot of reform, massive infrastructure investment. What's the nature of the opportunity set that you see?

Hemant Taneja: There's one other thing that has happened, first of all, which is no country is more entrepreneurial than India. I mean, I grew up there, and everybody's an entrepreneur there. And now that you have seen success in companies like FlipCard and FreshWorks and others in the technology sector, that's an aspirational path for India.

If you look at the Indian community, they're very entrepreneurial in that regard. I think they believe that technology-based entrepreneurship is a great thing for

India and a great thing from a career standpoint. So every parent who used to talk about go into multinational companies in India is now encouraging their kids to be, like, go be an entrepreneur. That is a sleeping giant that has just woken up.

And if you think about, as you said, good leadership and governance in the country, it's a massive opportunity. It is almost akin to what happened in China over the last 20 years, and that's one of the reasons we're very interested. I think we can bring a lot of our learnings from what's happened with the role of technology in the US and Europe into India and help get these companies built with responsible innovation in mind and with the idea of inclusive capitalism. Let's do this in a way that India really uplifts because it's the most populous country in the world. And it can't really be innovating just for the affluent.

Michael Brandmeyer: Yeah. Hemant, when I think about what makes you distinctive as a CEO and GC distinctive as a firm, in my mind it's really a combination of three things. Number one is you guys are very long vision, but a lot of people are very long vision. It's, number two, the frame working that you put around vision. And then number three, it's a collaborative and partnership mindset that I think is really differentiated from most firms out there.

What is it about your background and your formative years at GC that brought you to this approach?

Hemant Taneja: Yeah, look, I think the most important thing about GC is its growth mindset. When the firm started, the founders weren't investors or technologists. And today, we have a preeminent technology investment firm. The only way an organization that serendipitously starts and becomes that intentional is because it's got a true growth mindset. And so I think that to me is the core reason why we are where we are.

Second is our values. So I think when you think about the focus on building a high-performance investment firm and truly believing that purpose-driven enduring companies is the key to driving that performance, then you have to think long term. I think the moment you start thinking that way, it forces you to do a lot of the kinds of decisions we have made. And frankly, if we want to transform healthcare in the US, something I have been working on with several others in the firm for over a decade now, or areas like that or have an answer to how do we truly use innovation for solving climate change, you have to transcend the venture capital model.

The venture capital model doesn't get you there because you've got 10-year funds applied towards problems that are 30- to 50-year problems. So it was a choice. We either had to stay niche, like the way the industry has stayed, and generate performance but on a short-term basis. And frankly, we did that a bunch and it was dissatisfying because we didn't accomplish the mission part of our journey in those experiences.

Or we can think very long term and, frankly, take on much bigger opportunity but with a longer term mindset, a mindset of responsible innovation. And we just believe that's our raison d'être. And I'm very hopeful that we will show this new investing model in the world of innovation that we are now in some ways pioneering, that that's the key to the greatest performance.

Michael Brandmeyer: In some ways, in 2019, you and Ken Chenault threw down the gauntlet when you wrote the article, "The Era of Move Fast and Break Things Is Over."

And you had been acting this way for a while, but one of the things I find really interesting, especially since you invest in some industries that are quite regulated, is how you think about different stakeholders. So unpack a little bit within this theme of responsible innovation how you think about interacting with stakeholders and this both growth and long-term mindset.

Hemant Taneja: "Move Fast and Break Things" is an engineering design principle. And when we started doing the digital transformation of society with technology, we somehow thought it was a societal design principle. That's really where a lot of the issues happen when you think about the issues around social media and the misinformation and disinformation and, frankly, a lot of the issues that can now happen with AI, we're going to this even accelerated area. And so the intentionality to build these companies and having the mindset and mechanisms in the way you build these companies so that you are actually minimizing the unintended consequences and having a governance models for nefarious intended consequences, that has to be part of how you build a new-new.

And that's what my last book, *Intended Consequences*, was about, laying that framework out. And what Ken and I and others in the firm have done is really integrated that into our investment process. So we always sort of think about what could happen to a company as it develops? Where could intended and unintended consequences that are negative happen? And how do we make sure we have a governance model that prevents as much of that as possible?

