

LEADERSHIP

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Good afternoon. It's great to be able to spend this time with you today. Please allow me to wish all of you a belated, but very sincere, Happy New Year. I hope 2003 has gotten off to a good start for everyone. We accomplished much last year, due in no small measure to the hard work, dedication, talents, and will of each and every one of you. So let me start by saying, **"Thank you!"**

Our topic today is leadership, and I'd like to take few minutes to share with you my thoughts on what leadership means to me and what I think it should mean to accomplishing MasterCard's mission and business goals.

Now that we've crossed the threshold into 2003, I'm sure you are as excited and enthusiastic as I am about the new goals, challenges, and opportunities for success this year holds for us.

With the start of the New Year, our sights are set squarely on the road ahead. After all, that's what leaders do. They stake out new objectives, formulate strategies to achieve those objectives, motivate and rally those around them, and then execute and refine those strategies until the objectives are achieved. What leaders don't do is waste time sitting around congratulating themselves and reveling in what they've already accomplished. So I'm not going to spend a lot of time today looking in the rearview mirror, though there is one thing I do want to touch upon.

As all of you know, last year, for the first time ever, MasterCard became the largest credit card brand in the United States, with more than 264 million cards in force. That means we are closer to making our objective of becoming the global payments **leader** a reality. It also means that this year we will have to work even harder to solidify and maintain our position. That will require all the leadership skills we can muster, from the top of the organization chart all the way down.

On that point, let me say how very impressed I was as I listened to each of you talk about the leadership initiatives underway in your respective areas. Developing top-notch leadership skills that permeate every level of our organization and influence every aspect of our business is critical to our success, and I commend you on your efforts. The initiatives you described represent an important investment in our future, just like technology, marketing, and new product development, and we must not lose sight of that. The leadership skills we nurture and develop today will bear the fruit of success for us in the future.

Having said that, and I do strongly believe it, the concept of leadership remains somewhat amorphous. Leadership means different things to different people. If I were to talk about leadership in a room full of strangers, they would all know what I meant, but they would process the information based on their own notions of what constitutes good leadership.

Nevertheless, the universal importance people place on leadership is unquestioned. Throughout history, and across the four corners of the globe, some of the world's greatest philosophers, thinkers, and wits, from Confucius to Groucho Marx, have weighed in on the topic of leadership. Countless volumes have been written about it, business schools have developed courses and curricula around it, and seminars promising to make attendees more effective and creative leaders take place every day of the week in this country.

Yet who can define "leadership"? I'm sure we could find broad agreement on the qualities we think a leader must possess: boldness, courage, vision, decisiveness, perseverance, resilience, the ability to motivate others, compassion, creativity – you can add any others that are important to you. I'm also sure all of you could name someone you think is a great leader who embodies these qualities.

For me, it's people like:

- Lance Armstrong, a national and world champion cyclist, two time Olympian, renowned humanitarian, 3-time winner of the Tour De France **AND** cancer survivor with the “most stunning comeback in history.”
- Lou Gerstner, who served as chief executive officer of IBM from 1993 until March 2002. Even though he’s credited with turning Big Blue around, when Lou Gerstner first came on board as CEO he was close to despair. The company "just looked like it was going into a death spiral," he said later. "I wasn't convinced it was solvable." Six years later, IBM was utterly transformed.
- Rudy Giuliani, of course. He had to abort his run for the U.S. Senate because of prostate cancer, and his marital problems provided fodder for tabloids around the country. But on Sept. 11, his actions and words during the World Trade Center tragedy were an example of leadership and humanity at its best. He responded to a crisis in the best way possible, and helped New York and America shine and come together in one of its darkest hours.
- Dr. Martin Luther King Jr., civil-rights leader and ordained minister, who had a dream of making America better and backed his commitment with his actions and willingness to be arrested 42 times for protesting segregation.
- Golda Meir, Israel’s former Prime Minister. She devoted her life to her country from the time it was founded. She led her people and her nation by standing up for what she believed in and fighting with everything that she had.

