

MoS Rapid Response Transcript – Dan Schulman

[Listen to the full Masters of Scale Rapid Response episode with Dan Schulman here.](#)

DAN SCHULMAN: There was a ton of emotion and a lot of determination across all of PayPal's employees, most acutely felt by our Black colleagues. How do we respond to this?

We established a \$500 million fund to invest in Black and minority entrepreneurs, black and minority-owned businesses, Black and minority-owned investment funds, as well as putting money into community banks that support communities that are predominantly Black or minority. It's a multi-faceted, multi-pronged investment that we hope over time will make a difference.

We need to be about having a purpose. We need to be about making an impact. That's what the most talented and passionate employees also expect and want. That's where they want to work. I think it all starts there. If you don't have the most talented people that you can possibly recruit, and keep, and keep inspired, then you can never aspire to move from being a good company to a great company. I think that is foundational.

BOB SAFIAN: That's Dan Schulman, CEO of PayPal.

In recent weeks, some big brands have announced new financial commitments to racial equity and justice in the wake of George Floyd's killing and the ensuing protests: Apple, for example, committed \$100 million. So did Comcast.

But few have matched the scale of Dan's effort at PayPal, half a billion dollars in support of Black and minority-owned businesses.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Dan to learn how PayPal's initiative took shape and why he decided this moment demanded this sort of response.

Paypal is one of those lucky businesses that happens to be thriving in the Great Lockdown. The demand for digital payments, Dan says, has accelerated three to five years.

He's doing all he can to grab hold of that opportunity. But he's also trying to take advantage of this time of crisis to address what he calls deep-seated and long-ignored issues about the racial wealth gap.

Business leaders, he says, have a moral obligation to step up.

[THEME MUSIC]

SAFIAN: I'm Bob Safian and I'm here with Dan Schulman, the CEO of PayPal. The pandemic has hurt many businesses – but PayPal is not among them. PayPal has been booming as e-commerce purchases have swelled. The stock is up more than 50% this year. That doesn't mean though, that Dan hasn't had a slew of adjustments and worries to manage. His highest profile effort came in response to the social protest that erupted after George Floyd's killing, when PayPal committed \$530 million to support Black and minority-owned businesses. Dan is coming to us today remotely from California as I ask my questions from my home in New York. Dan thanks for joining us.

SCHULMAN: Thanks for having me, Bob. Appreciate it.

SAFIAN: So looking at the numbers, 2020 has been a really good year for PayPal. We'll get to your social justice efforts in a minute, but tell me what about the pandemic has been challenging for your business, for your team, and for you personally?

SCHULMAN: Well, I think for everybody, the pandemic spanned at least three issues that we're all facing. There's the health crisis. We are all social distancing, we're all working from home, which has been a challenge. And I would never, ever have imagined 25,000 employees going from being in an office to working from home in two weeks time. But that's what happened.

And then obviously, the economic crisis came out of the health crisis. We spent a lot of time thinking about the financial health of our employees. We made a commitment not to lay off anybody as a direct result of COVID-19.

And then finally, I think all of those things have cascaded and there's a lot of psychological stress on people working from home, managing kids, worrying about a host of different things. And so those have all been challenges for us as we've faced a torrent of demand at the same time.

We've had all-time records in terms of transaction volume on our network and new customers signing up and that's put a degree of stress. That's probably a high class problem to have but nevertheless, we had to think about how we get ready to address all of the demands that customers have on our platform right now.

SAFIAN: I heard that one of the largest segments of new users for PayPal has been those over 50.

SCHULMAN: We've seen a ton of different demographics come onto the platform. We did have a lot of older segments of the market, we call it silver tech, come on, because

like everybody else, they had to. They were sheltering in place. The only way to get groceries and to shop and to get goods and services was to do that online through e-commerce. We put up these educational vignettes and videos on our website that are very simple and easy to look at, to understand how to use PayPal.

We also put into place a number of new capabilities because what we really saw was an explosion of giving on the platform. People giving to service providers, people giving to local businesses, local businesses asking for donations, and really having to connect merchants and consumers, consumers to consumers in new ways. It was probably one of the more inspiring things that I've seen on the platform. Our amount of giving is at all time records on the platform and last year Bob, there was over \$10 billion of giving to nonprofits from PayPal consumers over our platform. So when I talk about all time records, you're talking significant volumes of people helping each other.