And that I think in some ways is very important to note as a difference from the application of ESG in corporations. So there's a lot of conversation today about what does ESG mean in the venture capital ecosystem? And ESG, I'd argue and I have argued in my book, is that it's just the wrong framework to think about when companies are being built from scratch because that's more of a how do you tweak the outputs. We need a more inputs-oriented mindset. And responsible innovation mechanisms are that input into how do you build these companies so they are built for growth and good from the beginning and in the way they use technology. We call this concept called algorithmic canaries in how AI should be used.

The business model choices, the way you make sure you think about your immediate stakeholders but also broader society as to how your business touches them so that can you business succeed in a way that it's actually good for all stakeholders? Because if you're actually being in service of one stakeholder but really having adverse selection in others, there's going to be backlash. And so how do you really think about your role as a business in society in a way that's much more expansive than just your shareholders and your customers and your employees?

That's a lot of what we think about in our governance model.

Michael Brandmeyer: Yeah, I mean, this idea of thinking about technology as not just enabling efficiencies but creating new pillars of society and working to collaborate and transform existing industries is just a very big idea. Maybe let's talk about that in the context of the hot topic du jour, which is AI. What do you think about the intended and unintended consequences as you embark on investing in that sector?

Hemant Taneja: So the digital transformation of society really started in '07. You had Facebook come out, AWS, and the iPhone all coming together. And then you could actually build digital experiences for consumers in all different dimensions. So that has been the journey we're on. I actually said this middle part of last decade that it's a 30-year cycle. We're still going through that transition. And what happened in the last decade and a lot of what happened in innovation was that, because you were using the mobile phone, there was a new distribution advantage on how to get to consumers. And because of that distribution advantage, you could actually build these modern experiences. The modern taxi experience which became Uber. Or the modern food and dining experience that became Doordash and other things.

A lot of innovation and the companies that got built were in service of giving these new upstarts that were essentially building on the mobile app store these super powers of big companies. That's what Stripe did. You can actually now be a global business even though you're like a small shop in Ohio somewhere and sell to the rest of the world because Stripe's going to give you a commerce stack that allows you to do that globally, as an example.

Michael Brandmeyer: Yeah.

Hemant Taneja: Enter AI. What happened in November is we created this incredible capability that is a transformation capability. So the last decade was an era of sort of disruption and new sort of full stack company creation. What AI does -- because it's not a distribution advantage; it's a transformation advantage. It allows you to transform your consumer experiences and how you learn and how do you do drug discovery, all the things it can do, but it's not how you access consumers necessarily.

So essentially what's going to happen in this decade is giving the superpowers of small companies to big companies. So a lot of our focus has been on, well, gee, if we have these language models plus other forms of AI, because that's not the only AI. We've been using other parts of AI for a while now. If you had all these capabilities, how can we go to these larger companies and help them transform?

And there, our core principle of radical collaboration is essential because, there, we're not going to these big companies saying we're just going to go replace you and take share from you. We're actually going to build these technologies that help you transform, be more AI-enabled, and do it in a responsible way because you do have to think about workforce transformation in that context. You have to think about how do you do it in a way that you are serving everybody? All the same issues in this new and sort of transformational effect you have to be mindful of.

But we think, the next 15 years, the use of AI, most of the value's going to get captured in this transformation role and in this sort of partnership between technology industry and other industries to bring about this change.

Michael Brandmeyer: So it's obvious who some of the big winners are, and they tend to be big companies. In the startup sector, what are some of the areas that you're seeing as being most promising right now?

Hemant Taneja: I'm very optimistic about what the AI and language model parts of AI can do in healthcare, for example. Imagine instead of having a couple million nurses in this country, you had infinite number of nurses because you could do this digitally in a very cost-effective way. How does the care model change? So that's an example.

I think you can do that in legal, where LLMs are actually very well suited. We think there's a big transformation in media coming because of this. Obviously there's a strike and you're dealing with the concerns around it from the workforce in that industry, but my expectation is, by embracing it, you could actually unleash creativity to the next level.

So I actually think most of these industries are going to evolve. I mean, I think drug discovery and life science is a huge area. I actually think financial services is a big place where that's going to change. And then think about the call center industry and the customer support and service industry. There is so much more that can be done in enhancing experiences and how these businesses serve their customers that it's going to get adopted in a lot of those places.