I could mention others, like JFK and Winston Churchill, both of whom rose to meet the challenge when the world was on the brink. These are just a few of the people who personify “leadership” to me. Just the mere mention of their names invokes the image of leadership in my mind.

But I certainly can’t claim to offer an all-encompassing definition of leadership that will satisfy everyone. I do think, however, I can safely say many of us would agree that when it comes to leadership, as U.S. Supreme Court Justice Potter Stewart once said about obscenity, we may not be able to define it but we know it when we see it.

At MasterCard, we **want** to see leadership at every level of our business. Whether an individual is developing the latest knock-your-socks-off technology that will process transactions faster and give our members and consumers an even higher level of service, security, and convenience, or sorting through correspondence in the mailroom, we want and need them to be leaders. Delivering on our promise to make MasterCard the global payments leader requires all of our people to take us there and keep us there.

The well-known consumer advocate – and former presidential candidate – Ralph Nader once said that “the function of leadership is to produce more leaders, not more followers.” Though I didn’t vote for Mr. Nader, I think he’s right. It’s an important concept for all of us who are in leadership positions. We must cultivate leadership, reward it, and empower our people to be leaders.

How do we do that? One way is to encourage our employees to make use of the leadership resources available on our intranet. MasterCard employees can explore leadership topics and concepts that are specifically designed to be relevant to our business and their roles in helping us achieve our goals. Some of the topics include:

- MasterCard’s Vision of how we will become the global payments leader through the efforts of every one of our employees;
- Leadership Attributes; and
- Values.

As managers and leaders, we want our colleagues to incorporate the Leadership Attributes described on the intranet into their daily routines and the way they approach doing their jobs. These desirable Leadership Attributes include being customer-driven, people-centric, team-focused, and entrepreneurial. Among the Values are qualities such as honesty, respect, and spirit.

I think many of our people already possess these attributes and understand these values. More importantly, these attributes and values are being manifested in their performance. The proof of that is in the progress we’ve made and the success MasterCard is enjoying.

I think that says something positive about our ability, as leaders and as an organization, to select the right people for the jobs that need to be done.

But again, as managers and leaders, we must reinforce these qualities and encourage their ongoing development in our people. We must inspire in them the belief that developing their leadership skills and then utilizing them in their jobs results in rewards and success, both for MasterCard as an organization and for the individual employee.

Of course, effective leadership requires clear communication of goals and objectives. People need to know what's expected of them and be made to feel that they have the tools, resources, and support they need to meet those expectations. The results of last year's Employee Engagement Survey provided some encouraging feedback on how we're doing. Among the highlights:

- 89 percent of the survey respondents said they had a clear understanding of MasterCard's vision and strategy;
- 85 percent said MCI communicates Vision, Leadership Attributes and Values to all employees;
- 81 percent have confidence the Leadership Attributes and Values will help MCI achieve its vision;
- 92 percent believe MCI will achieve its objective of increasing market share;
- 83 percent have a clear understanding of their objectives and how they support corporate strategy;
- 82 percent feel a high degree of responsibility for successfully implementing management decisions ; and
- 81 percent say they have the tools, equipment and resources necessary to do their jobs effectively.

I said earlier that leaders don't waste time congratulating themselves on what they've already accomplished, and that's certainly true. But effective leaders do acknowledge a job well done, and everyone in MasterCard shares in this particular glory. Survey results

that impressive could not be achieved without strong leadership, management, and commitment on the part of everyone at MasterCard.

The clear lesson here is that everyone, at every level, can be a leader. I promise you, though, we don't intend to hang our hats on last year's achievements. Rather, we will move forward to build on the foundation we've already laid, seek improvements in the areas that require it, and overcome the challenges and pitfalls we may encounter along the way.

In addition to encouraging our people to make use of the leadership resources on the intranet, which really is a useful tool, we must also lead by example. I know, it sounds trite and simplistic, but bear with me for a moment on this.