SAFIAN: So let's go to the help that you and PayPal recently announced, that you're providing \$530 million commitment after George Floyd was killed.

SCHULMAN: I think like everybody across the country, there was a ton of emotion and some despair and a lot of determination across all of PayPal's employees, most acutely felt by our Black colleagues. And as we thought about, how do we respond to this? We've been advocates for inclusion. It's probably our number one value as a company. And we spent a lot of time both listening to Black leaders across the country, listening to Black employees across PayPal to think about what we could do.

And basically as I learned a lot and listened a lot, I felt like we couldn't just be in a place where we were going to condemn racism, but that we would become a company that would be anti-racist, and the way we define that was that we would lean into this in a way that we would do the work and join the fight over the medium to longterm. When the protests dissipate or disappear, there's still work to be done and that we wanted to be sure that we addressed a part of the issue, which is this racial wealth gap that really hasn't closed since the last civil rights movement back in the 1960s.

And PayPal is uniquely positioned to be able to think about ways of helping Black and minority-owned businesses and entrepreneurs. Our company is all about driving financial health. And so we felt that it wasn't just about donating money but it was really about a multi-year effort that would be impactful over time.

SAFIAN: There was a lot of pressure right after George Floyd was killed for people and businesses to do something. You must've felt some pressure to act quickly, at the same time as you're thinking about this longer term commitment. How did you navigate those first few days, weeks? And how did you get to this \$530 million number?

SCHULMAN: Yeah, there was a ton of pressure to react immediately from within our employee base, and I try to make sure that we're thoughtful about our reactions. And I felt like listening a lot over the first week or so. Of course, condemning the systemic racism that has existed in our country for centuries, but then really thinking about and listening, like, What more can we do?

And I spoke to our Amplify group, that's our D&I community that supports Black employees. I spoke to them, about 1,000 people on the video call. I learned a ton from that call. I didn't have all the right language. I didn't understand the depth of some of the despair and emotion. I then felt like I needed to talk to a number of different Black leaders across the country, just to hear what they had to say as well.

We've always advocated and we've taken action. But I felt like this was a time and a moment in our country where the fight for social justice, for civil rights was acute. I really felt like this wasn't just a moment, but it was a movement, and that it was important – in fact crucial – that companies stand up and make a significant declaration, that this was not just about giving a million dollars to nonprofits who fight the good fight every single day, but it had to be more than that.

So we thought about different tranches of money that we could give. And we wanted there to be some money that we could give right now, because Black-owned businesses are suffering at this moment through COVID-19. But also that we had a substantial amount of money that we could deploy over the medium and long term to really address this racial wealth gap.

SAFIAN: The biggest piece of the commitment is a \$500 million investment fund that you expect PayPal to earn a positive financial return on, right? This is not grant money or loan money. This is actual investment money.

SCHULMAN: Well, that's correct. We took our \$530 million, \$30 million we put immediately to work. Black-owned businesses during COVID-19 have had to close down two times than white-owned businesses. And typically, Black-owned businesses have a much more difficult time getting financing than white-owned businesses. And at this time, it's practically impossible for them to get loans.

So we just decided we were going to give \$10 million of grants to Black-owned businesses. And in two days, we got 55,000 applications. That's how acute the need is. We gave \$5 million right away to nonprofits that were focused on helping Black and minority owned businesses on the ground. And then we put \$15 million into our diversity and inclusion efforts inside of PayPal, increasing our recruiting at high school and historically Black colleges and universities.

Then we established a \$500 million fund to invest in Black and minority entrepreneurs, Black and minority-owned businesses, Black and minority-owned investment funds, as well as putting money into community banks that support communities that are predominantly Black or minority. And so it's a multi-faceted, multi-pronged investment that we hope over time will make a difference.

[AD BREAK]

SAFIAN: When you mentioned that \$10 million direct grant, 55,000 applications in a couple of days, I mean, that's only like 200 bucks an application, right? I mean, you need more money if you're going to really have an impact on that volume of need in the near term.