I mean, we must have seen close to a thousand companies in the first half of this year now, and people are attacking the use of language models in every different direction, every different one of these kinds of use cases. It's very exciting. I do think it's going to be a tremendous era of building innovative companies over the next 15 years because of this shift.

Michael Brandmeyer: Yeah, we're certainly at Goldman Sachs spending a lot of time thinking about it internally as it relates to our own business. And what about the broader implications for how AI may affect the geopolitical landscape and society at large?

Hemant Taneja: Yeah. If you think about the technology systems in the context of geopolitics, the world's breaking up into two technology systems -- the US-centric system, which is more democratic, open, and most of Europe, India, US, they're aligned. And then there's the Chinese system, which is more authoritarian. So I actually think there are two models of AI that are going to be in a race against each other. This is the Digital Cold War that Fareed Zakaria and I just wrote about recently. And a lot of our focus is on how do we make sure the AI system and the AI industry that is supportive of democratic values and is respecting human rights and freedom of speech and privacy and values like that is the one that ends up being dominating in business?

It requires a collaboration that's unprecedented in AI across these different nations, which is a lot of where I have been spending time, because we need a responsibility AI code of conduct that gets embraced. And it does in a way that every nation feels they are AI resilient.

In the era of globalization, US technology companies would build products, and the rest of the world would just embrace them. But post pandemic, post Ukraine, post seeing that somebody can be removed out of SWIFT, as a nation, every country is now saying how do we be resilient for our people? So in that context, they're going to want resiliency in AI. So it has to be done in a way that you're building local capabilities, but then there's a collaboration so that this federated model of AI across a democratic world can have the same scale advantage that an authoritarian model would, where, in fact, you would put all the data in a single model and there's no constraints and there's no complex set of fragmented regulatory frameworks that are going to get in the way.

So I think it's a race of a bottom-up versus top-down AI system. And we're spending a lot of time thinking about how do we make sure there's a collaboration that drives the development of AI in the democratic world with the democratic values as the leading enabler of business.

Michael Brandmeyer: Absolutely fascinating. Let's pivot and talk about healthcare. Healthcare is a sector you're very focused on. And, as you mentioned, you wrote a book called *UnHealthcare: Manifesto for Health Assurance.* And you've also co-founded several healthcare startups, including Livongo, which was acquired by Teledoc Health, and Commure more recently. Are we making progress in making healthcare more accessible to people through companies such as the ones you're building?

Hemant Taneja: The vision for healthcare for us has been something we call health assurance, which I wrote about in that book. And that's really three things. One is transition to care model to proactive care. Consumers want health. They don't want inexpensive, high-efficacy sick care system only. Doing it in a way that is affordable for society, reduce the GDP of healthcare. It's approaching 20%. At some point, if healthcare costs keep outpacing the pace of GDP, you as a policymaker is borrowing more and more dollars from supporting education and defense and other areas. It's a breaking point. And we saw the vulnerability of the system post COVID.

And the third thing is health equity. We have no viable healthcare system for inner cities and rural America, and we have to fix that. And so when we think about, okay, this goes back to my long-term enduring mindset. In 30 to 50 years, what should the system look like? It needs to be a system of health assurance. Proactive, affordable, accessible.

In order to do that, there's no single company that's an answer to that. You know, I've said this before. The Amazon of healthcare is a trillion dollar ecosystem, not a trillion dollar company. So what happened post COVID is that there was this [UNINTEL] explosion of a lot of companies that have been building towards these kinds of proactive, affordable, accessible experiences. And what we have to do is we have to help our health systems become more vibrant. We need to help them move towards value-based care. And we need them to be built with the mindset of health assurance.

I think there are a lot of leading indicators that the companies that are going to change the system are already in motion. We are supporting many of them. We have over 100 companies now in healthcare that are working on different parts of the ecosystem. And I'm very optimistic that in this decade you're going to start to see the health systems become more vibrant and the system becoming more economically rational.

Because right now, who pays and who benefits are two different stakeholders, and that's a lot of why the misalignment happens in this industry. And we think that this innovation is going to help us move into a rational economic system. And frankly, Livongo, that's the company as you mentioned we helped build in our own offices, was one of the first examples where you could see that you could do that at scale. And Livongo, in some ways, was the first health assurance company and that we now have so many of them that are following those footsteps and thinking about both business model and consumer experiences with that mindset.