Earlier I said I was sure that everyone here could name a leader he or she admires, someone who embodies all the qualities of leadership he or she values. Now, I'm asking you to imagine yourself as that leader. Let that person lead you by example. Then take the qualities that you admire in that leader and make them your own. Use them to set, communicate, and achieve your goals and objectives. Don't be afraid to be bold and inspire others. Don't be afraid to show creativity and determination. In other words, don't be afraid to lead.

One of the great, if perhaps under-appreciated leaders of the twentieth century is Dwight Eisenhower. Think about Ike for a moment: Supreme Commander of the Allied Forces in Europe during World War Two; twice elected President of the United States. His alma mater, the United States Military Academy at West Point, which over the years has produced many of the greatest leaders in the history of our nation, erected a sculpture of Eisenhower and named a building after him.

I think I'm on solid ground when I say Ike knew a thing or two about leadership. And one of the things he said about it is "leadership is the art of getting someone else to do something you want done because he wants to do it." That is the essence of what we

should aspire to: motivating our people at every level to achieve MasterCard's goals because they want to. That kind of leadership sows the seeds of success.

Set the bar high, for yourself and others, and inspire them to reach heights they never thought they could. The way to do that is to appeal to the best in them and let them know that you believe they can do it. Some people confuse cajoling and browbeating with leadership and motivational skills. That just won't work in the long term. People may perform and attempt to reach their goals and objectives out of fear of the repercussions of failure, but they will never have the zeal and enthusiasm of the true believer that's required to sustain excellence.

Ike understood that effective leadership is about instilling in people the desire to achieve greatness. In Eisenhower's words, "You do not lead by hitting people over the head – that's assault, not leadership."

Instead, "outstanding leaders go out of their way to boost the self-esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish." That kernel of leadership wisdom came from Wal-Mart founder Sam Walton.

Before I wrap up, I'd like to tell you about an article I read in this month's issue of the Harvard Business Review. It's titled "Moving Mountains," and features reflections on leadership and motivating others from a dozen leaders from various walks of life. If you haven't seen it yet, it's really quite instructive and I'm sure you'll find it as interesting as I did.

Most of the leaders featured in the piece were, as you might guess, well-known corporate executives who talked about leadership skills and motivational techniques they use in running their businesses. People such as Hewlett-Packard CEO Carly Fiorina; Wachovia chairman L.M. Baker, Jr.; Mattel CEO Robert Eckert; and Pfizer chairman Hank McKinnell, to name a few.

The piece also drew upon the experiences of people outside the business world, including a man named Chauncey Veatch, a high school teacher from California who was named National Teacher of the Year for 2002, and Robert Ballard, head of the underwater exploration teams that discovered the Titanic, the Bismarck, and PT 109, JFK's World War Two naval command ship.

All offered fascinating and useful insights into leadership and motivating people. But the one that really stuck with me was Susan Butcher, the four-time winner of the Iditarod, which in case you don't know, is a 1,150-mile dog sled race across Alaska, from Nome to Anchorage, under the most grueling and demanding conditions. Participants have to navigate through – and survive – 100-mile-per-hour winds, arctic blizzards, snow blindness, wild animals, avalanches, sleep deprivation, and anything else nature might serve up.

Butcher's take on leadership and motivation revolved around what she needed to do to gain the trust, confidence, and respect of her team so that she could ultimately lead them to victory in the Iditarod. The interesting twist being that her team was sled dogs, not people. Yet, the leadership lessons in her story are remarkable and, I think, quite applicable to businesses everywhere, including ours.

Don't get me wrong, I'm not suggesting that we put our employees in harnesses, crack the whip, yell "Mush!" and expect them to pull the sled to victory. However, by recognizing the leadership lessons in Butcher's experience and applying them to our situation, we can achieve the same winning results.