SCHULMAN: That's exactly right. And in fact, on average, the grants we gave out were \$8,000. People could ask for up to \$10,000. We asked people to only ask for what they needed so we could spread that as much as we possibly could. But the need is extremely large.

We also participate in the Paycheck Protection Program and we've now helped 70,000 small businesses around the country. And in our Working Capital Program, most people don't know we're one of the top five providers of working capital to small businesses in the United States. Seventy percent of our working capital goes to the 10% of counties where 10 or more banks have closed branches. And banks predominantly close branches in neighborhoods where the median income is below the national average, so the amount of working capital is disproportionately skewed towards minority-owned businesses, to women-owned businesses. That same proportion happened with our PPP loans as well.

So we've been able to make a difference. Still so much to do, but we've been able to make a difference – not just with this \$530 million commitment, but with the products and services that we put out into the market day in and day out as well.

SAFIAN: It's so complicated because I see you wanting to make a long term, medium to longer term impact. At the same time with this need so acute, do you start to think like, "Oh, should I take some of that \$500 million fund and move it into the early needs? Move it into the grants? They need it now." How do you balance those kinds of trade offs?

SCHULMAN: Well, there's no perfect way to balance that. You make your best estimates as to where you can make the most difference. We've done over \$15 billion of working capital loans since we went into that business. These are huge numbers.

But this was really how do we demonstrate a long term commitment to this, because so many of the Black leaders across the country think that this can be a tipping point, and that looking at things, not just the here and now, but over the next couple of years, is

especially important as there are a lot of people, as you mentioned, making donations at this moment. But this is really going to be a multi-year multi-decade fight towards racial equality.

SAFIAN: You mentioned the \$15 million to internal programs, and I know you've reported that PayPal is already 57% diverse now, 54% diverse for VP and above. But you put this extra money into your DNI programs, and I'm curious, was there something new that you discovered about PayPal's internal workings that invited this commitment?

SCHULMAN: Well, we did \$5 million into our DNI communities across our company. Just as I started to think about how do we create better programming for our DNI communities, how do we increase membership? I felt like this is a good time. And our recruiting is never, ever going to be done. We've made substantial strides in our diversity. Our board is also 50% diverse. We improved our diversity by 15% from 2018 to 2019, but this is a never ending process. And I believe very strongly that a diverse workforce, and there's one study after another that proves this, leads to companies having a competitive advantage in the marketplace. And so the more diverse we become as a company, the more we embrace inclusion, the stronger we will be.

And I think my favorite quote around diversity comes from Justin Trudeau's dad when he said that diversity is a fact, but inclusion is a choice. And to me, that is really what it's all about. It is about continuing to invest, making people feel when they come into the company, that there are support systems, that they have opportunities, that they're part of a family that's focused on a mission that matters, and that their voices and their perspectives are not just heard, but acted upon.

SAFIAN: You mentioned your board, which is quite diverse, but not particularly in terms of ethnic background – only one Black member and no other non-white directors. Is that a need that you're thinking about addressing?

SCHULMAN: Yeah, I feel like the more diverse we can be, the better off our board will be, and the better off our company will be. And when I first started almost six years ago now, PayPal's board was 10% diverse. We had one woman on it, the rest white males. And so we made the decision that the board needed to be the ultimate representation of what the company aspired to. And so we made good progress on that. We'll continue to make more progress on that because I think we can always strive to be more representative and more diverse.

SAFIAN: Facebook and other tech platforms have come under pressure particularly recently for not managing their users, what happens on that platform, free speech versus hateful speech. And I know you've had some clashes. There was a social site, Gab, that you kicked off of your platform. How do you think about that part of your business?

SCHULMAN: I can't really comment on other platforms, but I feel strongly – and I felt strongly – that PayPal needed to have a set of consistent criteria led by our values in terms of our acceptable use policy. And our acceptable use policy bans anybody from using PayPal or Venmo to raise money for violence.

We do not allow anyone who advocates for any kind of racial intolerance or what we define as hatred. We ban obviously the KKK, Nazi-oriented sites, Gab, as you mentioned. And we look very, very carefully across a number of different criteria and try to, on a very consistent basis, think about what constitutes hate versus free speech.