Michael Brandmeyer: Yeah, I love your framework that what we talk about as healthcare is really sick care. The core idea here is we need to move away from that and keep people healthy and avoid what we call healthcare today.

You launched the Health Assurance Ecosystem Partnership, which I think brings a lot of this together. Your partnership mindset, your long-term mindset. But you've partnered with 18 health systems across four countries, covering 40 million people. Another big idea. Why did you go down this path?

Hemant Taneja: Yeah, no, our belief is that, again, if you want to do this transformation and make a dent in the healthcare ecosystem in its transition to health assurance, it wasn't going to happen just by building a few portfolio companies and you take them public and exit. In fact, I have very mixed feelings about the Livongo outcome. It was a great financial success for us. We sold it at the peak. It merged at $18 billion valuation probably about six, seven years after we launched the product. But we were only serving half a million people at that time, out of 35, 37 million people that have diabetes and other chronic conditions in the US.

It was, in some ways, short-term success. But long term, we could have built a business that was going to be so much bigger and so much more impactful. I think thinking with that mindset, a lot of what we are doing is that help these companies scale. Help these companies make a real impact. And the answer to that is to be in partnership with the ecosystem. You need the existing healthcare system to embrace these companies, partner with them, and think about a transformative consumer experience that is aligned with the health assurance principles.

So we don't see any other path to do this type of a long-term transformation if it wasn't for a true partnership in service of these partners and working closely with them.

Michael Brandmeyer: Yeah. We've talked a lot about the General Catalyst approach to investing into venture. Let's talk a little bit about the macroeconomic environment for venture capital in general. We may be going through a period of massive disruption for the VC industry, just given the fact that we've been through a severe market retrenchment over the last 18 months. How do you see the industry evolving?

Hemant Taneja: Yeah, so I think there's a superposition of a few things going on in our industry. One is just bubbles get created, which are actually good for innovation because a lot of capital goes towards interesting technologies and market changes. And then bubbles burst.

So there's one of the sort of 10-, 15-year accordion that sort of impacts the industry, so that's a lot of where the focus is on. You know, a lot of companies got overpriced. How are they going to navigate the next few years? But resilient entrepreneurs find a way. And maybe some of them will have down rounds, but a lot of public companies had their valuations get reduced as well. So to me that's just ordinary course of business, and I frankly don't pay much attention to that because it's just what happens in markets.

But then there's the, as I mentioned earlier, the bigger shift around AI being a technological shift with which there's a new model to engage with the rest of the economy for technology. So that's sorting itself out. So all that infrastructure and tooling is getting built. And then founders are realizing the values are actually in working with these systems and go to their transformation.

And then frankly the third, when you go sort of, you know, Zoom out even further is around the changing geopolitics. So with technology, we're building core pillars of society, and every nation is trying to figure out how to be more resilient in those core pillars for their people. And the way our companies get built and how they think about becoming global and that scale and enduring, those models have to change. So that is another place where we think a lot about, you know, if you were an AI company today, how do you become global? That's an example.

So I think the geopolitics dynamics trump business in some ways. There's an AI transformation. And in in the short term, there's the how do you cross a chasm from this, like, last bubble where things go overpriced? Overall, I would say is it could not be a more exciting time because you've got mispriced assets for growth. You've got AI innovation for early stage investing. And then you've got some industries that are all going through this change around resilience -- healthcare, climate, education, and others. It's in some ways a golden age. I've been saying this for a few years. I feel very lucky, my whole career is going to coincide with this digital transformation of society that has a huge runway for this particular asset class.

Michael Brandmeyer: Yeah, I always say invest in innovation because, even though we're at the end of one cycle, at least one financial cycle, it's just so exciting how many interesting themes that are out there and mega trends that you can invest behind. Let's rewind the clock for a moment and go back to when you were you still in school at MIT. How did you end up with five degrees?

Hemant Taneja: I often call it the lack of focus. I think the reality is I was very curious. And my favorite thing to do when I was in college was look at the course catalog. I would look at it all the time. What else can I learn about? And how do I learn about something in every department? And then when it was senior year, I had taken all these classes, but I wasn't going to be able to graduate in any one of them. So I just looked at which ones were close to finishing and then I just leaned in and got those done.