For example, she talks about building trust with her dogs, which she describes as very intelligent animals that won't do anything they don't want to without trust and confidence in their leader. Butcher recounts her experience in the 1983 Iditarod, during which she got completely lost on the trail and turned her team in different directions 25 times. Eventually, the dogs lost confidence in her and just stopped responding and wouldn't move any further. Not a very pleasant prospect in the Alaskan wilderness.

Eventually Butcher convinced the dogs to get moving again. She describes having to walk in front of them for as much as 20 miles at a time to show them she could lead. They finally finished the race in ninth place but, Butcher says, every experienced musher told her she would never be able to use that team of dogs again because the dogs had lost their confidence and would never recover it.

Yet Butcher said she knew the dogs hadn't lost their confidence, but had no confidence in her ability to lead them. So she spent the next year working to regain their trust and rebuild their confidence in her. She says she tried to apologize to the dogs and explain to them as best she could that any mistakes that had been made were hers alone, and not their fault. She simplified her commands so that communication with the team was clearer. She put herself and the team in challenging situations so the dogs would learn that together they could overcome obstacles and get out of trouble.

Importantly, she let the dogs know she trusted them to lead in the wilderness and challenge her commands if they put team in danger, since the dogs were better at spotting the thin ice than she was.

The next year, with the same team, Butcher finished the Iditarod in second place. In 1986 she and her team won the race, the first of her three consecutive Iditarod victories. By the way, Butcher and her dogs broke the existing record by finishing in 11 days, 15 hours, and 6 minutes. A year later, in 1987, Butcher went on to break her record from the year before, and then set a new record again in 1990.

What a truly remarkable story. Think of all of the leadership qualities Butcher demonstrated: bravery, trust, perseverance, confidence, compassion, and the ability to set a goal and execute a winning strategy to achieve that goal.

Perhaps most importantly, she recognized that the initial failure, a failure of leadership, was hers. She didn't blame the team. Instead, she apologized to them, acknowledged her

mistakes, and took responsibility for the outcome and for correcting past mistakes. The easiest thing would have been to follow the advice of the more experienced sledders who told her to give up on the team and get some new dogs.

Instead, she ignored the conventional wisdom and spent a year trying to rebuild her team's confidence in her, demonstrating her faith in them, simplifying the communications, and giving them the freedom to challenge her commands and go in another direction, if they thought it necessary. She trusted that they were better at identifying and steering clear of the thin ice. The results speak for themselves.

Susan Butcher achieved greatness and became a winner by being able to lead her dogs. Imagine what we can accomplish if we apply the same principles and techniques in leading our people, specifically:

- Give them a reason to believe in you.
- Show them you believe in and care about them.
- Trust their instincts to steer clear of the thin ice.
- Explain the plan and objectives clearly.
- Simplify the communications.
- Let them see that you are willing to walk in front of the sled and lead the way in a blizzard, if need be.
- Acknowledge your mistakes and demonstrate willingness to work at correcting them.
- Share the spotlight of success.
- Encourage, cultivate and reward leadership at every level.

If you have any doubts, just remember Susan Butcher and her dogs.

I'll finish up by saying I have every confidence that if we really try to apply the leadership qualities we talked about here today and which we admire most in others to our own individual efforts, we will achieve our goals and objectives.

These are tried and true leadership methodologies, forged in the crucible of time and shown to be effective in the real world, in a variety of situations and scenarios. They certainly can – and must – be adapted and applied to our business mission. We already have great people in place whose abilities and performance are a matter of record, and that’s a great advantage for us.

So let’s continue to expect the best from our people and let them know we believe they can reach ever-greater heights. Let’s encourage their leadership instincts at every level and give them the tools, resources, support, and encouragement they need to succeed. I know they will respond and none of us will be disappointed.

The best is yet to come and I’m looking forward to working with you to lead our efforts to make MasterCard’s worldwide aspirations a reality. Our members, employees, stakeholders, and we deserve nothing less.

Thank you.