And nobody teaches you that in school. The only thing that all of us have heard is you can't yell fire in a crowded theater. But besides that, this comes down to assessments, and we have a relatively large team across our brand reputation, legal compliance, marketing the business to various business owners, and we look at every single website that uses us. We don't just look at what they say. We look at what they link to. We look at the embedded videos within that to make a determination whether or not we think that that violates our acceptable use policy. It's not a perfect dividing line. Obviously people can debate these. We debate them internally, but we try to be very consistent and we try to keep hatred off of our platform as best we can. And I feel like that is our responsibility to go and do that.

SAFIAN: It feels like business leaders like you are being asked to make moral judgments in a more public way than ever before.

SCHULMAN: I think business leaders and companies do have a moral obligation to step up and address the issues of our day. We have an obligation to be corporate citizens, to think about these issues and to act on these issues. I don't think we can abdicate that responsibility to our government. I think our government is reasonably paralyzed and quite divided. I think we need to step up and be about more than just making money.

We need to be about having a purpose. We need to be about making an impact. By the way, Bob, just to be clear, I think that's what the most talented and passionate employees also expect and want. That's where they want to work. I think the most important constituent that a CEO has is their employees. I think it all starts there. If you don't have the most talented people that you can possibly recruit, and keep, and keep inspired, then you can never aspire to move from being a good company to a great company. I think that is foundational.

SAFIAN: All of these issues that you're dealing with are now amid a new backdrop of rising coronavirus infections across the country. I'm curious how worried you are that this trouble is going to end up crimping your business, how the inflection that we're seeing now in infections may be impacting your planning.

SCHULMAN: I think it's an incredibly dynamic environment. We're living through a crisis and a scale and a time to impact that none of us ever thought about before. This is fully global. I think that there's no straight line to recovery. I've heard many a different story on when that vaccine becomes widely available. I'm no expert on that. I do know we need to plan for ups and downs. I do know that the demand for digital payments, both in the online and physical world, is accelerated at least three to five years. It's not hyperbole. That's actually math when you look at the trend lines. In some cases I've seen studies where we've accelerated seven years from where we thought we would be and that's where we are today.

It puts a lot of pressure on me. It puts a lot of pressure on the people of PayPal because we need to put out a number of incremental services. We need to be at point of sale. We need to help people manage and move their money. We need to help them to connect to the charities they support, to their houses of worship, to their schools.

There are so many demands for our services right now that we need to really focus, double down, and really invest in the products and services that we put and spend a lot of money to go and do that. We're in the fortunate position, as you mentioned, where there's a lot of demand for our services, so we have the capacity to invest, but there's a lot of pressure on us to make sure that we deliver during this time, because I think this is a once in a decade chance for PayPal to redefine itself and transform itself into really an everyday essential item for both merchants and consumers around the world.

SAFIAN: What's the balance for you personally between being stressed about all this, being energized? It's a stressful time.

SCHULMAN: I don't think anybody would deny that it's a stressful time. We just had a board meeting. I told my board that I don't think I've ever been as focused, and engaged, and as enthusiastic about the impact that PayPal can make, which by the way is saying something because I'm typically pretty focused and engaged as any of my team will tell you.

I think my entire team right now understands that this is our time and this is our time to step up. It isn't that we haven't been doing quite a number of things over the course of the last five plus years that I've been here and 20 years that PayPal's been an e-commerce leader, but this is a time that is unlike maybe any other time. There's pressure on it, but there is a ton of excitement about the role we can play in the emerging economic recovery.

I think every company is wrestling with all the issues that you've talked about. All of us as citizens of our country are wrestling with very deep reflections that probably we're thinking about more than ever before. I think in a moment of crisis, one of two things can happen. It can be an opportunity for us to come together around really important issues

or it can drive people apart. At least my perspective is we ought to take advantage of this crisis that we're facing right now, and do all we can to come together, and move forward, and hopefully address some of these deep seated and long ignored issues

SAFIAN: Well, thank you, Dan. Really, thank you for sharing.

SCHULMAN: Thank you for the time. I really appreciate it.