But I was on a path to being an academic and following my curiosity, which in hindsight was good training for this job. I didn't think I was going to be a venture capitalist when I was in college. But it was a great experience being at MIT and being able to just learn about all these interdisciplinary ideas.

Michael Brandmeyer: You were planning an academic career, but you left school in 1999 to join a startup. Of course, that was at the height of the dot-com boom. What was it like for you at the time? And what was the tipping factor for you to join this startup after having such a great experience at MIT?

Hemant Taneja: Yeah, you know, just like I was saying before, the General Catalyst journey started with serendipity. I think that happens in life, too. And in that particular life decision of let me just take a sabbatical and I'll just go take a break and I'll come back and finish my PhD and go be part of this movement. Because all these smart folks at MIT were going in and building these Internet businesses, Akamai [sp?] and others. It felt like a moment in time that just was very unique, and I wanted to be a part of it.

So I literally put the academic career on pause, partnered with three of my very close friends in college, my best friends, and we started this company. And it was very serendipitous. We didn't really have an idea. We just knew mobile was happening, and it was a technological shift. So we were like, "We'll figure it out."

And I look at my career starting from there to where I am today, which is all about building intentional technology-led companies and I've gone through my own journey of how you go from serendipity to intentionality in building a career, which is in some ways no different than how you build an organization that might have started with an accident with a good, cool insight. But then you have to become very intentional and values driven and mission driven along the way to really build a great legacy.

Michael Brandmeyer: Talking about serendipity, one of my favorite stories is about how you met the founders of Stripe, the Collison brothers, during your MIT days. And of course that relationship has resulted in one of your most successful investments. Tell us that story.

Hemant Taneja: So I studied in the computer science department and also I was studying in the Sloan School at MIT. And there was this dynamic at MIT where, at that time, if you wanted to learn about business, you had to go to business school. And I knew that a lot of the engineers, if you exposed them to what business was with an engineering mindset and did it in their own comfortable setting, that more engineers would want to become entrepreneurs. You could unlock entrepreneurship at a greater scale.

So I helped create a course called Founders Journey, which was taught in the CS department. This was actually when I was at General Catalyst. We were investing. And I used to always think about how do I stay close to the students on campus? Because they often know where innovation's going. They're the bleeding edge of it.

And General Catalyst, being in the Cambridge area, MIT was obviously a natural spot for me to think about going and teaching A) because I went there but then also so much of the engineering work happens at the institute. So engineers would come and learn what it took to start a business. And I really deconstructed it into nine different set of exercises that we would walk these folks through and help them start a company and learn those skills.

It was in the middle of the App Store stuff, so this was I think in 2009, 2010. So right after the App Store launched all these interesting businesses that students on campus could build because it was so simplified with the AWS tools. Everybody was thinking about starting companies.

I actually met John and Patrick through that because John had visited my class, along with Greg Brockman, who is now the president of OpenAI and was a CTO of Stripe. I met the Benchling founders through that. I met the Segment founder through that. It was, like, I was just teaching because it keeps you vibrant, learning from these smart students on these amazing university campuses. But ended up being a boon for us as well because we ended up investing in some of these companies, obviously Stripe being the most prominent. And they've become great friends and have had a great impact on our own journey at General Catalyst as well, just learning to watch them build their intentional businesses.

Michael Brandmeyer: Amazing. So fast forward to today, let's talk about some of your outside interests. In addition to your many pursuits as an author, entrepreneur, and investor, you're also an educator through your involvement with Khan Lab School and Sal Khan, an innovative K-12 school. How did you decide to focus on education along with everything else you're doing?

Hemant Taneja: That might have been just entirely personal. So Sal is one of my dear friends from college. And obviously he's built this incredible movement around Khan Academy. And when our kids were getting older and we were starting to think about school for them, Sal had written this book, *One World Schoolhouse,* and we helped him start the school Khan Lab School.

And the whole idea was to leverage this whole idea of mastery-based learning and self-paced learning and re-think what the model is. I think most parents who might be listening to this would agree that almost everybody's unhappy with the school that their kids are in because the reality is that the existing Prussian model just doesn't really lend itself for a culture of lifelong learning and what you really need to thrive in society today.

And so we're, like, we know the right answer isn't to go to one of the existing schools probably, so why don't we just take a shot at starting something. It was a human experiment with our own kids. But my wife was very encouraging of that because she had been thinking a lot about what's going to be great for our kids. So then that's how we started. The school started supporting up to Isabella, who's our eldest, and she was I think in sixth grade at that time. And then today it's a K-12 school.

They've had a couple of classes that have been very successful in how they got placed. I think the kids feel very resilient. They've learned to learn anything, which is really the goal. And we've been on that journey for about eight years now.

Michael Brandmeyer: So we like to end these sessions with a lightning round, so we're going to run through a couple questions and just get a quick answer. What was your first investment?

Hemant Taneja: My first investment was a company called Site Advisor. It was founded by Chris Dickson who's at another venture firm, is a crypto investor and a good friend of mine, and two of my friends from MIT. And they were working on SafeSearch. And it was acquired by Mac a few years later. And I thought venture capital was very easy at that time.

Michael Brandmeyer: What is your biggest lesson you've learned as an investor, knowing that sometimes you learn great lessons on good investments but sometimes you learn lessons on your worst investments?

Hemant Taneja: The biggest lesson for me, having done this for 20-plus years, is to really appreciate what humility means as an investor. Not to sound too crass. I mean, you're selling money and you get to say yes/no. It has a profound impact on you because you start believing in your own view of what's going to happen in the world. And the reality is that you have to completely disengage from that in how you make investment decisions.

And from my standpoint, you know, we're starting to think about our own views of what's going to happen in the future and really look at the investments from the lens of the founders and seeing if you want to get behind that or not is the essence of staying humble and staying first principled as an investor.

Michael Brandmeyer: Which investor do you admire most?

Hemant Taneja: I would have to say Warren Buffet. And I say that because he's got the long-term enduring perspective and he's very principled. It may not be that all those principles apply all the time to what's happening with businesses, but he's consistent and doesn't operate with FOMO. And so that to me -- because there are many strategies to create success and there's many great investors, but those are interesting criteria to be thinking about and sort of staying consistent. And obviously he's had an amazing run in Berkshire.

Michael Brandmeyer: And how about your biggest mentor?

Hemant Taneja: So my biggest mentor I would have to say has been Ken Chenault, our chairman. We've only worked together for a few years, but he has helped me coalesce so many key insights and learnings that were all over the place in my mind in the things I did just by sheer instinct and become a lot more intentional. And working with him on advancing on the principles of responsible innovation and learning how to be a leader, frankly, as General Catalyst scales, it's not good enough for me to be a good investor. I need to also learn to have that servantleader mindset in the way we build our own organization. And honestly, I didn't know any of that a few years ago, and he's had a huge influence on me.

Michael Brandmeyer: Ken's amazing. What's the best piece of investment advice you can give to our listeners that you wish someone had given to you when you were younger?

Hemant Taneja: Invest in people, not ideas.

Michael Brandmeyer: Finally, what are you most excited about in the world right now?

Hemant Taneja: I am very hopeful that the confluence of technologies that are all coming together -- if you look at AI, if you look at applications of AI and materials and biology, if you think about a lot of the new biological technologies that are coming about -- I think the answers to an inclusive society, that everybody prospers, and a sustainable planet are all through those technologies. Innovation is the answer for the great life that we all covet as a society. And this is the moment. I think these next 20 years, we'll do a lot.

We're going to look back and, if we're intentional and we have the responsible innovation mindset, we're going to look back and it's going make a big difference for the generations after us.

Michael Brandmeyer: Well, very mind bending and inspirational. Hemant, it's always such a pleasure to speak with you.

Hemant Taneja: Thanks for having me, Mike. That was so fun. You just took me down 20 years of Memory Lane.

Michael Brandmeyer: Thank you all for listening to this special episode of Goldman Sachs Exchanges Great Investors. This podcast was recorded on September 12, 2023. If you enjoyed this show, we hope you'll follow us on Apple Podcasts, Spotify, or Google Podcasts or wherever you listen to your podcasts and leave us a rating and comment.